Value ETF
Value Partners

VALUE JAPAN ETF (Stock code: 3084)

A Sub-Fund of Value ETFs Trust

2017 ANNUAL REPORT

For the year ended 31 March 2017

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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.

CONTENTS

	Pages
General information	2-3
Manager's report	4
Statement of responsibilities of the Manager and the Trustee	5
Trustee's report to the unitholders	6
Independent auditor's report to the unitholders	7-11
Audited financial statements	
Statement of financial position	12
Statement of comprehensive income	13
Statement of changes in equity	14
Statement of cash flows	15
Notes to the financial statements	16-34
Investment portfolio (unaudited)	35-36
Statement of movements in portfolio holdings (unaudited)	37
Performance record (unaudited)	38

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 So Chun Ki Louis
Dr Au King Lun (appointed on 20 March 2017)
Mr Roger Anthony Hepper
(appointed on 1 March 2017)
Mr Chow Wai Chiu William
(resigned on 1 March 2017)

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

Custodian
The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

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

Auditor
Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central
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GENERAL INFORMATION (Continued)

Recent awards and achievements

Corporate awards (ETF)		
2016	•	**Value Partners** **ETF and Indexing Awards 2016 – Best ETF Launch** *– Asia Asset Management & ETFI Asia*
	•	**Value Partners** **ETF and Indexing Awards 2016 – Best Commodity ETF** *– Asia Asset Management & ETFI Asia*
	•	**Value Partners** **ETF and Indexing Awards 2016 – Best Smart Beta ETF** *– Asia Asset Management & ETFI Asia*
Value Japan ETF		
2015	•	**Fund of the Year Awards 2015** **Best in class – Japan Equity (ETF)** *– Benchmark Magazine*
2014	•	**Top Fund Awards 2014 (Hong Kong)** **Japan Large-Cap Equity – Best in Class (ETF)** *– Bloomberg Businessweek, Chinese edition*

MANAGER'S REPORT

Value Japan 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 Japan Index ("the Index") by holding a portfolio of the constituent stocks of the Index. The Index comprises 35 value stocks amongst Japanese companies' shares listed on The Tokyo Stock Exchange and The Osaka Securities Exchange.

As at 31 March 2017, the Net Asset Value ("NAV") per unit of the Sub-Fund was JPY189.92, and 4,200,000 units were outstanding. The total size of the Sub-Fund was approximately JPY797.7 million.

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

	From 1 April 2016 to 31 March 2017	**2017 YTD (as at 31 March)**	**Since inception**
FTSE Value-Stocks Japan Index	+22.4%	-1.4%	+105.8%
Value Japan ETF	+18.7%	-2.2%	+81.6%

The difference in performance between the FTSE Value-Stocks Japan Index and the Value Japan 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 Japan Index was at 48 basis points on an annualized basis since its inception on 22 May 2012.

Sensible Asset Management Hong Kong Limited
18 July 2017

All performance figures are sourced from HSBC Institutional Trust Services (Asia) Limited and Bloomberg, in JPY, NAV to NAV with dividends reinvested, as at 31 March 2017. Performance data is net of all fees.

Investors should note that investment 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 Japan ETF (the "Sub-Fund") is required by the Code on Unit Trusts and Mutual Funds established by the Hong Kong Securities and Futures Commission (the "SFC Code") 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 accounting period on the conduct of the Manager in the management of the Sub-Fund.

TRUSTEE'S REPORT TO THE UNITHOLDERS OF VALUE ETFs TRUST – VALUE JAPAN ETF

We hereby confirm that, in our opinion, the Manager has in all material respects, managed Value Japan ETF in accordance with the provisions of the Trust Deed dated 21 March 2012 for the year ended 31 March 2017.

