

WEISS KOREA OPPORTUNITY FUND LTD.

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

**FOR THE PERIOD FROM 12 APRIL 2013 (DATE OF INCORPORATION)
TO 31 DECEMBER 2013**

WEISS KOREA OPPORTUNITY FUND LTD.

CONTENTS

Corporate Information	2
Summary Information	3
Chairman's Review	4
Investment Manager's Report	5
Top Ten Holdings	10
Directors	11
Report of the Directors	12
Directors' Remuneration Report	19
Audit Committee Report	20
Independent Auditor's Report	24
Statement of Financial Position	27
Statement of Comprehensive Income	28
Statement of Changes in Equity	29
Statement of Cash Flows	30
Notes to the Financial Statements	31

WEISS KOREA OPPORTUNITY FUND LTD.

Corporate Information

Directors

Norman Crighton (Non-executive Chairman) (Appointed 12 April 2013)
Stephen Charles Coe (Non-executive Director) (Appointed 12 April 2013)
Robert Paul King (Non-executive Director) (Appointed 29 April 2013)

Registered Office

PO Box 255
Trafalgar Court
Les Banques
St Peter Port
Guernsey
GY1 3QL

Company Secretary, Administrator and Designated Manager

Northern Trust International Fund
Administration Services (Guernsey) Limited
PO Box 255
Trafalgar Court
Les Banques
St. Peter Port
Guernsey
GY1 3QL

Investment Manager

Weiss Asset Management LP
222 Berkeley Street, 16th Floor
Boston, MA 02116
USA

Financial Adviser, Nominated Adviser and Broker

Nplus1 Singer Advisory LLP
One Bartholomew Lane
London
EC2N 2AX

English Legal Adviser to the Company

Stephenson Harwood LLP
1 Finsbury Circus
London
EC2M 7SH

Guernsey Legal Adviser to the Company

Mourant Ozannes
PO Box 186
1 Le Marchant Street
St. Peter Port
Guernsey
GY1 4HP

Custodian and Principal Bankers

Northern Trust (Guernsey) Limited
PO Box 71
Trafalgar Court
Les Banques
St. Peter Port
Guernsey
GY1 3DA

Registrar

Capita Registrars (Guernsey) Limited
Mont Crevelt House
Bulwer Avenue
St Sampson
Guernsey
GY2 4LH

Independent Auditor

KPMG Channel Islands Limited
20 New Street
St. Peter Port
Guernsey
GY1 4AN

WEISS KOREA OPPORTUNITY FUND LTD.

Summary information

The Company

Weiss Korea Opportunity Fund Ltd. (“WKOF” or the “Company”) was incorporated with limited liability in Guernsey, as a closed-ended investment company on 12 April 2013. The Company’s Shares were admitted to trading on the AIM Market of the London Stock Exchange (the “LSE”) on 14 May 2013.

The Company is managed by Weiss Asset Management LP (the “Investment Manager”), a Boston-based investment management company registered with the Securities and Exchange Commission in the United States of America.

Investment Objective and Dividend Policy

The Company’s investment objective is to provide Shareholders with an attractive return on their investment predominantly through long-term capital appreciation. The Company intends to return to Shareholders dividends received on an annual basis.

Investment Policy

The Company is geographically focused on South Korean companies. Specifically, the Company intends to invest primarily in listed preferred shares issued by companies incorporated in South Korea, which in many cases are currently trading at a discount to the corresponding common shares of the same companies. The Investment Manager has assembled a portfolio of Korean preferred shares that it believes are undervalued and could appreciate based on criteria it selects. Some of the considerations that affect the Investment Manager’s choice of securities to buy and sell may include the discount at which a preferred share is trading relative to its respective common shares, its dividend yield, its liquidity and its common shares weighting (if any) in the MSCI Korea 25/50 Net Total Return Index (the “Korea Index”), among other factors. Not all of these factors will necessarily be satisfied for particular investments. The Investment Manager will not generally make decisions based on corporate fundamentals or its view of the commercial prospects of the issuer. Preferred shares will be selected by the Investment Manager at its sole discretion subject to the overall control of the Board.

The Company will invest primarily in Korean preferred shares, but it may invest some portion of its assets in other securities, including exchange-traded funds, futures contracts and other types of options, swaps and derivatives related to Korean equities, as well cash and cash equivalents. The Company does not have any concentration limits.

Shareholder Information

The Administrator is responsible for calculating the Net Asset Value (“NAV”) per Share of the Company. The unaudited NAV per Ordinary Share is calculated on a weekly basis and at the month end by the Administrator, is announced by a Regulatory News Service and is available through the Company’s website www.weisskoreaopportunityfund.com.

Company financial highlights and performance summary for the period from 12 April 2013 (date of incorporation) to 31 December 2013

	As at 31 December 2013 £
Total Net Assets	113,881,263
NAV per share	1.0846
Basic and diluted earnings per share	0.1046
Mid-Market Share price	1.2100
Premium to NAV	11.6%

As at 15 April 2014, the Company’s share price stood at a small discount of 0.23% to NAV. The NAV per Share and Mid-Market Share price stood at £1.1865 and £1.18375 respectively.

Total expense ratio

The annualised total expense ratio for the period ended 31 December 2013 was 1.67%.

WEISS KOREA OPPORTUNITY FUND LTD.

Chairman's Review

Dear Shareholders,

It is a pleasure to provide the first Annual Report of the Company.

During the period from listing on 14 May 2013 to 31 December 2013 (the "Period"), the Company's NAV per share increased from 98.00 pence to 108.46 pence, outperforming the reference MSCI Korea 25/50 Capped Index, while the Company's share price consistently maintained a premium to NAV. A detailed report from the Investment Manager follows on pages 5 to 9.

We believe that South Korean preferred shares and WKOF continue to represent an outstanding investment opportunity. The Korean stock market itself is relatively inexpensive. Korean preferred shares offer access to substantially the same economic rights as the corresponding common shares of many of the leading Korean companies, but at much lower prices, thus offering investors the potential for exceptional gains. Foreign investors may not be able to hold Korean securities directly and, as a dedicated access vehicle for Korean preferred shares, WKOF is unique.

