

SAMSUNG S&P GSCI CRUDE OIL ER FUTURES ETF  
(Stock Code: 3175)  
(SUB-FUND OF SAMSUNG ETFS TRUST)

Reports and Financial Statements  
For the year ended 31 March 2018

SAMSUNG S&P GSCI CRUDE OIL ER FUTURES ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST)

REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

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SAMSUNG S&P GSCI CRUDE OIL ER FUTURES ETF  
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**SAMSUNG S&P GSCI CRUDE OIL ER FUTURES ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST)**

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**MANAGEMENT AND ADMINISTRATION**

**MANAGER**

Samsung Asset Management  
(Hong Kong) Limited  
4513-14, Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

**INVESTMENT ADVISER**

Samsung Asset Management Co., Limited  
17th Fl., Samsung Electronics Bldg.  
11 Seocho-daero 74-gil, Seocho-gu  
Seoul 06620  
South Korea

**TRUSTEE AND REGISTRAR**

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

**LISTING AGENT**

Altus Capital Limited  
21 Wing Wo Street  
Central  
Hong Kong

**DIRECTORS OF THE MANAGER**

CHOI Sungjin  
HONG Eui Suk  
KIM Yousang

**SERVICE AGENT**

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

**AUDITOR**

Deloitte Touche Tohmatsu  
35/F, One Pacific Place  
88 Queensway  
Hong Kong

**PARTICIPATING DEALERS**

*Please refer to the Manager's website ([www.samsungetf.com.hk](http://www.samsungetf.com.hk))  
for the latest lists of Market Makers and Participating Dealers  
for the Sub-Fund of Samsung ETFs Trust.*

**SAMSUNG S&P GSCI CRUDE OIL ER FUTURES ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST)**

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**REPORT OF THE MANAGER TO THE UNITHOLDERS**

Samsung ETFs Trust (the "Trust") is an umbrella unit trust established under Hong Kong law by a trust deed dated 13 January 2015 (the "Trust Deed") between Samsung Asset Management (Hong Kong) Limited (the "Manager") and HSBC Institutional Trust Services (Asia) Limited (the "Trustee"). The Trust has a sub-fund which is an exchange traded fund.

**Samsung S&P GSCI Crude Oil ER Futures ETF**

The units of Samsung S&P GSCI Crude Oil ER Futures ETF (the "Sub-Fund") are listed on The Stock Exchange of Hong Kong Limited and commenced trading in Hong Kong dollars under stock code 3175 on 29 April 2016. The Sub-Fund is a passively-managed exchange traded fund ("ETF") falling under Chapter 8.6, Chapter 8.4A and Appendix I of the Hong Kong Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission. The Sub-Fund is a futures-based ETF which invests directly in West Texas Intermediate Crude Oil (also known as Texas light sweet crude oil) Futures Contracts (the "WTI Futures Contracts") traded on The New York Mercantile Exchange (the "NYMEX") to provide investment results that, before fees and expenses, closely correspond to the performance of the S&P GSCI Crude Oil Index Excess Return. The index represents the performance of the nearest month WTI Futures Contracts traded on the NYMEX.

As at 31 March 2018, net asset value per unit of the Sub-fund was HKD13.6577, and there were 13,500,000 units outstanding. The net asset value was HKD184,378,468.

For and on behalf of  
Samsung Asset Management (Hong Kong) Limited

30 July 2018

SAMSUNG S&P GSCI CRUDE OIL ER FUTURES ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST)

REPORT OF THE TRUSTEE

TO THE UNITHOLDERS OF  
SAMSUNG S&P GSCI CRUDE OIL ER FUTURES ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST)

We hereby confirm that, in our opinion, the Manager of the Samsung S&P GSCI Crude Oil ER Futures ETF (the "Sub-Fund") has, in all material respects, managed the Sub-Fund in accordance with the provisions of the trust deed dated 13 January 2015, for the year ended 31 March 2018.

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

30 July 2018

SAMSUNG S&P GSCI CRUDE OIL ER FUTURES ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST)

STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

MANAGER'S RESPONSIBILITIES

The Manager of Samsung S&P GSCI Crude Oil ER Futures ETF (the "Sub-Fund") is required by the Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission and the trust deed dated 13 January 2015 (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 judgments 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 in relation to the Sub-Fund.

Samsung ETFs Trust (the "Trust") is an umbrella unit trust governed by its Trust Deed. As at 31 March 2018, the Trust has established with one sub-fund, Samsung S&P GSCI Crude Oil ER Futures ETF.

TRUSTEE'S RESPONSIBILITIES

The Trustee of the Sub-Fund is required to:

- ensure that the Sub-Fund in all material respects are managed 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 accounting period should the Manager not managing the Sub-Fund in accordance with the Trust Deed.

## INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF  
SAMSUNG S&P GSCI CRUDE OIL ER FUTURES ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST)

### **Report on the Audit of the Financial Statements**

We have audited the financial statements of Samsung S&P GSCI Crude Oil ER Futures ETF (the "Sub-Fund"), a sub-fund of Samsung ETFs Trust (the "Trust"), set out on pages 10 to 35, which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, 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 of the Trust as at 31 March 2018, and of its financial performance 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 of the Trust in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



## INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF  
SAMSUNG S&P GSCI CRUDE OIL ER FUTURES ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST) - continued

### Report on the Audit of the Financial Statements - continued

#### **Key Audit Matters** - continued

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
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#### *Existence, completeness and valuation of derivative financial assets*

We identified the existence, completeness and valuation of derivative financial assets as a key audit matter due to the financial risks of futures contracts.

As described in notes 6 and 12 to the financial statements, the Sub-Fund's derivative financial assets as at 31 March 2018 were mainly comprised of futures contracts traded in futures exchange markets.