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

Trustee
18 July 2017

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF VALUE ETFs TRUST – VALUE JAPAN ETF

Opinion

We have audited the financial statements of Value Japan ETF (a sub-fund of Value ETFs (the "Trust") and referred to as the "Sub-Fund") set out on pages 12 to 34, which comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 March 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

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 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 of the Sub-Fund dated 21 March 2012, (the "Trust Deed") and the disclosure provisions specified in Appendix E of the Code on Unit Trusts and Mutual Funds of the Securities and Futures Commission of Hong Kong (the "SFC Code"). We are independent of the Sub-Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF VALUE ETFs TRUST – VALUE JAPAN ETF (Continued)

Key audit matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Existence and valuation of financial assets at fair value through profit or loss	
The financial assets at fair value through profit or loss included in the statement of financial position of the Sub-Fund were listed shares in the Tokyo Stock Exchange and the Osaka Securities Exchange at 31 March 2017, which represented over 90% of the net asset value of the Sub-Fund. There were 35 constituent listed shares in the Sub-Fund. These financial assets were kept by the custodian and measured at fair value as set out in note 4 and 10 to the financial statements.	We obtained independent confirmation from the custodian of the entire investment portfolio held at 31 March 2017, and agreed the quantity held to the accounting records. We tested the design and operating effectiveness of controls for the valuation of financial instruments. In addition, we independently checked the valuation of the financial assets at fair value through profit or loss that are quoted in active markets against third party vendor sources such as Reuters or Bloomberg at 31 March 2017. We evaluated the assumptions made by the management and reviewed the financial statement disclosures regarding fair value hierarchy as set out in note 10 to the financial statements.

Other information included in the Annual Report

The Trustee and the Manager are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF VALUE ETFs TRUST – VALUE JAPAN ETF (Continued)

Responsibilities of the Trustee and the Manager for the financial statements

The Trustee and the Manager of the Sub-Fund are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs issued by the IASB, 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.

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

In addition, the Trustee and the Manager of the Sub-Fund are required to ensure that the financial statements have been properly prepared in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the Code on Unit Trusts and Mutual Funds (the "SFC Code") issued by the Hong Kong Securities and Futures Commission.

Auditor's responsibilities for the audit of the financial statements

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Sub-Fund have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF VALUE ETFs TRUST – VALUE JAPAN ETF (Continued)

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sub-Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee and the Manager.

- Conclude on the appropriateness of the Trustee and the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sub-Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Sub-Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the Trustee and the Manager 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.

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF VALUE ETFs TRUST – VALUE JAPAN ETF (Continued)

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

From the matters communicated with the Trustee and the Manager, 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 provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code

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

The engagement partner on the audit resulting in this independent auditor's report is Ms. Christine Lin.

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

18 July 2017

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Notes	2017 JPY	2016 JPY
ASSETS			
Financial assets at fair value through profit or loss	*4, 10*	782,662,647	772,404,121
Dividends receivable		9,294,015	10,135,286
Other receivables		198,837	269,069
Cash and cash equivalents	*4, 7(c)*	9,823,961	4,062,206
TOTAL ASSETS		801,979,460	786,870,682
LIABILITIES			
Audit fees payable		2,085,022	2,039,368
Management fees payable	*7(a)*	1,915,546	470,908
Trustee and registrar fees payable	*7(b)*	69,279	129,329
Other payables		256,996	356,740
TOTAL LIABILITIES		4,326,843	2,996,345
TOTAL EQUITY		797,652,617	783,874,337
Represented by:			
Net assets attributable to unitholders		797,652,617	783,874,337
Net asset value per unit based on 4,200,000 (2016: 4,900,000) units outstanding	*8*	189.9173	159.9744

Approved and authorised for issue by the Manager and the Trustee on 18 July 2017.

Signed by:

Sensible Asset Management Hong Kong Limited, *Manager*

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

The notes on pages 16 to 34 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 JPY	2016 JPY
Dividend income		24,135,419	25,263,451
Interest income		1,534	–
Net gains/(losses) from financial assets at fair value through profit or loss	5	133,953,006	(219,287,178)
Net foreign exchange gains/(losses)		801,173	(239,811)
Other income		32	–
Net investment income/(losses)		158,891,164	(194,263,538)
Management fees	7(a)	5,462,388	6,668,065
Trustee and registrar fees	7(b)	780,340	952,591
Auditor's remuneration		1,263,805	1,237,831
Transaction fees		527,877	348,697
Professional fees		1,848,756	1,438,958
Sub-custodian fees		105,526	45,734
Bank charges	7(c)	35,000	37,000
Information services fee		3,222,350	2,954,195
Other operating expenses		3,813,302	3,482,007
Operating expenses		17,059,344	17,165,078
Profit/(loss) before taxation		141,831,820	(211,428,616)
Withholding tax	6	(3,829,860)	(3,624,464)
Profit/(loss) after taxation and total comprehensive income for the year		138,001,960	(215,053,080)