WKOF is also unusual among closed-ended funds in the strong corporate governance features written into the Articles of the Company at inception. Few closed-ended funds have such comprehensive protection. We believe that partially as a result of that, many other closed-ended funds persistently trade at large discounts, while ignoring the potential per-share value accretion available through share repurchases. WKOF Shareholders may elect to redeem their investment on the Company's fourth anniversary and on every second anniversary thereafter. In the event that the discounts on the Korean preferred shares, which WKOF owns, narrow considerably relative to their corresponding common shares, the Board must submit a proposal to Shareholders to wind-down the Company. These medium-term liquidity events create a number of possible favourable exit opportunities for investors. We believe that these measures, combined with our strong commitment to adding value through share repurchases, will help maximize share value for investors. Additionally, the President and CIO of the Investment Manager has invested significant personal funds in WKOF, and Directors have also purchased shares at the initial public offering ("IPO") in order to align their interests with those of Shareholders. In order to meet the highest standards of corporate governance, the Directors have agreed to stand for election yearly.

As stated in the Admission Document, the Directors intend to return to Shareholders all dividends received, net of withholding tax, on an annual basis. As the Company did not become fully invested until well after the "dividend season" in Korea, the amount collected by the Company in 2013 was de minimis at less than £20,000 in total. In order to pay out to Shareholders dividends due to them in a timely manner, the Board has decided that the first dividend will be paid early summer 2014 and annually thereafter. This will allow all dividends from the previous financial year of Korean companies (calendar year 2013) to be paid out as soon as practicable after the Company receives them.

As also stated in the Admission Document, since its inception, the Company has not engaged in hedging activities or made use of leverage to fund investments, but the Company reserves the right to do so in the future.

We will be holding our Annual General Meeting ("AGM") on 28 July 2014, notices will be sent out with the Financial Statements. I warmly invite all Shareholders to attend, and look forward to meeting you. If you are unable to attend in person, the Board is always happy to answer questions or to meet with Shareholders directly if required. Please contact the Company at the address given on page 2 of this document.

Finally, I would like to thank Shareholders for their support through a successful initial period and look forward to the continued success of the Company in the future. I would also like to thank Weiss Asset Management for steering the Company through the difficult initial investment phase, as well as the other service providers, all of whom have contributed greatly to the Company.

Sincerely,

Norman Crighton
23 April 2014

WEISS KOREA OPPORTUNITY FUND LTD.

Investment Manager's Report

For the period from 12 April 2013 (date of incorporation) to 31 December 2013

Introduction

The Company invests primarily in South Korean preferred shares. In South Korea, the term “preferred share” is a misnomer and Korean preferred shares are misunderstood by many Western investors. Korean preferred shares are more comparable to non-voting common shares than the preferred shares in most other countries. In general, Korean preferred shares do not have a fixed dividend or a maturity date. Instead, the typical contractual terms of preferred shares state that their dividends will be incrementally higher than the dividends of their corresponding common shares. Hence, those preferred shares fully participate in dividend growth of the issuer. In spite of this, many Korean preferred shares trade at significant discounts to their corresponding common shares. For example, one of Hyundai Motor Company's preferred shares closed the year at a price of ₩113,500; by comparison Hyundai's common shares closed the year at a price of ₩236,500 – in spite of the fact that the preferred share receives a slightly higher per share dividend. As a result of this anomaly, typically preferred shares' price-to-earnings ratios are substantially lower and their dividend yields are higher than their corresponding common shares. For the WKOF portfolio of preferred shares, the weighted average discount of preferred shares held was 49.5% as of 31 December 2013.¹

Performance

The Company was admitted to AIM on 14 May 2013. A primary objective during the first months of operation was to acquire a portfolio of preferred shares at the best possible prices. During this acquisition phase, a significant portion of the portfolio was invested in a Korean equity index fund as a placeholder.

The Company's NAV increased 10.7% from admission of the Company through 31 December 2013 (the share price performance is somewhat greater reflecting the premium at which WKOF shares trade).² By comparison, the MSCI Korea 25/50 Index³ rose 2.0% over that period.⁴

The Company's returns were enhanced by a narrowing of the discount that many Korean preferred shares traded at relative to their corresponding common shares. Although Korean preferred share discounts have narrowed since inception, they remain substantially wider than the discounts of other non-voting share classes around the world (for example, Italian saver shares, German preferred shares and even Russian preferred shares).

Since inception, WKOF has consistently traded at a premium to its NAV. We believe that the premium is due, in part, to the fact that there is no similar vehicle that gives investors dedicated exposure to Korean preferred shares, and that there are only a small number of experienced managers offering Korean equity funds in general. Many of those funds are open-end funds, which often have liquidity constraints. Consequently, there are no funds that we are aware of that come close to providing the exposure to Korean preferred shares that is provided by the Company.

¹ Weighted average discount of preferred shares held is the average discount of the last traded price of the preferred shares held by WKOF to the last traded price of the respective common shares of the same issuer, weighted by the market value of each investment on the report date.

² The initial asset value is calculated net of investment banking fees, legal fees, and start-up expenses.

³ MSCI Korea 25/50 Net Total Return Index, denominated in British pounds.

⁴ All return numbers are reported in British pounds. The Company does not generally hedge currency exposure. The Korean won weakened against the pound during this period, so returns in won were greater than reported results. Because the won and the pound both appreciated relative to U.S. dollar, returns in dollars were greater than returns in the other currencies. As noted in the Admission Document, Korean companies typically go “ex-dividend” in late December but do not announce their dividends until months later. Consequently, prices generally fall after the ex-dividend date, but the Company's NAV does not reflect the dividends until somewhat later. As a result of the foregoing, there were dividends receivable by the Company as of year-end, but such dividends had not yet been received so they were not included in NAV. The full amount of such dividends was not yet known as of year-end.

WEISS KOREA OPPORTUNITY FUND LTD.

