



# VALUE KOREA ETF (Stock code: 3041)

A Sub-Fund of Value ETFs Trust

## ANNUAL REPORT 2016

For the year ended 31 March 2016

## Sensible Asset Management Hong Kong Limited

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*In the event of inconsistency, the English text of this Annual Report shall prevail over the Chinese text. This report shall not constitute an offer to sell or a solicitation of an offer to buy shares in any of the funds. Subscriptions are to be made only on the basis of the information contained in the prospectus, as supplemented by the latest semi-annual and annual reports.*

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# VALUE KOREA ETF

A Sub-Fund of Value ETFs Trust  
(A Hong Kong Umbrella Unit Trust)

## GENERAL INFORMATION

### Investment Manager

Sensible Asset Management Hong Kong Limited  
9th Floor, Nexxus Building  
41 Connaught Road Central  
Hong Kong

### Sub-investment Manager

Value Partners Hong Kong Limited  
9th Floor, Nexxus Building  
41 Connaught Road Central  
Hong Kong

### Directors of the Investment Manager

Mr Chow Wai Chiu William  
Mr So Chun Ki Louis

### Trustee and Registrar

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

### Legal Advisor

Simmons & Simmons  
13th Floor, One Pacific Place  
88 Queensway  
Hong Kong

### Auditors

Ernst & Young  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central  
Hong Kong

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## GENERAL INFORMATION (Continued)

### Recent awards and achievements

Corporate awards (ETF)	
2016	<ul style="list-style-type: none"><li>• <b>Value Partners</b> <b>ETF and Indexing Awards 2016 – Best ETF Launch</b> – <i>ETFI Asia</i></li><li>• <b>Value Partners</b> <b>ETF and Indexing Awards 2016 – Best Commodity ETF</b> – <i>ETFI Asia</i></li><li>• <b>Value Partners</b> <b>ETF and Indexing Awards 2016 – Best Smart Beta ETF</b> – <i>ETFI Asia</i></li></ul>

## MANAGER'S REPORT

Value Korea ETF ("the Sub-Fund") is an index-tracking exchange traded fund whose units are listed and traded on the Stock Exchange of Hong Kong Limited ("SEHK"). The Sub-Fund aims to provide investment results that, before fees and expenses, closely correspond to the performance of the FTSE Value-Stocks Korea Index ("the Index") by holding a portfolio of the constituent stocks of the Index. The Index comprises 35 value stocks amongst Korean companies' shares listed on The Korea Exchange.

As at 31 March 2016, the net asset value ("NAV") per unit of the Sub-Fund was KRW4,226.11, and 1,950,000 units were outstanding. The total size of the Sub-Fund was approximately KRW8.24 billion.

A summary of the performance of the Index and the Sub-Fund is given below.

<b>Total return in KRW</b>	<b>From 1 Apr 2015 to 31 Mar 2016</b>	<b>2016 YTD (as at 31 Mar)</b>	<b>Since inception</b>
FTSE Value-Stocks Korea Index	1.9%	2.4%	30.9%
Value Korea ETF	-0.7%	1.9%	15.3%

The difference in performance between the FTSE Value-Stocks Korea Index and the Value Korea ETF is mainly attributed to fees and expenses, and security misweightings. The historical tracking error for the NAV of the Sub-Fund against the FTSE Value-Stocks Korea Index was at 102 basis points on an annualised basis since its inception on 23 May 2012.

### Sensible Asset Management Hong Kong Limited

20 July 2016

*All performance figures are sourced from HSBC Institutional Trust Services (Asia) Limited and Bloomberg, in KRW, NAV to NAV with dividends reinvested, as at 31 March 2016. Performance data is net of all fees.*

*Investors should note that investments involve risk. The price of units may go down as well as up and past performance is not indicative of future results.*

## STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

### Manager's responsibilities

The Manager of Value Korea ETF (the "Sub-Fund") is required by the Hong Kong Code on Unit Trusts and Mutual Funds established by the Hong Kong Securities and Futures Commission and the Trust Deed to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Sub-Fund at the end of that period and of the transactions for the period then ended. In preparing these financial statements, the Manager is required to:

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

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

### Trustee's responsibilities

The Trustee of the Sub-Fund is required to:

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

## VALUE KOREA ETF

A Sub-Fund of Value ETFs Trust  
(A Hong Kong Umbrella Unit Trust)

### **TRUSTEE'S REPORT TO THE UNITHOLDERS OF VALUE ETFs TRUST – VALUE KOREA ETF**

We hereby confirm that, in our opinion, the Manager has in all material respects, managed Value Korea ETF in accordance with the provisions of the Trust Deed dated 21 March 2012.