The notes on pages 16 to 34 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 JPY	2016 JPY
BALANCE AT THE BEGINNING OF THE YEAR		783,874,337	1,141,631,307
Redemption of redeemable units	*8*	(124,223,680)	(142,703,890)
Net decrease from unit transactions		(124,223,680)	(142,703,890)
Distributions to unitholders	*9*	–	–
Total transactions with unitholders		(124,223,680)	(142,703,890)
PROFIT/(LOSS) AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		138,001,960	(215,053,080)
BALANCE AT THE END OF THE YEAR		797,652,617	783,874,337

The notes on pages 16 to 34 form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 JPY	2016 JPY
OPERATING ACTIVITIES			
Dividends received		24,976,690	26,456,712
Interest income received		1,527	–
Proceeds from sale of investments		555,037,551	698,308,743
Purchase of investments		(431,343,071)	(573,709,201)
Operating expenses paid		(14,857,402)	(19,438,014)
Withholding tax paid		(3,829,860)	(3,624,464)
CASH FLOWS FROM OPERATING ACTIVITIES		129,985,435	127,993,776
FINANCING ACTIVITIES			
Payments on redemption of units		(124,223,680)	(142,703,890)
CASH FLOWS USED IN FINANCING ACTIVITIES		(124,223,680)	(142,703,890)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		5,761,755	(14,710,114)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		4,062,206	18,772,320
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		9,823,961	4,062,206
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash at bank	*7(c)*	9,823,961	4,062,206

The notes on pages 16 to 34 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 2017, 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 Japan ETF (the "Sub-Fund"). The financial statements of Value Korea 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 ("HKSFO"), 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 Japan 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB and the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions specified in Appendix E of the 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).

(b) Basis of preparation

The functional currency of the financial statements of the Sub-Fund is the Japanese yen ("JPY") reflecting the fact that most of the transactions are denominated in JPY.

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 JPY.

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 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 JPY 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.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to JPY 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.

(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").

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)

(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 loss, if any.

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

(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

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.

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)

(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 expired.

(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.

(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.

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

(g) Income

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

Dividend income relating to exchange-traded equity securities is 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

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

(a) Total cash flows based substantially on 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

(b) 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.

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;

or

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Related parties (continued)

(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.

(n) Distributions to unitholders

Distributions are at the discretion of the Sub-Fund. A distribution to the Sub-Fund's unitholders is accounted for as a deduction from net assets attributable to unitholders. A proposed distribution is recognised as a liability in the year in which it is approved by 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.

(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 2017 and 2016, the Sub-Fund is not exposed to significant foreign currency risk. The majority of assets and liabilities are denominated in JPY, which is the functional currency of the Sub-Fund.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (continued)

(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 2017 and 2016, the Sub-Fund's overall market exposures and estimated market sensitivity are as follows:

	Percentage change		Estimated impact on net assets	
	2017	**2016**	**2017**	**2016**
			JPY	*JPY*
FTSE Value-Stocks Japan Index	+/- 20%	+/- 25%	+/- 154,775,022	+/-190,918,776

(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 at fair value through profit or loss, cash and cash equivalents and other 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (continued)

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:

	Credit rating			
Counterparty	**2017**	**2016**	**2017**	**2016**
			JPY	*JPY*
Bank A	AA-	AA-	9,823,961	4,062,206
Custodian A	AA-	AA-	782,662,647	772,404,121

(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.

The Sub-Fund did not have any index securities that accounted for more than 10% of their respective net asset value as at 31 March 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. NET GAINS/(LOSSES) FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	**2016**
	JPY	*JPY*
Net realised (losses)/gains	(40,155,645)	72,610,059
Change in unrealised gains/losses	174,108,651	(291,897,237)
	133,953,006	(219,287,178)

6. 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.

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.

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 JPY5,462,388 (2016: JPY6,668,065) were charged to profit or loss during the year. Included in liabilities as at 31 March 2017 are management fees payable of JPY1,915,546 (2016: JPY470,908).