Investment Manager's Report (continued)

For the period from 12 April 2013 (date of incorporation) to 31 December 2013

While we are pleased about the returns we have generated for WKOF shareholders thus far, we stress that investors should not rely on short term performance to forecast long term performance. In more than two decades of investing in closed-ended funds, holding companies, non-voting equity shares and other value securities around the world, we have witnessed gyrations of discounts that are not always explainable by changes in fundamentals. Our objective is to generate attractive returns over the long-term net of fees. We believe that Korean preferred shares remain an exceptional investment opportunity, and we are optimistic about the long-term prospects of the portfolio.

Portfolio

As of 31 December 2013, 86.0% of the NAV was invested in Korean preferred shares. The weighted average discount of the preferred share portion of the portfolio at the end of the year was 49.5%, and the trailing price to earnings ratio was 6.0x. As of 31 December 2013, 9.4% of the portfolio was invested in the iShares MSCI Korea Capped ETF. As discounts have narrowed for some of our largest holdings, we have purchased more of the less liquid and more deeply discounted preferred shares. While we are focused on buying deeply discounted preferred shares, we may take into account the fundamentals of the companies in which we invest as well as any special features of the preference shares of particular companies.

The current portfolio is likely to be fine-tuned over time. The fine-tuning may result in a more diversified portfolio and with a greater fraction of assets invested in the most exceptionally undervalued Korean preferred shares that we have been buying slowly due to liquidity constraints. Of course, the optimal target portfolio should change over time as discounts and fundamental values change, and we expect that the portfolio will change accordingly.

The Company's two largest company exposures are to: (1) the three Hyundai preferred shares, totalling 27.0% of NAV; and (2) the Samsung Electronics preferred, at 13.3% of NAV as of year-end 2013.

Please refer to page 10 for the Company's top ten holdings as of 31 December 2013.

Hyundai Motor Company has issued three different preferred shares. As a reminder, the economic rights of Hyundai's three preferred shares are almost identical to the rights of the common shares, but the preferred shareholders can vote only on matters that adversely affect their share class. The price differences across the three preferred shares fluctuate, but the less liquid shares tend to trade at larger discounts. At year-end, Hyundai's three preferred shares were all trading at approximately half of the price of (or an approximately 50% discount to) Hyundai common. For this reason and comparing that discount to other non-voting share classes around the world, we believe that the Hyundai preferred shares are cheap on a relative basis.

However, we also believe that the preferred shares offer compelling absolute value and are likely to compound at attractive risk-adjusted returns over time because of their low earnings multiples. Because the Hyundai Motor preferred shares collectively represent a large fraction of our portfolio, we will comment on the absolute value proposition.

We believe that Hyundai is a much more valuable company than it appears from a cursory look at its financial statements. Hyundai is incredibly asset rich relative to many other automotive companies, with substantial holdings of cash, short term financial instruments, and shares in both private and publicly traded companies. Hyundai uses the equity method for accounting, so most of its publicly traded holdings, such as its 34% stake in Kia Motors Corporation (ticker: 000270 KS), are carried on Hyundai's balance sheet at period end book (not market) value. In addition, Hyundai's interest in its 50% Chinese joint venture is carried on Hyundai's balance sheet at what appears to be substantially below its intrinsic value. The carrying value implies only a 1.9x price to annualized earnings ratio – for a joint venture that has been growing revenue at more than 15% per year.⁵ Analysts estimate that Hyundai sold 1 million cars in China in 2013.

⁵ As of 30 Sept. 2013, annualizing the first three quarters of earnings in 2013.

WEISS KOREA OPPORTUNITY FUND LTD.

Investment Manager's Report (continued)

For the period from 12 April 2013 (date of incorporation) to 31 December 2013

The price of even the most liquid (least discounted) Hyundai preferred share implies an extremely low valuation for Hyundai's core manufacturing operation. For example, backing out the per share net cash, listed securities, readily saleable assets and other assets (net of all liabilities) from the price of the most liquid preferred share (and adjusting earnings appropriately), reveals that Hyundai's core vehicle manufacturing operations are being priced by the market at a trailing price-to-earnings ratio of only 1.8.⁶

In contrast to the low value implied for Hyundai's operations, Hyundai reported in December that its global factory utilization has been exceeding 100%,⁷ which from our point of view means that the value of the plant and equipment is very real. Furthermore, Hyundai estimates that its manufacturing capacity will increase by 5.6% from 2013 to 2014, with almost all of the new capacity coming from China.

As with any business, there are of course many risks associated with an investment in Hyundai. For example, the appreciation of the won against the yen may hurt Hyundai's competitiveness and there are labour disputes pending in court that could potentially increase costs. That said, Hyundai preferred shares ended the year trading at a low single digit price-to-earnings ratio by almost any methodology, and at nearly a 50% discount to the price of the corresponding common shares.⁸ Some securities that trade at large discounts have significant uncertainty related to the corresponding "NAV", but the Hyundai preferred shares trade at a large discount to a stock that traded over £70 million per day in 2013 on average. Put differently, large numbers of investors willingly pay about twice the price the Company pays for similar exposure to Hyundai. It is worth reminding investors of the potential implication of buying a security at a 50% discount: if the discount were to hypothetically converge to parity, an investor would earn a 100% rate of return. Further, Hyundai common shares may themselves be cheap.

In summary, we believe that the Hyundai preferred shares are cheap on both a relative and absolute basis and offer potential long term returns that we believe are compelling. This explains their high weighting in the Company's portfolio.

There are several potential catalysts that we believe could cause an increase in share prices for the Korean market in general, and in particular for the preferred shares through a narrowing of discounts to the corresponding common shares. We continue to believe that the most powerful catalyst is the new attitude of the government and the Korean public toward corporate governance. During 2013, there were high-profile cases of senior executives being sent to prison for self-dealing. Just a few years ago, judges excused similar cases of self-dealing by referring to the contribution chaebols (family controlled conglomerates) had made to the growth of the Korean economy. This change made a strong statement and is a deterrent to future indiscretion. In addition, the Korean legislature has passed and is considering a number of new corporate governance laws. The laws already passed restrict the ability of the heads of the chaebols to act against the interest of shareholders. Additional laws are being considered that might prevent judges from giving suspended sentences to heads of chaebols convicted of self-dealing. If the laws being considered were all passed, Korea might have some of the strongest shareholder protection rights of any country.