Our procedures in relation to existence, completeness and valuation of derivative financial assets included:

- Checking the details of the derivative financial assets against the independent confirmations from the custodians; and
- Checking the fair values of derivative financial assets to independent pricing sources.

#### **Other Information**

The Manager and the Trustee of the Sub-Fund are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements of the Sub-Fund of the Trust 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

TO THE UNITHOLDERS OF  
SAMSUNG S&P GSCI CRUDE OIL ER FUTURES ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST) - continued

### **Report on the Audit of the Financial Statements** - continued

#### **Responsibilities of Manager, Trustee and Those Charged with Governance for the Financial Statements**

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

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

Those charged with governance are responsible for overseeing the Sub-Fund's financial reporting process.

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 13 January 2015 (the "Trust Deed") and the relevant disclosure provisions of Appendix E of the Code on Unit Trusts and Mutual Funds (the "SFC Code") issued by the Hong Kong Securities and Futures Commission.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Chapter 5 of Section II of the SFC Code, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF  
SAMSUNG S&P GSCI CRUDE OIL ER FUTURES ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST) - continued

### **Report on the Audit of the Financial Statements** - continued

#### **Auditor's Responsibilities for the Audit of the Financial Statements** - continued

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 internal control of the Sub-Fund of the Trust.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager and the Trustee.
- Conclude on the appropriateness of the Manager's and the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sub-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 those charged with governance, 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

TO THE UNITHOLDERS OF  
SAMSUNG S&P GSCI CRUDE OIL ER FUTURES ETF  
(SUB-FUND OF SAMSUNG ETFS TRUST) - continued

**Report on the Audit of the Financial Statements** - continued

**Auditor's Responsibilities for the Audit of the Financial Statements** - continued

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Tong, Mei Yin.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
30 July 2018

SAMSUNG S&P GSCI CRUDE OIL ER FUTURES ETF  
 SUB-FUND OF SAMSUNG ETFS TRUST#

STATEMENT OF FINANCIAL POSITION  
 AS AT 31 MARCH 2018

	<u>NOTES</u>	<u>2018</u> HK\$	<u>2017</u> HK\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Derivative financial assets	6, 12	10,747,021	2,377,141
Interest receivable		155,316	22,573
Due from brokers	7	-	6,670,992
Prepayments		27,100	221,173
Money market fixed deposits		127,000,000	74,000,000
Bank balances		48,188,592	27,092,297
Total assets		<u>186,118,029</u>	<u>110,384,176</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Derivative financial liabilities	6, 12	-	1,195,482
Due to brokers	7	2,495,404	-
Management fee payable	4	88,310	52,850
Trustee fee payable	4	16,437	9,757
Accrued expenses and other payables		186,640	178,086
Total liabilities		<u>2,786,791</u>	<u>1,436,175</u>
Net assets attributable to unitholders	10	<u>183,331,238</u>	<u>108,948,001</u>
Representing:			
Total number of units in issue	10	<u>13,500,000</u>	<u>9,750,000</u>
Net assets value per unit	10	<u>13.5801</u>	<u>11.1742</u>

# As defined in note 1 to the financial statements.

The financial statements on pages 10 to 35 were approved by the Manager and the Trustee on 30 July 2018 and are signed on their behalf by:

\_\_\_\_\_  
 MANAGER  
 SAMSUNG ASSET MANAGEMENT  
 (HONG KONG) LIMITED

\_\_\_\_\_  
 TRUSTEE  
 HSBC INSTITUTIONAL TRUST  
 SERVICES (ASIA) LIMITED

SAMSUNG S&P GSCI CRUDE OIL ER FUTURES ETF  
 SUB-FUND OF SAMSUNG ETFS TRUST#

STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED 31 MARCH 2018

		01.04.2017 to 31.03.2018 HK\$	27.04.2016 (date of commencement of operations) to 31.03.2017 HK\$
INCOME			
Bank interest income		443,039	110,580
TRADING AND OTHER GAINS AND LOSSES			
Net gain (loss) on derivative financial instruments		43,563,182	(1,271,013)
Net foreign exchange loss		(155,018)	(8,442)
		<u>43,408,164</u>	<u>(1,279,455)</u>
EXPENSES			
Management fee	4	(999,448)	(660,378)
Trustee fee	4	(195,092)	(121,916)
Safe custody and bank charges		(200)	-
Establishment costs		-	(1,641,086)
Audit fee		(92,500)	(90,000)
Accounting and professional fees	4	(70,200)	(70,200)
Listing fees		(27,000)	(27,500)
Brokerage and other transaction fees		(306,404)	(232,792)
Interest expense		(144,363)	(126,232)
Other operating expenses		(588,984)	(247,270)
		<u>(2,424,191)</u>	<u>(3,217,374)</u>
PROFIT (LOSS) AND TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR/PERIOD, REPRESENTING CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS RESULTING FROM OPERATIONS		<u>41,427,012</u>	<u>(4,386,249)</u>

# As defined in note 1 to the financial statements.

SAMSUNG S&P GSCI CRUDE OIL ER FUTURES ETF  
SUB-FUND OF SAMSUNG ETFS TRUST#

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STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS  
FOR THE YEAR ENDED 31 MARCH 2018

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	<u>NOTE</u>	HK\$
Balance as at 27 April 2016 (date of commencement of operations)		-
Loss and total comprehensive expenses for the period		<u>(4,386,249)</u>
Subscription of units	10	160,075,225
Redemption of units	10	<u>(46,740,975)</u>
		<u>113,334,250</u>
Balance as at 31 March 2017		<u>108,948,001</u>
Profit and total comprehensive income for the year		<u>41,427,012</u>
Subscription of units	10	131,050,250
Redemption of units	10	<u>(98,094,025)</u>
		<u>32,956,225</u>
Balance as at 31 March 2018		<u><u>183,331,238</u></u>