For and on behalf of  
**HSBC Institutional Trust Services (Asia) Limited**

Trustee  
20 July 2016



## **INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF VALUE ETFs TRUST – VALUE KOREA ETF**

We have audited the financial statements of Value Korea ETF (a sub-fund of Value ETFs (the “Trust”) and referred to as the “Sub-Fund”) set out on pages 9 to 38, which comprise the statement of financial position as at 31 March 2016, and the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

### **Trustee’s and Manager’s responsibilities for the financial statements**

The Trustee and the Manager of the Sub-Fund are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, and are responsible for ensuring that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed of the Sub-Fund dated 21 March 2012 (the “Trust Deed”) and the disclosure requirements specified in Appendix E to the Code on Unit Trusts and Mutual Funds of the Securities and Futures Commission of Hong Kong (the “SFC Code”), and for such internal control as the Trustee and the Manager determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors’ responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. 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.

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

## **INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF VALUE ETFs TRUST – VALUE KOREA ETF (Continued)**

### **Auditors' responsibility (Continued)**

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

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

### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 March 2016 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Report on other legal and regulatory requirements**

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

### **Ernst & Young**

Certified Public Accountants

Hong Kong

20 July 2016

## STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2016

	<i>Notes</i>	<b>2016</b> <i>KRW</i>	<b>2015</b> <i>KRW</i>
<b>Assets</b>			
Financial assets at fair value through profit or loss	<i>4, 10</i>	8,114,615,595	8,829,668,380
Dividends receivable		122,397,685	83,924,084
Prepayments		30,540,962	17,668,696
Cash and cash equivalents	<i>4, 7(c)</i>	12,608,989	58,365,447
<b>Total assets</b>		<u>8,280,163,231</u>	<u>8,989,626,607</u>
<b>Liabilities</b>			
Audit fees payable		20,768,238	20,498,618
Management fees payable	<i>7(a)</i>	9,373,606	10,362,491
Trustee and registrar fees payable	<i>7(b)</i>	668,563	11,903,117
Other payables		8,439,586	7,159,264
<b>Total liabilities</b>		<u>39,249,993</u>	<u>49,923,490</u>
<b>Total equity</b>		<u>8,240,913,238</u>	<u>8,939,703,117</u>
<b>Represented by:</b>			
Net assets attributable to unitholders		<u>8,240,913,238</u>	<u>8,939,703,117</u>
<b>Net asset value per unit based on 1,950,000 (2015: 2,100,000) units outstanding</b>	<i>8</i>	<u>4,226.1094</u>	<u>4,257.0015</u>

Approved and authorised for issue by the Manager and the Trustee on 20 July 2016.

Signed by:

**Sensible Asset Management Hong Kong Limited, *Manager***

**HSBC Institutional Trust Services (Asia) Limited, *Trustee***

The notes on pages 13 to 38 form part of these financial statements.

# VALUE KOREA ETF

A Sub-Fund of Value ETFs Trust  
(A Hong Kong Umbrella Unit Trust)

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2016

	<i>Notes</i>	<b>2016</b> KRW	<b>2015</b> KRW
Dividend income		174,487,027	187,442,402
Interest income		45,070	–
Net gains from financial assets at fair value through profit or loss	5	29,168,362	97,058,841
Net foreign exchange losses		(164,832)	(919,380)
Other income		2,169,467	6,366,586
<b>Net investment income</b>		<u>205,705,094</u>	<u>289,948,449</u>
Management fees	7(a)	57,479,163	67,692,415
Trustee and registrar fees	7(b)	8,211,307	59,182,437
Transaction fees		37,944,280	44,513,698
Auditors' remuneration		11,927,755	17,099,858
Professional fees		1,741,524	8,791,577
Sub-custodian fees		3,532,659	7,243,260
Bank charges	7(c)	434,102	52,700
Information services fees		17,701,923	21,435,652
Other operating expenses		33,322,978	26,462,501
<b>Operating expenses</b>		<u>172,295,691</u>	<u>252,474,098</u>
<b>Profit before taxation</b>		33,409,403	37,474,351
Withholding tax	6	(37,831,132)	(41,228,827)
<b>Loss after taxation and total comprehensive income for the year</b>		<u>(4,421,729)</u>	<u>(3,754,476)</u>

The notes on pages 13 to 38 form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2016

	<i>Note</i>	<b>2016</b> <i>KRW</i>	<b>2015</b> <i>KRW</i>
<b>Balance at the beginning of the year</b>		8,939,703,117	10,809,655,788
Issue of redeemable units	8	697,814,775	–
Redemption of redeemable units	8	<u>(1,392,182,925)</u>	<u>(1,866,198,195)</u>
Net decrease from unit transactions		<u>(694,368,150)</u>	<u>(1,866,198,195)</u>
Total transactions with unitholders		(694,368,150)	(1,866,198,195)
Loss after taxation and total comprehensive income for the year		<u>(4,421,729)</u>	<u>(3,754,476)</u>
<b>Balance at the end of the year</b>		<u><u>8,240,913,238</u></u>	<u><u>8,939,703,117</u></u>

The notes on pages 13 to 38 form part of these financial statements.

**STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31 MARCH 2016

	<i>2016</i>	<i>2015</i>
	<i>KRW</i>	<i>KRW</i>
<b>Operating activities</b>		
Dividends received	136,013,426	198,493,048
Interest income received	45,070	–
Proceeds from sale of investments	11,116,805,629	13,601,896,211
Purchase of investments	(10,372,584,482)	(11,646,090,080)
Operating expenses paid	(193,836,819)	(240,192,903)
Withholding tax paid	(37,831,132)	(41,228,827)
	<u>648,611,692</u>	<u>1,872,877,449</u>
<b>Cash flows from operating activities</b>	-----	-----
<b>Financing activities</b>		
Proceeds from issue of redeemable units	697,814,775	–
Payments on redemption of redeemable units	(1,392,182,925)	(1,866,198,195)
	<u>(694,368,150)</u>	<u>(1,866,198,195)</u>
<b>Cash flows used in financing activities</b>	-----	-----
<b>Net (decrease)/increase in cash and cash equivalents</b>	(45,756,458)	6,679,254
<b>Cash and cash equivalents at the beginning of the year</b>	<u>58,365,447</u>	<u>51,686,193</u>
<b>Cash and cash equivalents at the end of year</b>	<u><u>12,608,989</u></u>	<u><u>58,365,447</u></u>

The notes on pages 13 to 38 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL

Value ETFs Trust (the “Trust”) is an open ended umbrella unit trust established under the laws of Hong Kong pursuant to a Trust Deed dated 21 March 2012 (the “Trust Deed”).

The Trust is able to issue redeemable units in various sub-funds and as at 31 March 2016, the Value Japan ETF, Value Korea ETF and Value Taiwan ETF have been launched. The Value Japan ETF, Value Korea ETF and Value Taiwan ETF commenced operations on 22 May 2012, 23 May 2012 and 23 May 2012, respectively.

The accompanying financial statements have been prepared for the Value ETFs Trust – Value Korea ETF (the “Sub-Fund”). The financial statements of Value Japan ETF and Value Taiwan ETF have been prepared individually and consequently are not included in these financial statements.

The Sub-Fund is authorised by the Hong Kong Securities and Futures Commission (the “SFC”) under Section 104(1) of the Hong Kong Securities and Futures Ordinance (“HKSF”), and is governed by the Hong Kong Code on Unit Trusts and Mutual Funds of the SFC (the “SFC Code”). The Sub-Fund is also listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (a subsidiary of the Hong Kong Exchanges and Clearing Limited).

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the FTSE Value-Stocks Korea Index (the “Index”).

In seeking to achieve the Sub-Fund’s investment objective, Sensible Asset Management Hong Kong Limited (the “Manager”) will primarily use a replication strategy through investing directly in securities included in the Index in substantially the same weightings in which they are included in the Index. The Manager may also invest in financial derivative instruments linked to the performance of the securities included in the Index, the Index and/or (after considering various factors such as transaction costs, availability, liquidity and degree of correlation with the Index) another index that collectively has an investment profile similar to the profile of the Index.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1. GENERAL (Continued)

The Manager may also use a representative sampling strategy, which means that the Sub-Fund will invest directly in a representative sample of securities that collectively has an investment profile that aims to reflect the profile of the Index. The securities constituting the representative sample may or may not themselves be constituents of the Index. The Sub-Fund may also invest in financial derivative instruments linked to the performance of a representative sample of securities that collectively has an investment profile that aims to reflect the profile of the Index and/or (after considering various factors such as transaction costs, availability, liquidity and degree of correlation with the Index) another index that collectively has an investment profile similar to the profile of the Index.

The Sub-Fund may also use financial derivative instruments limited to listed or over-the-counter futures contracts, options and warrants related to the Index and the securities included in the Index for hedging or non-hedging purposes. Non-hedging purposes include cost reduction and investment purposes.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standard Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB and the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions specified in Appendix E of the SFC Code. A summary of the significant accounting policies adopted by the Sub-Fund is set out below.

The IASB has issued certain new and revised IFRSs that are available for early adoption for the current accounting period of the Sub-Fund.

The Sub-Fund has not applied any amendments and new standards that are not yet effective for the current accounting period (see note 14).



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (b) Basis of preparation

The functional currency of the financial statements of the Sub-Fund is the South Korean won (“KRW”) reflecting the fact that most of the transactions are denominated in KRW.

The financial statements are prepared under the historical cost convention, except for financial instruments at fair value through profit or loss. These financial statements are presented in KRW.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of 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 financial position that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### (c) Foreign currency translation

Transactions in foreign currencies are translated at foreign currency exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated to KRW at the foreign currency closing exchange rate ruling at the date of the statement of financial position. Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (c) Foreign currency translation (Continued)

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to KRW at the foreign currency exchange rates ruling at the dates that the values were determined. Foreign currency exchange differences relating to trading investments are included in gains and losses on investments. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents, are presented separately in the statement of comprehensive income.