⁶ We caution you that this is a non-standard accounting metric, calculated using adjustments made by the Manager in its sole discretion for illustrative purposes only. The analysis is based on the most liquid Hyundai preferred share, listed as 005387 KS, as of 31 December 2013. The price-to-earnings ratio methodology compares the price of Hyundai's vehicle manufacturing operations implied by the market price of the preferred share to the vehicle segment's estimated and adjusted 2013 net income. To briefly (and incompletely) summarize the methodology, the price of the preferred share (numerator) was adjusted to exclude certain non-vehicle net assets; the earnings (denominator) were adjusted to omit the contribution of non-vehicle assets but to include Hyundai's proportional share of net income generated by Beijing Hyundai Motor Company, its Chinese joint venture. Non-vehicle assets include cash and publicly held securities (but not property, plant, and intangibles) less all liabilities. The Manager marked down certain assets in its sole judgment (e.g. inventories by 25%, receivables by 15%).

⁷ Hyundai Motor Company Investor Presentation, Dec. 2013, p. 9.

⁸ Hyundai's most liquid preferred share, listed as 005387 KS, closed the year at a price of ₩130,500, compared to the common share closing price of ₩236,500, a 45% discount. Another Hyundai preferred share, listed as 005389 KS, closed the year at a 52% discount. Bloomberg, as of 31 Dec. 2013.

WEISS KOREA OPPORTUNITY FUND LTD.

Investment Manager's Report (continued)

For the period from 12 April 2013 (date of incorporation) to 31 December 2013

Better shareholder rights are bullish for investors in the preferred shares of Korean stocks. If the heads of companies can't use the corporate cash as their personal piggy bank, they are much more likely to distribute the cash to shareholders. Payments of dividends and share buybacks are generally bullish for stocks, and would be especially bullish for the prices of Korean stocks such as Hyundai Motors that have large holdings of cash and financial instruments. Since the preferred shares would receive the same dividend increase as the common shares, increases in dividends would be particularly favorable for the preferred shares. If firms increase their dividends, they would have a strong incentive to buy back preferred shares rather than paying them a large dividend. In the last twelve months, we have seen new share repurchase programs established, notably that of Samsung Fire and Marine. Other Korean firms have also announced new buyback programs, but we are awaiting evidence about their implementation. The most important long-run effect of better corporate governance will be to decrease the discount on all Korean shares as investors gain confidence that the earnings will accrue to shareholders rather than to the family of the founder.

Another powerful positive for the Korean market is the growth of the Korean National Pension Service ("NPS"). This fund will have massive inflows of money – cumulative net inflows are estimated to bring its assets under management to about £1.5 trillion by its peak in 2042.⁹ The National Pension Service has declared its intention to invest at least twenty percent of its assets in the Korean stock market. As of June 2013, the NPS owned 6% of the Korean market. With the additional purchases projected over the next six years, if stock market prices were unchanged, they would own about 15% of the Korean Equity market. Not only will these purchases push up share prices, but the NPS has openly taken strong shareholder-friendly positions on corporate governance matters, and will have even greater clout in the future. In at least two cases it refused to vote to approve the accounts of firms in which it was invested to express its disapproval of low dividends. Other pension plans are also accumulating assets. We expect that the pension funds will be following the lead of the NPS in investing a larger fraction of their assets in equities.

The impressive Korean education system has created a workforce that is far better educated and sophisticated than the previous generation. This should cause a fall in the cost of highly skilled workers, thus enhancing the value of embedded capital. The long run value of stocks is determined by the value of the tangible and intangible capital in the existing firms. Growth by itself does not increase share prices; indeed over very long periods there appears to be a negative relationship between growth and the performance of equities.¹⁰

Finally, a large number of Koreans are entering their peak savings years. Historically, personal savings was allocated to savings accounts and housing. However, as savers become more sophisticated, and vehicles such as mutual funds are more widely marketed, we believe that the upcoming generation of savers may be more comfortable investing in equities than their parents were.

We continue to see increased media and investor focus on South Korea and South Korean preferred shares. We believe that this attention will cause prices to converge to market fundamentals, and for the discount on the Korean preferred shares to continue to narrow. The increased participation by foreign institutional investors is likely to speed up the rate of convergence between the prices of the common and preferred share.

⁹ Statistics for this section are based on the NPS Annual Report 2013, using the exchange rate as of 31 Dec. 2013.

¹⁰ This relationship is shown graphically in the latest edition of Jeremy Siegel's *Stocks for the Long Run* (McGraw Hill, 2008), 125-126. Those charts suggest a negative relationship between stock market returns over very long periods and per capita GDP over the same period. The relationship seems weak for developed economies but somewhat stronger for emerging markets. Of course this long run trend does not imply that recessions are good for stock market returns. Short run economic downturns hurt the value of existing capital, and booms are good for short term profits. In the longer run though, growth that is driven by new technologies and the entry of new and more efficient firms will hurt the value of companies that are invested in the old technologies.

WEISS KOREA OPPORTUNITY FUND LTD.

Investment Manager's Report (continued)

For the period from 12 April 2013 (date of incorporation) to 31 December 2013

Korea, Japan, and China: Long-Term Trends

With China's own national and military ambitions growing, these old fractures could widen. In 2012, Hyundai and Kia sales in China seemed to benefit at the expense of Japanese auto makers after Japan's purchase of a group of contested islands set off a territorial dispute with China.¹¹ However, with the fall in the value of the yen and a tapering off of anti-Japanese demonstrations, Japanese car sales have since rebounded.¹²

Demographics

While both Japan and Korea have very low birth rates, Japan's demographic problems are more advanced and more imminent. Korea's workforce is still growing, and its educated workforce is growing very rapidly. The supply of highly educated engineers who are entering the labour force is particularly valuable for Korean companies.