# As defined in note 1 to the financial statements.

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SAMSUNG S&P GSCI CRUDE OIL ER FUTURES ETF  
SUB-FUND OF SAMSUNG ETFS TRUST#

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2018

	NOTE	01/04/2017 to 31/03/2018 HK\$	27/04/2016 (date of commencement of operations) to 31/03/2017 HK\$
<b>OPERATING ACTIVITIES</b>			
Profit (loss) and total comprehensive income (expense) for the year/period		41,427,012	(4,386,249)
Adjustments for:			
Bank interest income		(443,039)	(110,580)
Interest expense		144,363	126,232
Operating cash flows before movements in working capital		41,128,336	(4,370,597)
Increase in derivative financial assets		(8,369,880)	(2,377,141)
Decrease (increase) in due from brokers		6,670,992	(6,670,992)
Decrease (increase) in prepayments		194,073	(221,173)
Increase in money market fixed deposits		(53,000,000)	(74,000,000)
(Decrease) increase in derivative financial liabilities		(1,195,482)	1,195,482
Increase in management fee payable		35,460	52,850
Increase in trustee fee payable		6,680	9,757
Increase in accrued expenses and other payables		8,554	178,086
Cash used in operations		(14,521,267)	(86,203,728)
Bank interest received		310,296	88,007
Interest paid		(144,363)	(126,232)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(14,355,334)</b>	<b>(86,241,953)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from subscription of units		131,050,250	160,075,225
Payments on redemption of units		(98,094,025)	(46,740,975)
Increase in due to brokers	13	2,495,404	-
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>35,451,629</b>	<b>113,334,250</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>21,096,295</b>	<b>27,092,297</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD</b>		<b>27,092,297</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD</b>		<b>48,188,592</b>	<b>27,092,297</b>
Analysis of balances of cash and cash equivalents:			
Bank balances		48,188,592	27,092,297

# As defined in note 1 to the financial statements.



SAMSUNG S&P GSCI CRUDE OIL ER FUTURES ETF  
SUB-FUND OF SAMSUNG ETFS TRUST#

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

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1. GENERAL

Samsung S&P GSCI Crude Oil ER Futures ETF (the "Sub-Fund"), sub-fund of Samsung ETFs Trust (the "Trust"), are established under a trust deed dated 13 January 2015 (the "Trust Deed"), and governed by the laws of Hong Kong. The Trust and the Sub-Fund are authorised under Section 104 of the Hong Kong Securities and Futures Ordinance (the "SFO") and the Sub-Fund is falling under Chapter 8.4A, 8.6 and Appendix I of the Hong Kong Code on Unit Trusts and Mutual Funds (the "SFC Code").

The date of commencement of operations of the Sub-Fund is 27 April 2016. The Sub-Fund is listed on The Stock Exchange of Hong Kong Limited.

The investment activities of the Trust are managed by Samsung Asset Management (Hong Kong) Limited (the "Manager") and the trustee of the Trust is delegated to HSBC Institutional Trust Services (Asia) Limited (the "Trustee").

The financial statements of the Sub-Fund are presented in Hong Kong dollars ("HKD"), which is also the functional currency of the Sub-Fund. The Manager considers HKD as the currency that most faithfully represents the primary economic environment in which the Sub-Fund operates and the economic effects of the underlying transactions, events and conditions.

The financial statements of the Sub-Fund cover from 1 April 2017 to 31 March 2018, which are not entirely comparable with the comparative amounts for the period from 27 April 2016 (date of commencement of operations) to 31 March 2017.

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the S&P GSCI Crude Oil Index Excess Return. S&P GSCI Crude Oil Index Excess Return tracks the performance of the nearest month West Texas Intermediate Crude Oil (also known as Texas light sweet crude oil) Futures Contracts (the "WTI futures contracts") traded on The New York Mercantile Exchange.

The Manager anticipates that no more than 20% of the net assets value of the Sub-Fund from time to time will be used as margin to acquire the WTI futures contracts. Not less than 80% of the net assets value of the Sub-Fund will be invested in HKD denominated investment products, such as deposits with banks in Hong Kong and Hong Kong Securities and Futures Commission ("SFC") authorised money market funds.

On 28 June 2017, the Manager, by means of a resolution of the Board of Directors, decided to terminate Samsung HSI Futures ETF and Samsung HSI Futures RMB FX ETF, sub-funds of Samsung ETFs Trust. On 29 September 2017, these two sub-funds were terminated and delisted from The Stock Exchange of Hong Kong Limited.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Sub-Fund has applied a number of amendments to IFRSs issued by the International Accounting Standards Board that are mandatorily effective for the current year. Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the financial performance and positions of the Sub-Fund for the current year and prior period and/or on the disclosures set out in these financial statements.

Amendments to IAS 7 Disclosure Initiative

The Sub-Fund has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 13 to the financial statements. Consistent with the transition provisions of the amendments, the Sub-Fund has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 13 to the financial statements, the application of these amendments has had no impact on the Sub-Fund's financial statements.

New and amendments to IFRSs and interpretations in issue but not yet effective

The Sub-Fund has not early applied the following new and amendments to IFRSs and interpretations that have been issued but are not yet effective:

IFRS 9	Financial Instruments <sup>1</sup>
IFRS 15	Revenue from Contracts with Customers and the related Amendments <sup>1</sup>
IFRS 16	Leases <sup>2</sup>
IFRS 17	Insurance Contracts <sup>4</sup>
IFRIC 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
IFRIC 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

New and amendments to IFRSs and interpretations in issue but not yet effective - continued

Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts <sup>1</sup>
Amendments to IFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement <sup>2</sup>
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014 - 2016 Cycle <sup>1</sup>
Amendments to IAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 - 2017 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021

Except for the impacts as described below, the Manager and the Trustee of the Sub-Fund anticipate that the application of the other new and amendments to IFRSs and interpretations will have no material impact on the financial statements of the Sub-Fund for the foreseeable future and/or on the disclosures set out in these financial statements.