#### (d) Financial assets and financial liabilities at fair value through profit or loss

##### (i) Classification

The Sub-Fund designates all its equity securities into the financial assets at fair value through profit or loss category. The category of financial assets at fair value through profit or loss comprises financial instruments held for trading and financial instruments designated at fair value through profit or loss upon initial recognition.

All of the Sub-Fund's investments are designated as financial assets at fair value through profit or loss. These investments are managed, evaluated and reported internally on a fair value basis upon initial recognition.

Financial assets that are classified as loans and receivables include prepayments.

Financial liabilities that are not designated at fair value through profit or loss include accounts payables.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Financial assets and financial liabilities at fair value through profit or loss (Continued)

##### (ii) Recognition

The Sub-Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

A regular way purchase of financial assets is recognised using trade date accounting. From this date, any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed their obligations under the contract or the contract is a derivative contract not exempted from the scope of International Accounting Standard 39 (“IAS 39”).

##### (iii) Measurement

Financial instruments are measured initially at fair value (transaction price). Transaction costs on financial instruments designated at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

Subsequent to initial recognition, all financial instruments are measured at fair value with changes in their fair value recognised in profit or loss.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities are measured at amortised cost using the effective interest rate.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Financial assets and financial liabilities at fair value through profit or loss (Continued)

##### (iv) Fair value measurement principles

The Sub-Fund measures its equity investments 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 their quoted market price at the date of the statement of financial position without any deduction for estimated future selling cost. The Sub-Fund utilises the last traded price for both listed financial assets and liabilities.

The Sub-Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Financial assets and financial liabilities at fair value through profit or loss (Continued)

##### (iv) Fair value measurement principles (Continued)

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 reassessing 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.

##### (v) Derecognition

The Sub-Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

The Sub-Fund uses the weighted average method to determine realised gains and losses on derecognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

#### (e) Other financial assets

Financial assets that are stated at cost or amortised cost are reviewed at the date of each statement of financial position to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (f) Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

#### (g) Income

Interest income is recognised in profit or loss as it accrues, using the effective interest rate method.

Dividend income relating to exchange-traded equity securities are recognised in profit or loss on the ex-dividend date. In some cases, the Sub-Fund may choose to receive dividends in the form of additional shares rather than cash. In such cases the Sub-Fund recognises the dividend income for the amount of the cash dividend alternative with the corresponding debit treated as an additional investment.

#### (h) Expenses

All expenses, including management fees and trustee and registrar fees, are recognised in profit or loss on an accrual basis. Preliminary expenses incurred in establishing the Sub-Fund are expensed immediately in accordance with IAS 38.

#### (i) Foreign exchange gains and losses

Foreign exchange gains and losses on financial instruments designated at fair value through profit or loss are recognised together with other changes in the fair value. Included in the statement of comprehensive income line item, Net foreign exchange gains/(losses) are foreign exchange gains and losses on monetary financial assets and financial liabilities other than those classified as designated at fair value through profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (j) Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as the income of the Sub-Fund is exempt from taxation under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

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

#### (k) Redeemable units

The Sub-Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Sub-Fund has only one class of redeemable units in issue and they are the most subordinate class of financial instrument in the Sub-Fund. The redeemable units provide unitholders with the right to require redemption for cash at a value proportionate to the unitholder's share in the Sub-Fund's net assets at each redemption date and also in the event of the Sub-Fund's liquidation.

A puttable financial instrument that includes a contractual obligation for the Sub-Fund to repurchase or redeem that instrument for cash or another financial asset is classified as equity if it meets all of the following conditions:

- it entitles the holder to a pro rata share of the Sub-Fund's net assets in the event of the Sub-Fund's liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (k) Redeemable units (Continued)

- apart from the contractual obligation for the Sub-Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life 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.

The Sub-Fund's redeemable units meet these conditions and are classified as equity.

Incremental costs directly attributable to the issue or redemption of redeemable units are recognised directly in equity as a deduction from the proceeds or part of the acquisition cost.

#### *Repurchase of redeemable units*

When redeemable units recognised as equity are redeemed, the amount paid on the redemption of the units is presented as a deduction from total equity.

#### (l) 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;



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (l) Related parties (Continued)

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 Sub-Fund 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);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Sub-Fund or to the parent of the Sub-Fund.

#### (m) Segment reporting

An operating segment is a component of the Sub-Fund that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Sub-Fund's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The chief operating decision maker of the Sub-Fund is identified as the Manager.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

#### Judgements

In the process of applying the Sub-Fund's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

##### *Going concern*

The Sub-Fund's management has made an assessment of the Sub-Fund's ability to continue as a going concern and is satisfied that the Sub-Fund has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Sub-Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

### 4. FINANCIAL RISK MANAGEMENT

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Index.