Offsetting these possible enhancements to Korea's competitive position with respect to Japan is the significant weakening of the yen as a result of the Bank of Japan's aggressive monetary easing. The Japanese yen has been devalued versus the U.S. dollar by roughly 20% during 2013, while the Korean won strengthened slightly versus the U.S. dollar. These policies will certainly help Japanese exporters, particularly because many of them have debt denominated in yen, and foreign-currency denominated or real assets abroad. However, only part of the exporters' costs will be reduced; they will still have to import raw materials and foreign-made components. The cost of importing energy, in particular, is an issue in both Japan and Korea, which are the two largest importers of liquefied natural gas (LNG). It is unclear whether the Bank of Korea will respond to the weakening yen with its own easing.

North Korea

There is a small but non-zero chance for rapprochement with North Korea. This offers a possible long-term solution to South Korea's demographic problems through immigration, a mitigation of energy problems through an LNG pipeline from Russia, and tremendous opportunities for Korean companies to access inexpensive labour. While investors certainly should not plan on low probability events, they do occur more often than one might think.

We would not have predicted in 1985 that within five years the Soviet Union would collapse, nor predicted five years ago that people would rise up to topple governments in Tunisia, Libya, and Egypt. While relations between the Koreas could deteriorate, investors may be underestimating the probability that relations could improve, yielding benefits to all parties.

Closing Remarks

We have been investing in emerging markets for more than 20 years, and have been buying undervalued securities for even longer. The value in Korean preferred shares is reminiscent of the incredible opportunities in Japan in 1967, the U.S. in 1975, Mexico in 1982 and Russia in 1998. These were all overlooked and undervalued markets that offered opportunities for very attractive long run returns. Even within undervalued markets, one can significantly improve returns by selecting the most underpriced securities. We believe that South Korea is a significantly undervalued market and that South Korean preferred shares are among the most underpriced securities in that market. We believe that the Fund's portfolio of preferred shares offers an exceptional opportunity for a long term investor. We will continue to work hard on behalf of our shareholders.

Weiss Asset Management LP

23 April 2014

¹¹ See, for instance, a story about Japanese car sales in China during 2012: Kim and Lee, "Korean Automakers Thrive in China as Japan Car Sales Drop," *Bloomberg Businessweek*, 8 Oct. 2012.

¹² Yu and Murphy, "Japanese Car Makers Grow More Optimistic on China," *Wall Street Journal*, 6 Jan. 2014.

WEISS KOREA OPPORTUNITY FUND LTD.

Top Ten Holdings

Investments	Holdings at 31.12.2013	Fair Value £	% of Total Net Assets
Samsung Electronics Co Ltd Preferred Share	26,232	15,190,364	13.34%
Hyundai Motor Company 1st Preferred Share	187,888	13,331,438	11.71%
iShares MSCI South Korea Capped ETF	275,000	10,739,606	9.44%
Hyundai Motor Company 2nd Preferred Shares	138,991	10,259,653	9.01%
LG Chemical Ltd Preferred Shares	107,097	9,284,237	8.15%
LG Electronics Inc Preferred Shares	527,980	7,945,651	6.98%
Hyundai Motor Company 3rd Preferred Shares	110,581	7,181,789	6.31%
Samsung Fire & Marine Insurance Co Ltd Preferred Shares	60,309	4,900,346	4.30%
Samsung SDI Co Ltd Preferred Shares	91,748	3,769,444	3.31%
Kumho Petro Chemical Co Ltd Preferred Shares	177,650	3,522,287	3.09%

In common with certain other funds, the Company has disclosed its ten largest holdings, which is in compliance with current AIM rules.

This schedule forms an integral part of the Financial Statements, refer to Note 9 of the Financial Statements.

WEISS KOREA OPPORTUNITY FUND LTD.

Directors

The Company has three non-executive Directors, all of whom are considered independent of the Investment Manager and details are set out below.

Norman Crighton (aged 47) (Appointed 12 April 2013)

Mr Crighton is Chairman of the Company. He is also a non-executive director of Trading Emissions plc, Private Equity Investor plc, Global Fixed Income Realisation Limited and Rangers International Football Club Plc. Norman was, until May 2011, an investment manager at Metage Capital Limited where he was responsible for the management of a portfolio of closed-ended funds and has more than 22 years' experience in closed-ended funds having worked at Olliff and Partners, LCF Edmond de Rothschild, Merrill Lynch, Jefferies International Limited and latterly Metage Capital Limited. His experience covers analysis and research as well as sales and corporate finance. Norman is British and resident in the United Kingdom.

Stephen Charles Coe (aged 48) (Appointed 12 April 2013)

Mr Coe qualified as a Chartered Accountant with PricewaterhouseCoopers in 1990. From 1997 to 2006 he was a director of the Bachmann Trust Company Limited and managing director of Bachmann Fund Administration Limited. Between 2003 and 2006, Stephen was managing director of Investec Administration Services Limited and of Investec Trust (Guernsey) Limited prior to becoming self-employed in 2006 providing director services to financial services clients.

Currently, Mr Coe sits on the board of a number of listed companies including Kolar Gold Limited, an AIM listed gold exploration and development company incorporated in Guernsey, Black Sea Property Fund, a real estate investment fund focused on Bulgaria, and European Real Estate Investment Trust Limited, a European focused closed-ended property investment company. Stephen is also a non-executive director of Raven Russia Limited, a main market listed property investment specialist focused on Russia, Trinity Capital Limited, an AIM listed Indian real estate investment company and South Africa Property Opportunities plc, an AIM listed close ended investment fund focused on South African real estate assets. Stephen is British and resident in Guernsey.

Robert Paul King (aged 50) (Appointed 29 April 2013)

Mr King is a non-executive director for a number of open and closed-ended investment funds and companies. He was a director of Cannon Asset Management Limited and their associated companies, from 2007 to 2011. Prior to this, he was a director of Northern Trust International Fund Administration Services (Guernsey) Limited (formerly Guernsey International Fund Managers Limited) where he had worked from 1990 to 2007. He has been in the offshore finance industry since 1986 specialising in administration and structuring offshore open and closed-ended investment funds. Robert is British and resident in Guernsey.

WEISS KOREA OPPORTUNITY FUND LTD.