IFRS 9 "Financial Instruments"

IFRS 9 introduced new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Sub-Fund:

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other financial assets are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

IFRS 9 "Financial Instruments" - continued

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Sub-Fund to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

On adoption of IFRS 9, derivative financial assets and liabilities will continue to be classified as financial assets and liabilities at fair value through profit or loss. Other financial assets and liabilities will continue to be measured on the same bases as amortised cost with no material impact from the application of the new expected credit loss impairment model. As a result, the Manager and the Trustee do not anticipate that the application of IFRS 9 will have material impact on the Sub-Fund.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements of the Sub-Fund have been prepared in accordance with IFRSs, the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code issued by the Hong Kong Securities and Futures Commission.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of preparation - continued

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.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Sub-Fund takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

The principal accounting policies are set out below.

Revenue recognition

Interest income is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Sub-Fund becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**Financial assets**

The Sub-Fund's financial assets are mainly financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade-date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

*Financial assets at fair value through profit or loss*

The Sub-Fund's financial assets at FVTPL are held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Sub-Fund manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Derivative financial assets of the Sub-Fund classified as FVTPL are recognised on a trade-date basis, which is the date when the Sub-Fund becomes a party to the relevant contracts, and are initially measured at fair value, with any gains or losses arising on re-measurement recognised in the statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

**Financial assets** - continued

*Loans and receivables*

Loans and receivables, including due from brokers, bank balances and money market fixed deposits and related interest receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any identified impairment losses.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

*Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

**Financial liabilities and equity**

Debts and units issued by the Sub-Fund are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity. Puttable financial instruments include contractual obligations for the Sub-Fund to repurchase or redeem the related instruments for cash or another financial asset on exercise of the put. As an exception to the definition of financial liability, a unit which includes such obligation is classified as equity if the unit has all the following features:

- 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 subordinated to all other classes of instruments have identical features;
- 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 the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Sub-Fund over the life of the instrument.

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

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

The Sub-Fund's redeemable units meet these conditions and are classified as equity. Units issued by the Sub-Fund are recognised at the proceeds received, net of direct issue costs, if any.



3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

**Financial liabilities and equity** - continued

*Financial liabilities at fair value through profit or loss*

The Sub-Fund's financial liabilities at FVTPL are held for trading.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Sub-Fund manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Derivative financial liabilities of the Sub-Fund classified as FVTPL are recognised on a trade-date basis, which is the date when the Sub-Fund becomes a party to the relevant contracts, and are initially measured at fair value, with any gains or losses arising on re-measurement recognised in the statement of comprehensive income.

*Other financial liabilities*

Other financial liabilities including due to brokers, management fee payable, trustee fee payable and other payables are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

**Derecognition**

The Sub-Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Sub-Fund derecognises financial liabilities when, and only when, the Sub-Fund's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances and highly liquid financial assets with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Sub-Fund in the management of short-term commitments.

Taxation

No provision for Hong Kong Profits Tax has been made as the Sub-Fund is authorised as a collective investment scheme constituted as a unit trust under Section 104 of the SFO and are therefore exempt from profits tax under Section 26A(1A) of the Inland Revenue Ordinance of Hong Kong.

Expenses

All expenses are recognised in statement of comprehensive income on an accrual basis.

Establishment costs

Establishment costs are recognised as an expense in the period in which they are incurred.

Distributions to unitholders

Distributions to unitholders are recognised as liabilities in the statement of financial position in the period in which the distributions are approved by the Manager.

Subscriptions and redemptions

Subscriptions and redemptions of units are recognised on the dealing date on which the subscription application or redemption application is received and accepted.

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3. SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currencies

Foreign currency transactions during the period are translated into the functional currency of the Sub-Fund at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the functional currency of the Sub-Fund at the foreign exchange rates ruling at the reporting date. 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.

Foreign currency exchange differences relating to monetary items including cash and cash equivalents are presented separately in statement of comprehensive income.

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.

4. TRANSACTIONS WITH THE RELATED PARTIES/CONNECTED PERSON

For disclosure purpose of note 4 to the financial statements, parties are considered to be related if one party provides key management personnel services to the other party or to the parent of the other party.

The following is a summary of significant related party transactions/transactions entered into during the year/period between the Sub-Fund, the Manager (also a connected person), the Trustee and the holding company of the Trustee. Connected persons is defined in the SFC Code. All transactions entered into during the year/period were carried out in the normal course of business and on normal commercial terms. To the best of the Manager's knowledge, the Sub-Fund does not have any other significant transactions with its related parties/connected person except for those disclosed below.

Management fee

The Manager is entitled to receive a management fee at 0.65% per annum on the net assets value of the Sub-Fund. The management fee is calculated and accrued as at each dealing day and payable in monthly in arrears. The management fee for the year ended 31 March 2018 and the management fee payable as at 31 March 2018 are as follows:

	01/04/2017 to 31/03/2018 HK\$	27/04/2016 (date of commencement of operations) to 31/03/2017 HK\$
Management fee	999,448	660,378
Management fee payable	88,310	52,850

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4. TRANSACTIONS WITH THE RELATED PARTIES/CONNECTED PERSON - continued

Trustee fee

The Trustee is entitled to receive a trustee fee at 0.12% per annum on the net assets value of the Sub-Fund, subject to a monthly minimum of HK\$78,000. The minimum charge was waived for the first 12 months from the listing date of the Sub-Fund. The trustee fee is calculated and accrued as at each dealing day and payable in monthly in arrears.