The Sub-Fund invests in listed securities and it is exposed to market risk (which includes foreign exchange risk, price risk and interest rate risk), credit risk, liquidity risk and concentration risk arising from the financial instruments held.

The Sub-Fund's overall financial risk management program focuses on the analysis, evaluation and management of financial risks and seeks to minimise potential adverse effects on the Sub-Fund's financial performance.

The risk and respective risk management policies employed by the Sub-Fund to manage these risks are discussed below.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4. FINANCIAL RISK MANAGEMENT (Continued)

#### (a) Market risk

##### (i) Foreign exchange risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Sub-Fund's overall currency positions are monitored on a daily basis by the Manager.

As at 31 March 2016 and 2015, the Sub-Fund is not exposed to significant foreign currency risk. The majority of assets and liabilities are denominated in KRW, which is the functional currency of the Sub-Fund.

##### (ii) 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. Those changes may be caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Sub-Fund may trade in financial instruments, taking positions in traded and over-the-counter instruments, including derivatives, to take advantage of market movements.

All securities investments present a risk of loss of capital. The Manager makes investments in accordance with the provisions and specific limits as stated in the Trust Deed. The Sub-Fund's overall market positions are monitored on a daily basis by the Manager.

As at 31 March 2016 and 2015, the Sub-Fund's overall market exposures and estimated market sensitivity are as follows:

	Percentage change		Estimated impact on net assets	
	2016	2015	2016 KRW	2015 KRW
FTSE Value-Stocks				
Korea Index	+/- 20%	+/- 20%	1,639,365,365	1,765,960,894

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4. FINANCIAL RISK MANAGEMENT (Continued)

#### (a) Market risk (Continued)

##### (iii) Interest rate risk

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

#### (b) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Sub-Fund. Potential credit risk to the Sub-Fund principally relates to financial assets, bank balances and receivables.

The Sub-Fund limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings or good reputation, and that the Manager considers to be well established. All transactions in listed securities are settled/paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal since delivery of securities sold is only made when the broker has received payment. In a purchase, payment is made when the securities have been received by the broker. If either party fails to meet its obligation, the trade will fail. Accordingly, there is no significant concentration of credit risk.

The table below shows the major counterparties at the date of the statement of financial position. The credit ratings are issued by Standard & Poor's:

Counterparty	Credit rating		31.3.2016 KRW	31.3.2015 KRW
	2016	2015		
Bank A	AA-	AA-	12,608,989	58,365,447
Custodian A	AA-	AA-	8,114,615,595	8,829,668,380

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4. FINANCIAL RISK MANAGEMENT (Continued)

#### (c) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in settling a liability or selling a financial asset quickly at close to its fair value. The Manager monitors the liquidity of the Sub-Fund by conducting liquidity testing on the investment portfolio on a monthly and ad-hoc basis.

The Sub-Fund's equity investments are considered to be readily realisable under normal market conditions as they are all publicly traded.

The Sub-Fund is exposed to daily cash redemption of units. The Manager considered that there is no significant liquidity risk on redemption of units. The contractual maturity of all other liabilities is less than one year.

#### (d) Concentration risk

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4. FINANCIAL RISK MANAGEMENT (Continued)

#### (d) Concentration risk (Continued)

Constituent securities that accounted for more than 10% of the net asset value as at 31 March 2016 and 2015 are as follows:

	Respective weighting in the tracked index	Respective weighting in the Sub-Fund's net asset value
<b>As at 31 March 2016</b>		
POSCO	11.64%	11.46%
<b>As at 31 March 2015</b>		
KB Financial Group Inc	10.15%	10.01%
KT&G Corp	10.76%	10.61%

### 5. NET GAINS FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 <i>KRW</i>	2015 <i>KRW</i>
Net realised (losses)/gains	(363,489,933)	594,914,525
Change in unrealised gains/losses	392,658,295	(497,855,684)
	<u>29,168,362</u>	<u>97,058,841</u>

### 6. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as income of the Sub-Fund is exempted from taxation under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

Certain dividends received by the Sub-Fund are subject to withholding tax imposed in the country of origin. Dividend income is recorded gross of such taxes and the withholding tax is recognised in profit or loss as incurred.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 7. RELATED PARTY TRANSACTIONS/TRANSACTIONS WITH THE TRUSTEE, THE MANAGER AND THEIR CONNECTED PERSONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Sub-Fund entered into the following material related party transactions for the year. All such transactions were entered into in the ordinary course of business and on normal commercial terms.

#### (a) Management fees

The Sub-Fund appointed the Manager, an investment management company incorporated in Hong Kong, to implement the investment strategy as specified in the Trust Deed. The Manager is entitled to receive management fees of 0.70% per annum of the net asset value of the Sub-Fund. The fees are accrued daily and calculated as at each dealing day and payable monthly in arrears. Management fees of KRW57,479,163 (2015: KRW67,692,415) were charged to profit or loss during the year. Included in liabilities as at 31 March 2016 are management fees payable of KRW9,373,606 (2015: KRW10,362,491).