Report of the Directors

The Directors of the Company present their Annual Report and audited Financial Statements for the period from 12 April 2013 (date of incorporation) to 31 December 2013 which have been properly prepared in accordance with the Companies (Guernsey) Law, 2008.

Principal Activity

The Company was incorporated with limited liability in Guernsey on 12 April 2013 as a company limited by shares and as an authorised closed-ended investment company. The Company's Shares were admitted to trading on the AIM Market of the LSE on 14 May 2013. As an existing closed-ended fund, the Company is deemed to be granted an authorised declaration in accordance with Section 8 of the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended and Rule 6.02 of the Authorised Closed-ended Investment Schemes Rules 2008 on the same date as the Company obtained consent under the Control of Borrowing (Bailiwick of Guernsey) Ordinance 1959 to 1989.

Investment Objective and Investment Policy

The investment objective and investment policy of the Company is to provide Shareholders with an attractive return on their investment predominantly through long-term capital appreciation, by investing primarily in listed Korean preferred shares. The full investment objective and investment policy is detailed on page 3 of the Annual Report.

Going Concern

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Financial Statements since the assets of the Company consist mainly of securities which are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

Results and dividends

The results for the period from 12 April 2013 (date of incorporation) to 31 December 2013 are set out in the Statement of Comprehensive Income on page 28. No dividends have been paid or proposed in the period.

The Board has resolved to declare and pay a dividend in early summer 2014 for the period ended 31 December 2013, based on dividends from investments in Korean preferred shares with a record date on or before 31 December 2013, and received by the Company by 31 May 2014.

Shareholder Information

The Company announces its unaudited NAV on a weekly basis and at each month end. A monthly report on investment performance is published by the Company's Investment Manager, on the Company's website, www.weisskoreaopportunityfund.com.

Investment Management

The Investment Manager of the Company is Weiss Asset Management LP, a Delaware limited partnership formed on 10 June 2003, (the "Investment Manager"). The key terms of the Investment Management Agreement and specifically the fee charged by the Investment Manager are set out in Note 15 of the Financial Statements. The Board believes that the investment management fee is competitive with other investment companies with similar investment mandates.

The Board reviews on an ongoing basis the performance of the Investment Manager and considers whether the investment strategy utilised is likely to achieve the Company's investment objective.

Having considered the portfolio performance and investment strategy, the Board has unanimously agreed that the interests of the shareholders as a whole are best served by the continuing appointment of the Investment Manager on the terms agreed.

Directors

The details of the Directors of the Company during the period and at the date of this Report are set out on page 11 and on the Corporate Information page on page 2.

WEISS KOREA OPPORTUNITY FUND LTD.

Report of the Directors (continued)

Directors' Interests

The Directors who held office at 31 December 2013 and up to the date of this Report held the following numbers of Ordinary Shares beneficially:

	Ordinary Shares	% of issued share capital
Norman Crighton	20,000	0.02%
Stephen Coe	10,000	0.01%
Robert King	15,000	0.01%

There have been no changes in the interests of the above directors during the period.

Substantial Interests

Disclosure and Transparency Rules ("DTRs") are now comprised in the Financial Conduct Authority handbook. Section 5, the only section of the DTRs which applies to AIM listed companies, requires substantial Shareholders to make relevant holding notifications to the Company and the UK Financial Conduct Authority (the "FCA"). The Company must then disseminate this information to the wider market. Details of major Shareholders in the Company can be found in Note 9.

Alternative Investment Fund Managers Directive

The Company does not expect to be required to comply with the AIFM Directive except to the extent that it may be required to satisfy certain provisions of the AIFM Directive in order to permit the marketing of the Company's shares in EEA Member States. In this circumstance the relevant regime remains the national private placement arrangements in the relevant EEA Member State into which the fund is marketed which may trigger appropriate authorisation, possible changes to the governance structure of the Company including the appointment of a depositary, and additional disclosure in the financial statements. The AIFM Directive is likely to increase management costs, including regulatory and compliance costs, of impacted investment managers and investment funds. The Company will seek to minimise this impact where possible.

Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act ("FATCA") became effective on 1 January 2013. The legislation is aimed at determining the ownership of US assets in foreign accounts and improving US tax compliance with respect to those assets. On 13 December 2013, the States of Guernsey entered into an intergovernmental agreement ("IGA") with US Treasury in order to facilitate the requirements under FATCA and is currently in negotiations with regards to how this is to be implemented, and as a result, the impact this will have on the Company remains unknown. The implementation of FATCA has been delayed to June 2014. The Board is monitoring developments with the assistance of its professional advisers.

UK-Guernsey Intergovernmental Agreement

The States of Guernsey signed an intergovernmental agreement with the UK ("UK-Guernsey IGA") on 22 October 2013, under which mandatory disclosure requirements will be required in respect of shareholders who have a UK connection. The UK-Guernsey IGA has been ratified by Guernsey's States of Deliberation and the relevant legislation introduced. The impacts of the UK-Guernsey IGA on the Company and the Company's reporting responsibilities pursuant to the UK-Guernsey IGA are not currently in final form. The Board is monitoring implementation of the UK-Guernsey IGA with the assistance of its professional advisers.

Corporate Governance

The Board recognises the importance of a sound corporate governance culture that meets the listing requirements. All Directors contribute to Board discussions and debates. The Board considers that reporting against the principles and recommendations of the UK Corporate Governance Code (the "UK Code") will provide better information to shareholders.

The UK Code is publicly available on the Financial Reporting Council's (the "FRC") website.

The Board, having reviewed the UK Code, considers that it has maintained procedures during the period ended 31 December 2013 and up to the date of this report to ensure that it complies with the UK Code except as explained elsewhere in the Report.

WEISS KOREA OPPORTUNITY FUND LTD.

Report of the Directors (continued)

Corporate Governance (continued)

Guernsey Regulatory Environment

The Guernsey Financial Services Commission's (the "Commission") Finance Sector Code of Corporate Governance (the "GFSC Code") comprises Principles and Guidance, and provides a formal expression of good corporate practice against which Shareholders, boards and the Commission can better assess the governance exercised over companies in Guernsey's finance sector. The Commission recognises that the different nature, scale and complexity of business will lead to differing approaches to meeting the GFSC Code. Companies reporting against the UK Code are deemed to comply with the GFSC Code.