Pursuant to an announcement by the Manager dated 17 May 2017, the Trustee has agreed to reduce the minimum monthly trustee fee from HK\$78,000 to HK\$15,600 in respect of the 12-month period from 27 April 2017 to 26 April 2018.

The trustee fee for the year ended 31 March 2018 and the trustee fee payable as at 31 March 2018 are as follows:

	01/04/2017 to 31/03/2018 HK\$	27/04/2016 (date of commencement of operations) to 31/03/2017 HK\$
Trustee fee	195,092	121,916
Trustee fee payable	<u>16,437</u>	<u>9,757</u>

Accounting and professional fees

The Sub-Fund has engaged the Trustee for accounting and professional services. The accounting and professional fees for the year ended 31 March 2018 and the accounting and professional fees payable as at 31 March 2018 are as follows:

	01/04/2017 to 31/03/2018 HK\$	27/04/2016 (date of commencement of operations) to 31/03/2017 HK\$
Accounting and professional fees	70,200	70,200
Accounting and professional fees payable	<u>46,800</u>	<u>70,200</u>

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4. TRANSACTIONS WITH THE RELATED PARTIES/CONNECTED PERSON - continued

Bank balances and money market fixed deposits

All the cash at banks were maintained with a group company of the Trustee, i.e. The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), which carry interests at normal commercial rates. The bank balances, money market fixed deposits and interest receivable of the Sub-Fund held with HSBC as at 31 March 2018 and the interest income earned on these bank balances during the year are as follows:

	01/04/2017 to 31/03/2018 HK\$	27/04/2016 (date of commencement of operations) to 31/03/2017 HK\$
Bank balances	48,188,592	27,092,297
Money market fixed deposits (Note)	127,000,000	74,000,000
Interest receivable	155,316	22,573
Interest income earned	<u>443,039</u>	<u>110,580</u>

Note: Money market fixed deposits bear fixed interest rates ranging from 0.48% to 0.99% (2017: 0.18% to 0.395%) per annum.

5. TAXATION

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

6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	<u>2018</u> HK\$	<u>2017</u> HK\$
<b>Derivative financial assets</b>		
Futures contracts	<u>10,747,021</u>	<u>2,377,141</u>
<b>Derivative financial liabilities</b>		
Futures contracts	<u>-</u>	<u>1,195,482</u>

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7. DUE FROM/TO BROKERS

	<u>2018</u> HK\$	<u>2017</u> HK\$
Deposits with brokers	-	6,670,992
Payables to brokers	2,495,404	-

Deposits with brokers are non-interest bearing. Payables to brokers bear interests with HIBOR/LIBOR/Fed rate plus a margin ranging from 0.75% to 1.5% per annum.

8. SOFT COMMISSION ARRANGEMENTS

The Manager confirms that there has been no soft commission arrangements existing during the year ended 31 March 2018 and period ended 31 March 2017 in relation to directing transactions of the Sub-Fund through a broker or dealer.

9. INVESTMENT LIMITATIONS

The Sub-Fund does not have investments that individually accounted for more than 10% of its respective net assets value. The Sub-Fund has maintained at least 30% of its respective net assets value in deposits that are not used for margin requirements.

The Manager has applied to the SFC, and the SFC has granted, a waiver in respect of the Sub-Fund from the requirements under Chapter 8.4A (e) of the SFC Code that the Sub-Fund may not hold open positions in any futures contract month for which the combined margin requirements represents 5% or more of the net assets value of the Sub-Fund.

The Manager and Trustee confirm that the Sub-Fund has complied with this limit during the year ended 31 March 2018 and the period ended 31 March 2017 as applicable.

10. UNITS ISSUED AND REDEEMED

	01/04/2017 to <u>31/03/2018</u>	27/04/2016 (date of commencement of operations) to <u>31/03/2017</u>
Number of units in issue at beginning of the year/period	9,750,000	-
Units issued	12,250,000	13,500,000
Units redeemed	(8,500,000)	(3,750,000)
Number of units in issue at the end of the year/period	<u>13,500,000</u>	<u>9,750,000</u>

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10. UNITS ISSUED AND REDEEMED - continued

	01/04/2017 to 31/03/2018 HK\$	27/04/2016 (date of commencement of operations) to 31/03/2017 HK\$
Subscription of units	131,050,250	160,075,225
Redemption of units	<u>(98,094,025)</u>	<u>(46,740,975)</u>
Net subscription of units during the year/period	<u>32,956,225</u>	<u>113,334,250</u>

As disclosed in note 3 to the financial statements, establishment costs are expensed as incurred. However, establishment costs of the Sub-fund are required to be amortised over the first five financial years according to the provisions of the Trust's prospectus. Accordingly, the net assets attributable to unitholders reported in the financial statements was different from the net assets attributable to unitholders calculated under the accounting basis indicated in the Trust's prospectus. A reconciliation of the net assets attributable to unitholders is provided below:

	As at 31 March 2018 HK\$	As at 31 March 2017 HK\$
Net assets attributable to unitholders as reported in the statement of financial position	183,331,238	108,948,001
Adjustment for unamortised establishment costs	<u>1,047,230</u>	<u>1,350,627</u>
Net asset value calculated under accounting basis indicated in the Trust's prospectus	<u>184,378,468</u>	<u>110,298,628</u>
Net assets attributable to unitholders per unit as reported in the statement of financial position	<u>13.5801</u>	<u>11.1742</u>
Net assets attributable to unitholders per unit calculated under accounting basis indicated in the Trust's prospectus	<u>13.6577</u>	<u>11.3127</u>

11. DISTRIBUTIONS

During the year ended 31 March 2018 and the period ended 31 March 2017, no distributions were made to the unitholders of the Sub-Fund.

12. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

The Sub-Fund maintains investment portfolio as dictated by its respective investment management strategy. The Sub-Fund's investment objectives are disclosed in note 1 to the financial statements and the Sub-Fund's investment portfolio mainly comprises futures contracts.

The Sub-Fund's investing activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. The Manager and the Trustee have set out below the most important types of financial risks inherent in each type of financial instruments. The Manager and the Trustee would like to highlight that the following list of associated risks only sets out some of the risks but does not purport to constitute an exhaustive list of all the risks inherent in the investments in the Sub-Fund. Unitholders should note that additional information in respect of risks associated with financial instruments in the Sub-Fund can be found in the Trust's prospectus.

The assets allocation is determined by the Manager who manages and monitors the composition of the assets to achieve the investment objectives.

The nature and extent of the financial instruments outstanding at the reporting date and the risk management policies employed by the Sub-Fund are discussed below.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The Sub-Fund is exposed to a price risk arising from changes in market prices. Price risk is managed by the Manager on an ongoing basis in accordance with the investment objectives of the Sub-Fund.

*Sensitivity analysis*

As at 31 March 2018 and 2017, if the market price of the futures contracts had been 10% higher and all other variables were held constant, the profit/(loss) for the year/period of the Sub-Fund would have been increased/(decreased) by approximately:

	<u>2018</u> HK\$	<u>2017</u> HK\$
Increase/(decrease) in profit/(loss) for the year/period	<u>18,349,000</u>	<u>(11,010,000)</u>

If the market price of the futures contracts had been 10% lower and all other variables were held constant, there would be an equal and opposite impact on the Sub-Fund's profit/(loss) for the year/period.



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12. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS - continued

Interest rate risk

Interest rate risk arises from changes in interest rates which may affect the values of interest bearing assets and liabilities and therefore result in potential gain or loss to the Sub-Fund. The Sub-Fund's interest rate risk is managed on an ongoing basis by the Manager.

As at 31 March 2018 and 2017, the major financial assets and liabilities bearing variable interests that are subject to cash flow interest rate risk are due to brokers and bank balances in savings accounts.

	<u>2018</u> HK\$	<u>2017</u> HK\$
Bank balances in saving accounts	48,188,592	27,092,297
Due to brokers	<u>(2,495,404)</u>	<u>-</u>

*Sensitivity analysis*

As at 31 March 2018 and 2017, if the interest rate had been 50 basis points higher with all other variables held constant, the profit/(loss) for the year/period of the Sub-Fund would have been increased/(decreased) by approximately:

	<u>2018</u> HK\$	<u>2017</u> HK\$
Increase/(decrease) in profit/(loss) for the year/period	<u>228,000</u>	<u>(135,000)</u>

If interest rate had been 50 basis points lower with all other variables held constant, there would be an equal and opposite impact on the Sub-Fund's profit/(loss) for the year/period.

Currency risk

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

The functional currency of the Sub-Fund is HKD. It is exposed to currency risk primarily through recognised financial assets or liabilities that are denominated in United States Dollars ("USD"). The following table details the exposure to currency risk of the Sub-Fund at the end of the reporting period. For presentation purposes, the amounts of the exposure are in HKD.

	<u>2018</u> HK\$	<u>2017</u> HK\$
Net (liabilities) assets exposed to USD	<u>(9,818,363)</u>	<u>2,373,761</u>

In view of the HKD pegged system to the USD, the Manager considers that the currency risk exposure is insignificant and no foreign currency sensitivity analysis is presented accordingly.

12. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS - continued

Credit risk

The Sub-Fund's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position.

Credit risk arising from transactions with brokers relates to transactions awaiting settlements and deposits placed in brokers. The risk relating to unsettled transactions and deposits placed in brokers is considered low due to the short settlement period and high credit ratings of brokers assigned by international credit rating agencies.

All of the money market fixed deposits and cash held by the Sub-Fund are deposited with banks. Bankruptcy or insolvency of the banks may cause the Sub-Fund's rights with respect to the money market fixed deposits and cash at banks to be delayed or limited. As the banks have credit ratings of Aa3 (2017: Aa3) or better as determined by a well-known international credit rating agency, the Manager considers that the credit risk is minimal.

Substantially all of the assets of the Sub-Fund are held by HSBC Institutional Trust Services (Asia) Limited (the "Custodian"). Bankruptcy or insolvency of the Custodian may cause the Sub-Fund's rights with respect to assets held by the Custodian to be delayed or limited. The Manager monitors the credit quality and financial position of the Custodian on an ongoing basis. The Custodian is a group company of the HSBC, which has a credit rating of Aa3 (2017: Aa3) as determined by a well-known international credit rating agency. As such, the Manager considers the credit risk is considered insignificant.

The Manager considers that none of assets are impaired nor past due as at 31 March 2018 and 2017.

Liquidity risk

Liquidity risk is the risk that the Sub-Fund will encounter difficulty in meeting obligations arising from its respective financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Sub-Fund. The Sub-Fund is exposed to daily liquidity risk on redemption of units.

The Sub-Fund's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and deposits placed in brokers to meet their liquidity requirements in the short and longer term.

The Sub-Fund's investments are considered to have insignificant exposure to liquidity risk as they are all readily realisable under normal market conditions.

As at 31 March 2018 and 2017, the Sub-Fund's financial liabilities are repayable on demand and due within three months.

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12. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS - continued

Capital management

The Sub-Fund's capital as at the end of the reporting period is represented by their net assets attributable to unitholders.

The Sub-Fund's objective in managing the capital is to ensure a stable and strong base to maximise returns to all unitholders, and to manage liquidity risk arising from the redemptions. The Manager manages the capital of the Sub-Fund in accordance with the Sub-Fund's respective investment objectives and policies stated in the respective offering documents. Under certain circumstance, the Manager may suspend the issuance and redemption of units of the Sub-Fund as currently disclosed in the Trust's prospectus.