#### (b) Trustee and registrar fees

The Sub-Fund appointed HSBC Institutional Trust Services (Asia) Limited (the “Trustee”), a registered trust company incorporated in Hong Kong, to implement the responsibilities as specified in the Trust Deed. The Trustee is entitled to receive trustee and registrar fees accrued daily and calculated as at each dealing day and payable monthly in arrears, which are determined based on the daily net asset value of the Sub-Fund as below:

	<b>Trustee and registrar fees per annum shown as % of net asset value</b>
Net asset value	
First HK\$800 million (approximately KRW118.0 billion **)	0.10%
Next HK\$800 million (approximately KRW118.0 billion **)	0.08%
Next HK\$800 million (approximately KRW118.0 billion **)	0.07%
Thereafter	0.06%

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 7. RELATED PARTY TRANSACTIONS/TRANSACTIONS WITH THE TRUSTEE, THE MANAGER AND THEIR CONNECTED PERSONS (Continued)

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

For the period from 1 April 2015 to 31 March 2016, the trustee and registrar fees are subject to a minimum of HK\$39,000 (approximately KRW5,751,000\*\*) per month. For the period from 1 April 2015 to 31 March 2016, the minimum fee was waived.

\*\* Based on exchange rates as at 31 March 2016.

Trustee and registrar fees of KRW8,211,307 (2015: KRW59,182,437) were charged to profit or loss during the year. Included in liabilities as at 31 March 2016 are trustee and registrar fees payable of KRW668,563 (2015: KRW11,903,117).

#### (c) Transactions/balances with the group company of the Trustee

The Sub-Fund maintains a bank account with The Hongkong and Shanghai Banking Corporation Limited, which is an intermediate holding company of the Trustee. Information relating to the bank account is set out below:

	2016	2015
	KRW	KRW
Bank balances	12,608,989	58,365,447
Bank charges	<u>434,102</u>	<u>52,700</u>



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 7. RELATED PARTY TRANSACTIONS/TRANSACTIONS WITH THE TRUSTEE, THE MANAGER AND THEIR CONNECTED PERSONS (Continued)

#### (d) Manager's and its related parties' holdings in the Sub-Fund

Units held by the related parties of the Manager and the Sub-investment Manager as at the 31 March 2016 and 31 March 2015 are listed out below:

	Number of units	
	2016	2015
Dato' Cheah Cheng Hye*	270,000	270,000
Value Partners Limited**	300,000	300,000

\* Dato' Cheah Cheng Hye is a director of the Sub-investment Manager

\*\* Value Partners Limited is a fellow subsidiary of the Manager

#### (e) Creation and redemption of the Sub-Fund

The Manager and the Trustee entered into a participating agreement with participating dealers to effect applications for creation and redemption of the Sub-Fund. The holding in the Sub-Fund by related party of the Trustee and Custodian for the year ended 31 March 2016 and 2015 were as follows:

#### 2016

	Units outstanding at 1 April 2015	Units subscribed/ transferred in	Units redeemed/ Transferred out	Total units at 31 March 2016
Bank A	150,000	150,000	–	300,000

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**7. RELATED PARTY TRANSACTIONS/TRANSACTIONS WITH THE TRUSTEE, THE MANAGER AND THEIR CONNECTED PERSONS (Continued)**

**(e) Creation and redemption of the Sub-Fund (Continued)**

**2015**

	Units outstanding at 1 April 2014	Units subscribed/ transferred in	Units redeemed/ Transferred out	Total units at 31 March 2015
Bank A	<u>150,000</u>	<u>–</u>	<u>–</u>	<u>150,000</u>

**8. REDEEMABLE UNITS IN ISSUE**

	Number of units	
	2016	2015
<b>At the beginning of the year</b>	2,100,000	2,550,000
Issue of redeemable units	150,000	–
Redemption of redeemable units	<u>(300,000)</u>	<u>(450,000)</u>
<b>At the end of the year</b>	<u>1,950,000</u>	<u>2,100,000</u>

The rights attaching to each unit are as follows:

The holders of the units have the right to receive notice of, attend and vote at meetings of the Sub-Fund, and are entitled to receive all dividends declared and paid by the Sub-Fund.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 8. REDEEMABLE UNITS IN ISSUE (Continued)

Any distributable profits of the Sub-Fund may be accumulated or distributed by the Manager, in its absolute discretion. Where distributions are made, the distributable amounts are allocated rateably among the unitholders of the relevant class in accordance with the number of units of the relevant class held by the unitholders respectively on the final record date.

The Sub-Fund does not have any externally imposed capital requirements.

In accordance with the Trust Deed, the net assets of the Sub-Fund are computed at last traded prices of the underlying financial instruments for the purpose of calculating redemption amounts of the redeemable units.