Composition and Independence of the Board

The Board currently comprises three non-executive Directors, all of whom are considered independent of the Investment Manager.

The Chairman is Mr Crighton. A biography for Mr Crighton and all other Directors appears on page 11. In considering the independence of the Chairman, the Board has taken note of the provisions of the UK Code relating to independence, and has determined that Mr Crighton is an independent Director. The Board believes it has a good balance of skills and experience to ensure it operates effectively. The Chairman is responsible for leadership of the Board and ensuring its effectiveness.

As the Chairman is an independent Director, no appointment of a senior independent Director has been made. The Company has no employees and therefore there is no requirement for a chief executive.

The Board has engaged external companies to undertake the investment management, administrative and custodial activities of the Company. Documented contractual arrangements are in place with these companies which define the areas where the Board has delegated responsibility to them.

Due to the Company's listing on AIM, the Company is required to disclose its Environmental Policy but this is not applicable due to the nature of its operations.

The Company holds a minimum of four Board meetings per year to discuss general management, structure, finance, corporate governance, marketing, risk management, compliance, asset allocation and gearing, contracts and performance. The quarterly Board meetings are the principal source of regular information for the Board enabling it to determine policy and to monitor performance, compliance and controls but these meetings are supplemented by communication and discussions throughout the period.

A representative of the Investment Manager, Administrator and Company Secretary attends each Board meeting either in person or by telephone thus enabling the Board to fully discuss and review the Company's operations and performance. Each Director has direct access to the Investment Manager and Company Secretary and may at the expense of the Company seek independent professional advice on any matter.

Attendance at the Board and other Committee meetings during the period was as follows:

	Number of Meetings held	Norman Crighton	Robert King	Stephen Coe
Board Meetings	3	3	3	3
Audit Committee Meetings	1	1	1	1
Management Engagement Committee Meetings	1	1	1	1

Board diversity

The Board has given consideration to the recommendations of the Davies Report on diversity on boards. In order to extend its diversity, the Board is committed to implementing the recommendations of the Davies Report, if possible within the timescales proposed in the Davies Report, and to that end will ensure that female candidates are considered when appointments to the Board are under consideration.

WEISS KOREA OPPORTUNITY FUND LTD.

Report of the Directors (continued)

Corporate Governance (continued)

Re-election

The Articles of Incorporation provide that one-third of the Directors retire by a voluntary rotation basis at each AGM. However, in order to meet the highest standards of corporate governance, the Directors have agreed to stand for election yearly.

The Directors may at any time appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until, and shall be eligible for re-election at, the next AGM following their appointment but shall not be taken into account in determining the Directors or the number of Directors who are to retire by a voluntary rotation basis at that meeting if it is an AGM.

Board Performance

The Board will evaluate its performance and consider the tenure and independence of each Director on an annual basis.

To enable this evaluation to take place, the Company Secretary will circulate a detailed questionnaire plus a separate questionnaire for the evaluation of the Chairman. The questionnaires, once completed, are returned to the Company Secretary who collates responses, prepares a summary and discusses the Board evaluation with the Chairman prior to circulation to the remaining Board members. The performance of the Chairman is evaluated by the other Directors later in 2014. On occasions, the Board may seek to employ an independent third party to conduct a review of the Board.

Audit Committee

The Company has established an Audit Committee, with formally delegated duties and responsibilities within written terms of reference. The Audit Committee is chaired by Mr Coe. The Audit Committee's other members are Mr Crighton and Mr King. The Audit Committee meets formally at least twice a year and each meeting is attended by the external auditor and Administrator.

Appointment to the Audit Committee is for a period up to three years which may be extended for two further three year periods.

The table above sets out the number of Audit Committee Meetings held during the period ended 31 December 2013 and the number of such meetings attended by each Audit Committee member.

A report of the Audit Committee detailing responsibilities and activities is presented on pages 20 to 23.

Management Engagement Committee

The Company has established a Management Engagement Committee, with formally delegated duties and responsibilities within written terms of reference. The Management Engagement Committee is chaired by Mr King. The Management Engagement Committee's other members are Mr Crighton and Mr Coe. The Management Engagement Committee meets formally once a year.

The principal duties of the Management Engagement Committee are to review the performance of and contractual arrangements with the Investment Manager and all other service providers to the Company (other than the external auditors).

During the period the Management Engagement Committee has reviewed the services provided by the Investment Manager as well as the other service providers and have recommended to the Board that their continuing appointments is in the best interests of the Shareholders. The last meeting was held on 5 November 2013.

Nomination Committee

The Board does not have a separate Nomination Committee. The Board as a whole fulfils the function of a Nomination Committee. Any proposal for a new Director will be discussed and approved by the Board. The Board will determine whether in future an external search consultancy or open advertising is used in the appointments of non-executive Directors.

WEISS KOREA OPPORTUNITY FUND LTD.

Report of the Directors (continued)

Corporate Governance (continued)

Remuneration Committee

In view of its non-executive and independent nature, the Board considers that it is not appropriate for there to be a Remuneration Committee as anticipated by the UK Code because this function is carried out as part of the regular Board business. A Remuneration Report prepared by the Board is contained in the annual report on page 19. Directors' remuneration is considered on an annual basis.

Terms of Reference

All Terms of Reference for Committees are available from the Company Secretary upon request.

Internal Controls

The Board is ultimately responsible for establishing and maintaining the Company's system of internal controls and for maintaining and reviewing its effectiveness. The system of internal controls is designed to manage rather than to eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss. These controls aim to ensure that assets of the Company are safeguarded, proper accounting records are maintained and the financial information for publication is reliable. The Board uses a formal risk assessment matrix to identify and monitor business risks.