Specific instruments

Futures contracts are commitments either to purchase or sell a designated financial instrument, currency, commodity or index at a specified future date for a specified price and may be settled in cash. Futures are standardised exchange-traded contracts. Initial margin requirements for futures are met in cash or other instruments, and changes in future contract values are marked to market daily. Futures contracts have low credit risk because the counterparties are futures exchanges.

Futures contracts result in exposure to market risk based on changes in market prices relative to contracted prices. Market risks arise due to the possible movements in foreign currency exchange rates, indices, and securities' values underlying these instruments. In addition, because of the low margin deposits normally required in relation to notional contract sizes, a high degree of leverage may be typical of a futures contract and may result in substantial losses to the Sub-Fund.

The following is the open position of futures contracts as at 31 March 2018 and 2017.

*At 31 March 2018*

<u>Type of contract</u>	<u>Expiration</u>	<u>Notional amount</u> HK\$	<u>Underlying</u>	<u>Fair value assets</u> HK\$
Futures - Long	May 2018	<u>183,494,724</u>	WTI Crude Index Future	<u>10,747,021</u>

*At 31 March 2017*

<u>Type of contract</u>	<u>Expiration</u>	<u>Notional amount</u> HK\$	<u>Underlying</u>	<u>Fair value assets (liabilities)</u> HK\$
Futures - Long	May 2017	<u>73,138,955</u>	WTI Crude Index Future	<u>2,377,141</u>
Futures - Long	May 2017	<u>39,962,698</u>	WTI Crude Index Future	<u>(1,195,482)</u>

12. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS - continued

Fair value

The financial instruments held by the Sub-Fund are measured at their fair values on the reporting date. Fair value estimates are made at a specified point in time, based on market conditions and information about the financial instruments. Fair values can usually be reliably determined within a reasonable range of estimates.

**Valuation of financial instruments**

The accounting policy of the Sub-Fund on fair value measurements is detailed in the significant accounting policies in note 3 to the financial statements.

The following analyses derivative financial assets (liabilities) measured at FVTPL on the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised.

*At 31 March 2018*

	<u>Level 1</u> HK\$	<u>Level 2</u> HK\$	<u>Level 3</u> HK\$	Total HK\$
Derivative financial assets				
- Futures contracts	10,747,021	-	-	10,747,021

*At 31 March 2017*

	<u>Level 1</u> HK\$	<u>Level 2</u> HK\$	<u>Level 3</u> HK\$	Total HK\$
Derivative financial assets				
- Futures contracts	2,377,141	-	-	2,377,141
Derivative financial liabilities				
- Futures contracts	(1,195,482)	-	-	(1,195,482)

For the year ended 31 March 2018 and the period ended to 31 March 2017, there were no transfers of financial instruments between fair value hierarchy levels.

As at 31 March 2018 and 2017, except for derivative financial instruments as disclosed in the financial statements which are classified as the financial assets/liabilities at FVTPL, all other financial assets and financial liabilities are carried at amortised costs. The carrying values of the financial assets and liabilities are considered by the Manager to approximate to their fair values.

Offsetting

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Sub-Fund's statement of financial position; and/or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Sub-Fund's statement of financial position.

SAMSUNG S&P GSCI CRUDE OIL ER FUTURES ETF  
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12. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS - continued

Offsetting - continued

The Sub-Fund currently has a legally enforceable right to set off due from brokers and due to brokers that are due to be settled on the same date and the Sub-Fund intends to settle these balances on net basis. The Sub-Fund also holds derivative financial instruments which are subject to a master netting arrangement or similar agreements that create the right of set-off of recognised amounts in the event of default, insolvency or bankruptcy of the Sub-Fund or its respective counterparties.

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
	HK\$	HK\$	HK\$	Financial instruments	Collateral pledged	HK\$
<u>As at 31 March 2018</u>						
<b>Financial assets</b>						
Derivative financial assets	10,747,021	-	10,747,021	(2,495,404)	-	8,251,617
Due from brokers	7,322,959	(7,322,959)	-	-	-	-

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
	HK\$	HK\$	HK\$	Financial instruments	Collateral pledged	HK\$
<u>As at 31 March 2018</u>						
<b>Financial liabilities</b>						
Due to brokers	9,818,363	(7,322,959)	2,495,404	(2,495,404)	-	-

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
	HK\$	HK\$	HK\$	Financial instruments	Collateral pledged	HK\$
<u>As at 31 March 2017</u>						
<b>Financial assets</b>						
Derivative financial assets	2,377,141	-	2,377,141	(373,511)	-	2,003,630
Due from brokers	7,210,272	(539,280)	6,670,992	(821,971)	-	5,849,021

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
	HK\$	HK\$	HK\$	Financial instruments	Collateral pledged	HK\$
<u>As at 31 March 2017</u>						
<b>Financial liabilities</b>						
Derivative financial liabilities	1,195,482	-	1,195,482	(1,195,482)	-	-
Due to brokers	539,280	(539,280)	-	-	-	-

13. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Sub-Fund's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Sub-Fund's statement of cash flows as cash flows from financing activities.

	Due to brokers HK\$ (Note 7)
At 1 April 2017	-
Financing cash flows:	
- Increase in due to brokers	<u>2,495,404</u>
At 31 March 2018	<u><u>2,495,404</u></u>

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 investments in futures contracts. The investment objectives of the Sub-Fund are disclosed in note 1 to the financial statements.

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

The Sub-Fund is domiciled in Hong Kong. The Sub-Fund has no non-current assets.

15. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Manager and the Trustee on 30 July 2018.