### 9. DISTRIBUTIONS TO UNITHOLDERS

	2016 <i>KRW</i>	2015 <i>KRW</i>
<b>Amount available for distribution brought forward</b>	427,300,779	281,087,204
Dividend income	174,487,027	187,442,402
Withholding tax	(37,831,132)	(41,228,827)
	136,655,895	146,213,575
<b>Distributions to unitholders</b>	—	—
<b>Amount available for distribution carried forward</b>	<u>563,956,674</u>	<u>427,300,779</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 10. FAIR VALUE INFORMATION

The Sub-Fund's financial instruments are carried at fair value on the statement of financial position. Usually the fair value of the financial instruments can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including amounts due from/to brokers, accounts receivables, accounts payables and accrued expenses, the carrying amounts approximate fair values due to the immediate or short-term nature of these financial instruments.

#### (a) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in IFRS 7, Financial instruments: Disclosures, with the fair value of the financial instruments categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined in note 2(d)(iv) to the financial statements.

	31.3.2016	31.3.2015
	<i>KRW</i>	<i>KRW</i>
<b>Level 1</b>		
Listed equity securities	<u>8,114,615,595</u>	<u>8,829,668,380</u>

During the years ended 31 March 2016 and 2015, there were no significant transfers between Level 1, Level 2 or Level 3 of the fair value information.

#### (b) Financial instruments carried at other than fair value

The carrying amounts of all the Sub-Fund's financial assets and financial liabilities at the date of statement of financial position approximated their fair values.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 11. SEGMENT REPORTING

The Manager makes strategic resource allocation and assesses performance 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 a diversified portfolio of equity securities with the objective as stated in the investment objective and policies of the Sub-Fund.

The segment information provided to the Manager is the same as that disclosed in the statement of comprehensive income and statement of financial position.

The Sub-Fund is established and domiciled in Hong Kong. The majority of the Sub-Fund's investment income is derived from its investments domiciled in South Korea for the years ended 31 March 2016 and 2015.

The Sub-Fund has no assets classified as non-current as at 31 March 2016 (2015: nil).

### 12. SOFT COMMISSION ARRANGEMENTS

The Manager and/or any company associated with it and its delegates may enter into soft dollars/commission sharing arrangements with brokers through which brokerage transactions are entered on behalf of clients under management. The Manager may receive, and are entitled to retain, research products and services (known as soft dollar benefits) which are of demonstrable benefit to the Sub-Fund (as may be permitted under applicable rules and regulations) from brokers and other persons through whom investment transactions are carried out (the "brokers"). Soft dollars may be received from them provided that the quality of transaction execution is consistent with best execution standards and brokerage rates are not in excess of the customary full-service brokerage rates.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 12. SOFT COMMISSION ARRANGEMENTS (Continued)

Such soft dollar benefits may include research and advisory services; economic and political analysis; portfolio analysis, including valuation and performance measurement; market analysis, data and quotation services and software incidental to the above goods and services; clearing and custodian services and investment related publications. For the avoidance of doubt, soft dollar benefits do not include travel, accommodation, entertainment, general administrative goods and services, general office equipment or premises, membership fees, employee salaries or direct money payments.

The Manager will consider many judgemental factors deemed relevant in determining whether a broker will provide best execution. In general, investment orders will be allocated to brokers based on the range and overall quality of services offered by the broker. The core factors in determining the quality of services are the execution performance and capability of the broker. Other factors, such as the quality and quantity of research and investment ideas offered, access to potential investee companies and commission rate charges, would also be taken into consideration. Soft dollar benefits received from brokers should not be a determinant factor on allocating orders among brokers. The Manager has implemented policies and procedures to ensure that transactions executed with brokers pursuant to a soft dollar commission sharing arrangement are conducted in the best execution standard. Soft dollars benefits received by the Manager are used to facilitate in the Manager's investment management process, such benefits assist the Manager in fulfilling its overall duty to clients and may be used in servicing any or all of the Manager's client accounts over which the Manager exercises investment discretion. The Manager does not usually attempt to allocate/attribute the soft dollar benefits to individual client account, as goods and services obtained may be beneficial to all clients in general, including those client accounts that do not generate credit to acquire the soft dollar benefits.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 13. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Sub-Fund has adopted the following IFRSs for the first time for the current year's financial statements.

#### **Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle**

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, IAS 24, Related Party Disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Sub-Fund's related party disclosures as the Sub-Fund does not obtain key management personnel services from management entities.

### 14. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Sub-Fund's financial statements are listed below. The Sub-Fund intends to adopt applicable standards when they become effective.