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

The Sub-Fund appointed the Trustee, a registered trust company incorporated in Hong Kong, to implement the responsibilities as specified in the Trust Deed. HSBC Institutional Trust Services (Asia) Limited (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:

	Trustee and registrar fees per annum shown as % of net asset value
Net asset value	
First HK$800 million (approximately JPY11,470 million*)	0.10%
Next HK$800 million (approximately JPY11,470 million*)	0.08%
Next HK$800 million (approximately JPY11,470 million*)	0.07%
Thereafter	0.06%

For the period from 1 April 2016 to 31 March 2017, the trustee and registrar fees are subject to a minimum of HK$39,000 (approximately JPY559,140*). For the period from 1 April 2015 to 31 March 2017, the minimum fee was waived.

Trustee and registrar fees of JPY780,340 (2016: JPY952,591) were charged to profit or loss during the year. Included in liabilities as at 31 March 2017 are trustee and registrar fees payable of JPY69,279 (2016: JPY129,329).

* *Based on exchange rates as at 31 March 2017*

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

The Sub-Fund maintains an interest-bearing 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:

	2017	**2016**
	JPY	*JPY*
Cash and cash equivalents	9,823,961	4,062,206
Bank charges	35,000	37,000

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 31 March 2017 and 31 March 2016 are listed out below:

	Number of units	
	2017	**2016**
Dato' Seri Cheah Cheng Hye*	1,084,300	1,084,300
Mr. Ho Man Kei, Norman**	136,300	136,300
Value Partners Limited***	700,000	700,000

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

** *Mr. Ho Man Kei, Norman 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 years ended 31 March 2017 and 2016 were as follows:

2017	**Units outstanding at 1 April 2016**	**Units subscribed/ transferred in**	**Units redeemed/ transferred out**	**Total units at 31 March 2017**
Bank A	1,050,000	–	–	1,050,000

2016	**Units outstanding at 1 April 2015**	**Units subscribed/ transferred in**	**Units redeemed/ transferred out**	**Total units at 31 March 2016**
Bank A	1,050,000	–	–	1,050,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. REDEEMABLE UNITS IN ISSUE

	Number of units	
	2017	**2016**
At the beginning of the year	4,900,000	5,600,000
Redemption of units	(700,000)	(700,000)
At the end of the year	4,200,000	4,900,000

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.

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

	2017	**2016**
	JPY	*JPY*
Amount available for distribution brought forward	68,098,414	46,459,427
Dividend income	24,135,419	25,263,451
Withholding tax	(3,829,860)	(3,624,464)
	20,305,559	21,638,987
Distributions to unitholders	–	–
Amount available for distribution carried forward	88,403,973	68,098,414
Distribution history		
Distribution per unit	–	–
Date of distribution	–	–

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 accounts receivables, accounts payables and accrued expenses, the carrying amounts approximate to their 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 13, 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.

	2017	**2016**
	JPY	*JPY*
Level 1		
Listed equity securities	782,662,647	772,404,121

During the years ended 31 March 2017 and 2016, there were no significant transfers between Level 1, Level 2 or Level 3 of the fair value hierarchy.

(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 to their fair values.

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 the 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 Japan for the years ended 31 March 2017 and 2016.

The Sub-Fund has no assets classified as non-current as at 31 March 2017 (2016: Nil).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

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 accounting policies adopted are consistent with those of the previous financial year, except for the following amendments:

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statement clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- the materiality requirement in IAS 1;
- that specific line items in the statement of comprehensive income and the statement of financial position may be disaggregated;
- that entities have flexibility as to the order in which they present the notes to financial statements; and
- 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 statement of comprehensive income.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of comprehensive income. These amendments do not have any significant impact on the Sub-Fund.

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 that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for the financial instruments project: 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. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Sub-Fund expects to adopt IFRS 9 and is currently assessing the impact of the standard.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

IAS 7 Disclosure Initiative – Amendments to IAS 7 (effective 1 January 2017)

The amendments to IAS 7 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of the amendments will result in additional disclosure to be provided by the Sub-Fund. The Sub-Fund is currently assessing the impact of the amendments to IAS 7 and plans to adopt the revised standard on the required effective date.

15. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Manager and the Trustee on 18 July 2017.

INVESTMENT PORTFOLIO (UNAUDITED)

AS AT 31 MARCH 2017

	Holdings	Fair value *JPY*	% of net assets
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			
Listed equity securities			
Japan			
Aozora Bank Ltd	18,072	7,409,520	0.93
Bridgestone Corp	9,744	43,877,232	5.50
Chiba Bank Ltd	10,212	7,301,580	0.92
Dai-ichi Life Holdings Inc	17,520	34,978,680	4.39
Electric Power Development Co Ltd	2,772	7,221,060	0.90
Hitachi Ltd	62,148	37,444,170	4.69
Honda Motor Co Ltd	11,856	39,729,456	4.98
Isuzu Motors Ltd	8,424	12,404,340	1.55
Itochu Corp	22,296	35,227,680	4.42
Kajima Corp	14,160	10,280,160	1.29
Mazda Motor Corp	8,796	14,099,988	1.77
Mitsubishi Chemical Holdings Corp	20,436	17,603,570	2.21
Mitsubishi UFJ Financial Group Inc	56,052	39,219,584	4.92
Mitsui Chemicals Inc	14,112	7,761,600	0.97
Mitsui & Co Ltd	24,888	40,131,900	5.03
Mizuho Financial Group Inc	191,172	38,999,088	4.89
MS&AD Insurance Group Holdings Inc	7,908	27,994,320	3.51
Nissan Motor Co Ltd	30,720	32,977,920	4.13
Obayashi Corp	10,512	10,942,992	1.37
Orix Corp	20,328	33,490,380	4.20
Resona Holdings Inc	33,852	20,240,111	2.54
Shimizu Corp	8,796	8,778,408	1.10
Sompo Holdings Inc	5,724	23,348,196	2.93
Subaru Corp	8,448	34,493,184	4.32

INVESTMENT PORTFOLIO (UNAUDITED) (Continued)

AS AT 31 MARCH 2017

	Holdings	Fair value *JPY*	% of net assets
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)			
Listed equity securities (continued)			
Japan (continued)			
Sumitomo Mitsui Financial Group Inc	8,988	36,356,460	4.56
Sumitomo Chemical Co Ltd	23,556	14,651,832	1.84
Sumitomo Corp	17,448	26,128,380	3.27
Sumitomo Mitsui Trust Holdings Inc	5,856	22,604,160	2.83
T&D Holdings Inc	9,552	15,436,032	1.94
Taisei Corp	16,608	13,469,088	1.69
Teijin Ltd	2,748	5,768,052	0.72
Tosoh Corp	8,844	8,649,432	1.08
Toyota Motor Corp	5,940	35,889,480	4.50
Yamada Denki Co Ltd	11,064	6,140,520	0.77
Yamaha Motor Co Ltd	4,332	11,614,092	1.46
Total financial assets at fair value through profit or loss		782,662,647	98.12
Cash and cash equivalents		9,823,961	1.23
Other net assets		5,166,009	0.65
Total net assets		797,652,617	100.00
Total investments, at cost		739,514,711	

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)

FOR THE YEAR ENDED 31 MARCH 2017

	% of net assets	
	2017	**2016**
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Listed equity securities		
Japan	98.12	98.53
Total financial assets at fair value through profit or loss	98.12	98.53
Cash and cash equivalents	1.23	0.52
Other net assets	0.65	0.95
Total net assets	100.00	100.00

PERFORMANCE RECORD (UNAUDITED)

FOR THE YEAR ENDED 31 MARCH 2017

Net asset value (at last traded price)

	Net asset value per unit *JPY*	Net asset value *JPY*
As at 31 March 2017	189.9173	797,652,617
As at 31 March 2016	159.9744	783,874,337
As at 31 March 2015	203.8627	1,141,631,307

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

	Highest net asset value per unit *JPY*	Lowest net asset value per unit *JPY*
As at 31 March 2017	203.4625	132.3773
As at 31 March 2016	229.7870	137.4506
As at 31 March 2015	209.9905	156.0132
As at 31 March 2014	177.7030	142.6928
Period ended 31 March 2013	150.2973	101.6097