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SAMSUNG S&P GSCI CRUDE OIL ER FUTURES ETF  
(A SUB-FUND OF SAMSUNG ETFS TRUST)

INVESTMENT PORTFOLIO (UNAUDITED)  
AS AT 31 MARCH 2018

	<u>Maturity date</u>		<u>Market value</u> HK\$	% of total net assets attributable to unitholders
<b>Money market fixed deposits</b>				
The Hongkong and Shanghai Banking Corporation Limited	20 April 2018		10,000,000	5.46
The Hongkong and Shanghai Banking Corporation Limited	28 May 2018		16,000,000	8.72
The Hongkong and Shanghai Banking Corporation Limited	5 June 2018		10,000,000	5.46
The Hongkong and Shanghai Banking Corporation Limited	15 June 2018		10,000,000	5.46
The Hongkong and Shanghai Banking Corporation Limited	16 July 2018		5,000,000	2.73
The Hongkong and Shanghai Banking Corporation Limited	26 July 2018		16,000,000	8.72
The Hongkong and Shanghai Banking Corporation Limited	7 August 2018		30,000,000	16.36
The Hongkong and Shanghai Banking Corporation Limited	5 September 2018		10,000,000	5.46
The Hongkong and Shanghai Banking Corporation Limited	17 December 2018		20,000,000	10.91
<b>Total money market fixed deposits</b>			<u>127,000,000</u>	<u>69.28</u>
	<u>Expiration date</u>	<u>Contracts</u>		
<b>Futures contracts</b>				
WTI Crude FT 0518 CLK8	31 May 2018	360	10,747,021	5.86
<b>Total futures contracts</b>			<u>10,747,021</u>	<u>5.86</u>
<b>Total investments</b>			137,747,021	75.14
<b>Other net assets</b>			<u>45,584,217</u>	<u>24.86</u>
<b>Net assets attributable to unitholders</b>			<u>183,331,238</u>	<u>100.00</u>

SAMSUNG S&P GSCI CRUDE OIL ER FUTURES ETF  
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STATEMENT OF MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)  
FOR THE YEAR ENDED 31 MARCH 2018

<u>Investments</u>	<u>Holdings as at 01/04/2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Holdings as at 31/03/2018</u>
<b>Money market fixed deposits</b>				
The Hongkong and Shanghai Banking Corporation Limited	HK\$74,000,000	HK\$530,000,000	(HK\$477,000,000)	HK\$127,000,000
<b>Futures contracts</b>				
WTI Crude Future 31/05/2017	280	-	(280)	-
WTI Crude Future 30/06/2017	-	277	(277)	-
WTI Crude Future 31/07/2017	-	330	(330)	-
WTI Crude Future 31/08/2017	-	529	(529)	-
WTI Crude Future 30/09/2017	-	526	(526)	-
WTI Crude Future 31/10/2017	-	481	(481)	-
WTI Crude Future 20/11/2017	-	419	(419)	-
WTI Crude Future 30/11/2017	-	422	(422)	-
WTI Crude Future 31/01/2018	-	363	(363)	-
WTI Crude Future 28/02/2018	-	328	(328)	-
WTI Crude Future 31/03/2018	-	280	(280)	-
WTI Crude Future 30/04/2018	-	281	(281)	-
WTI Crude Future 31/05/2018	-	361	(1)	360



SAMSUNG S&P GSCI CRUDE OIL ER FUTURES ETF  
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PERFORMANCE OF THE UNDERLYING INDEX AND THE SUB-FUND (UNAUDITED)  
FOR THE YEAR ENDED 31 MARCH 2018

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<b>Sub-Fund</b>	Performance	
	<u>2018</u>	<u>2017</u>
Samsung S&P GSCI Crude Oil ER Futures ETF	20.73%	(5.84)%
<b>Index</b>		
S&P GSCI Crude Oil Index Excess Return	22.76%	(4.31)%

Source: Unit-prices are provided by HSBC Institutional Trust Services (Asia) Limited. The performance information of the Sub-Fund is provided by the Manager. Index information is provided by The New York Mercantile Exchange.

Investors should note that all investment involves risks (including the possibility of loss of the capital invested), prices of fund units may go up as well as down and past performance is not indicative of future performance. Investors should read the relevant fund's offering documents (including the full text of the risk factors stated therein) in detail before making any investment decision.

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SAMSUNG S&P GSCI CRUDE OIL ER FUTURES ETF  
(A SUB-FUND OF SAMSUNG ETFS TRUST)

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PERFORMANCE RECORD (UNAUDITED)  
FOR THE YEAR ENDED 31 MARCH 2018

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(a) Price record (Net assets value per unit)

	<u>Lowest</u> HK\$	<u>Highest</u> HK\$
Year ended 31 March 2018	9.2741	13.8768
Period ended 31 March 2017	<u>10.1269</u>	<u>13.3451</u>

Note: The net assets value per unit is calculated under the accounting basis indicated in the Trust's prospectus.

(b) Net assets value

	<u>Net assets</u> <u>value</u> \$
As at 31 March 2018	183,331,238
As at 31 March 2017	<u>108,948,001</u>

(c) Net assets value per unit

	\$
As at 31 March 2018	13.5801
As at 31 March 2017	<u>11.1742</u>

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SAMSUNG S&P GSCI CRUDE OIL ER FUTURES ETF  
(A SUB-FUND OF SAMSUNG ETFS TRUST)

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UNDERLYING INDEX CONSTITUENT STOCKS DISCLOSURE (UNAUDITED)  
AS AT 31 MARCH 2018

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The following are those constituent stocks that accounted for more than 10% of the weighting of the S&P GSCI Crude Oil Index Excess Return.

Constituent stock	Weighting of the index (%)
WTI Crude Oil Futures May 2018	100%

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