#### **IFRS 9 Financial Instruments – Classification and Measurement (effective 1 January 2018)**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The Sub-Fund is currently assessing the impact of the standard upon adoption.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 14. STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

#### Amendments to IAS 1 - Disclosure Initiative (effective 1 January 2016)

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significant change, existing IAS 1 requirements. The amendments clarify the following:

- (i) the materiality requirement in IAS 1;
- (ii) that specific line items in the statement of comprehensive income and the statement of financial position may be disaggregated;
- (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
- (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

### 15. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Manager and Trustee on 20 July 2016.



## INVESTMENT PORTFOLIO (UNAUDITED)

AS AT 31 MARCH 2016

	Holdings	Fair value KRW	% of net assets
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			
<b>Listed equity securities</b>			
<i>South Korea</i>			
CJ O Shopping Co Ltd	325	64,350,000	0.78
Daesang Corp	2,145	62,312,250	0.76
Daewoo Securities Co Ltd	20,488	169,435,760	2.06
Dongbu Insurance Co Ltd	5,304	402,573,600	4.89
E-Mart Inc	2,366	415,233,000	5.04
GS Holdings Corp	5,694	335,946,000	4.08
GS Home Shopping Inc	338	62,766,600	0.76
Halla Holdings Corp	832	44,928,000	0.54
Handsome Co Ltd	1,508	60,546,200	0.73
Hanil Cement Co Ltd	416	38,646,400	0.47
Hanwha Life Insurance Co Ltd	28,327	189,790,900	2.30
Hyundai Department Store Co Ltd	1,703	234,162,500	2.84
Hyundai Marine & Fire Insurance Co Ltd	6,773	224,863,600	2.73
Hyundai Motor Co	5,252	800,930,000	9.72
KB Insurance. Co Ltd	4,316	146,959,800	1.78
Kia Motors Corp	16,328	788,642,400	9.57
KIWOOM Securities Co Ltd	1,274	85,103,200	1.03
Korea Real Estate Investment & Trust Co Ltd	17,758	61,620,260	0.74
Korean Reinsurance Co	10,101	140,908,950	1.71
LG Fashion Corp.	2,015	52,188,500	0.63
LG Display Co Ltd	25,532	679,151,200	8.24
LG Innotek Co Ltd	1,573	124,738,900	1.51
LG Telecom Ltd	23,829	263,310,450	3.20
LS Industrial Systems Co Ltd	1,690	80,528,500	0.98

# VALUE KOREA ETF

A Sub-Fund of Value ETFs Trust  
(A Hong Kong Umbrella Unit Trust)

## INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 31 MARCH 2016

	Holdings	Fair value KRW	% of net assets
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)</b>			
<b>Listed equity securities (Continued)</b>			
<i>South Korea (Continued)</i>			
Meritz Fire & Marine Insurance Co Ltd	5,850	93,600,000	1.14
Meritz Securities Co Ltd	32,331	115,260,015	1.40
Mirae Asset Securities Co Ltd	6,712	156,725,200	1.90
Woori Investment & Securities Co Ltd	14,417	143,160,810	1.74
POSCO	4,303	944,508,500	11.46
S&T Motiv Co Ltd	845	58,389,500	0.71
Samsung Fire & Marine Insurance Co Ltd	2,704	797,680,000	9.68
Seah Besteel Corp	1,274	35,035,000	0.43
Shinsegae Co Ltd	767	155,701,000	1.89
Tongyang Life Insurance Co Ltd	3,627	42,798,600	0.52
Youngone Holdings Co Ltd	585	42,120,000	0.51
<b>Total financial assets at fair value through profit or loss</b>		8,114,615,595	98.47
Cash and cash equivalents		12,608,989	0.15
Other net assets		113,688,654	1.38
<b>Total net assets</b>		<u>8,240,913,238</u>	<u>100.00</u>
<b>Total investments, at cost</b>		<u>8,280,626,861</u>	

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

AS AT 31 MARCH 2016

	% of net assets	
	31.3.2016	31.3.2015
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		
<b>Listed equity securities</b>		
South Korea	98.47	98.77
	<hr/>	<hr/>
<b>Total financial assets at fair value through profit or loss</b>	98.47	98.77
Cash and cash equivalents	0.15	0.65
Other net assets	1.38	0.58
	<hr/>	<hr/>
<b>Total net assets</b>	<u>100.00</u>	<u>100.00</u>

# VALUE KOREA ETF

A Sub-Fund of Value ETFs Trust  
(A Hong Kong Umbrella Unit Trust)

## PERFORMANCE RECORD (UNAUDITED)

AS AT 31 MARCH 2016

### Net asset value (at last traded prices)

	Net asset value per unit KRW	Net asset value KRW
As at 31 March 2016	4,226.1094	8,240,913,238
As at 31 March 2015	4,257.0015	8,939,703,117
As at 31 March 2014	4,239.0807	10,809,655,788

### Highest and lowest net asset value per unit (at last traded prices)

	Highest net asset value per unit KRW	Lowest net asset value per unit KRW
Year ended 31 March 2016	4,652.0985	3,736.6218
Year ended 31 March 2015	4,556.0573	3,978.1246
Year ended 31 March 2014	4,555.9843	3,836.7681
Period ended 31 March 2013	4,216.5507	3,632.0483