The Board has delegated the management of the Company's investment portfolio and the administration, registrar and corporate secretarial functions including the independent calculation of the Company's NAV and the production of the Annual Report and Financial Statements which are independently audited. Whilst the Board delegates responsibility, it retains accountability for the functions it delegates and is responsible for the systems of internal control. Formal contractual agreements have been put in place between the Company and providers of these services. On an ongoing basis board reports are provided at each quarterly board meeting from the Investment Manager, Administrator, Registrar and Company Secretary; and a representative from the Investment Manager is asked to attend these meetings.

In common with most investment companies, the Company does not have an internal audit function. All of the Company's management functions are delegated to the Investment Manager, Administrator, Registrar and Company Secretary which have their own internal audit and risk assessment functions.

Principal risks and uncertainties

Limited Operating History

The Company is a recently established investment company and this Annual Report and Accounts presents the performance of the Company and its investments for the period since incorporation to 31 December 2013.

Investment Risks

The Company is exposed to the risk that its portfolio fails to perform in line with its investment objective and policy if markets move adversely or if the Investment Manager fails to comply with the investment policy. The Board reviews reports from the Investment Manager at the quarterly Board meetings, with a focus on the performance of the portfolio in line with its investment policy.

Operational Risks

The Company is exposed to the risk arising from any failures of systems and controls in the operations of the Investment Manager, Administrator and the Custodian. The Board and its Committees regularly review reports from the Investment Manager and the Administrator on their internal controls.

Accounting, Legal and Regulatory Risks

The Company is exposed to the risk that it may fail to maintain accurate accounting records or fail to comply with requirements of its Admission document. The accounting records prepared by the Administrator are reviewed by the Investment Manager. The Administrator, Broker and Investment Manager provide regular updates to the Board on compliance with the Admission document and changes in regulation.

WEISS KOREA OPPORTUNITY FUND LTD.

Report of the Directors (continued)

Corporate Governance (continued)

Principal risks and uncertainties (continued)

Financial Risks

The financial risks, including market, credit and liquidity risk faced by the Company are set out in Note 16 of the Financial Statements on pages 40 to 43. These risks and the controls in place to reduce the risks are reviewed at the quarterly Board meetings.

Dialogue with Shareholders

The Directors are available to enter into dialogue with Shareholders and are contactable via the Company Secretary. All Shareholders have the opportunity to attend and vote at the AGM. The Board stays abreast of Shareholders' views via regular updates from the Company's Broker and the Investment Manager.

Auditor

The Auditor, KPMG Channel Islands Limited, have indicated their willingness to continue in office. Accordingly, a resolution for their reappointment will be proposed at the forthcoming AGM.

Directors' Responsibilities

The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements have been properly prepared in accordance with The Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the financial statements and that to the best of their knowledge and belief:

- these Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholders to assess the Company's performance, business model and strategy; and
- these Financial Statements have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company.

WEISS KOREA OPPORTUNITY FUND LTD.

Report of the Directors (continued)

Disclosure of information to the Auditor:

So far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors recognise their responsibilities stated above.

Signed on behalf of the Board

Norman Crighton
Chairman
23 April 2014

Stephen Coe
Director

WEISS KOREA OPPORTUNITY FUND LTD.

Directors' Remuneration Report

Introduction

An ordinary resolution for the approval of the Director's Remuneration Report will be put to the shareholders at the AGM to be held on 28 July 2014.

Remuneration policy

All Directors are non-executive and a Remuneration Committee has not been established. The Board as a whole considers matters relating to the Directors' remuneration. No advice or services were provided by any external person in respect of its consideration of the Directors' remuneration.

The Company's policy is that the fees payable to the Directors should reflect the time spent by the Directors on the Company's affairs and the responsibilities borne by the Directors and be sufficient to attract, retain and motivate directors of a quality required to run the Company successfully. The Chairman of the Board is paid a higher fee in recognition of his additional responsibilities, as is the Chairman of the Audit Committee. The policy is to review fee rates periodically, although such a review will not necessarily result in any changes to the rates, and account is taken of fees paid to directors of comparable companies. The Directors of the Company are remunerated for their services at such a rate as the Directors determine provided that the aggregate amount of such fees does not exceed £200,000 per annum.

There are no long term incentive schemes provided by the Company and no performance fees are paid to Directors.

None of the Directors has a service contract with the Company but each of the Directors is appointed by a letter of appointment which sets out the main terms of their appointment. Directors hold office until they retire by rotation or cease to be a director in accordance with the Articles of Incorporation, by operation of law or until they resign.

Remuneration

Directors are remunerated in the form of fees, payable quarterly in arrears, to the Director personally. No Directors have been paid additional remuneration outside their normal Directors' fees and expenses.

The annual Directors' fees comprise £26,000 payable to Mr Crighton, the Chairman, £22,000 to Mr Coe as Chairman of the Audit Committee and £20,000 to Mr King.

For the period from 12 April 2013 (date of incorporation) to 31 December 2013, Directors fees were:

	£
Norman Crighton	18,699
Stephen Coe	15,822
Robert King	13,452

Signed on behalf of the Board by:

Norman Crighton
Chairman
23 April 2014

Stephen Coe
Director

WEISS KOREA OPPORTUNITY FUND LTD.

Audit Committee Report

Dear Shareholders,

On the following pages, we present the Audit Committee's Report for 2013, setting out the responsibilities of the Audit Committee and its key activities in 2013. The Audit Committee has reviewed the Company's financial reporting, significant areas of judgement and estimation within the Company's financial statements, the independence and effectiveness of the external auditor and the internal control and risk management systems of the Company's service providers. In order to assist the Audit Committee in discharging these responsibilities, regular reports are received from the Investment Manager, Administrator and external auditor. Following its review of the independence and effectiveness of the Company's external auditors, the Audit Committee has recommended to the Board that KMPG Channel Islands Limited be reappointed as auditor, which the Board has submitted for approval to the Company's Shareholders.

In respect of the 2013 financial statements, we have reported to the Board on whether the Audit Committee believes that the annual report and accounts, taken as a whole, are fair, balanced and understandable.

A member of the Audit Committee will continue to be available at each AGM to respond to any shareholder questions on the activities of the Audit Committee.

Responsibilities

The Audit Committee reviews and recommends the approval of the Financial Statements of the Company to the Board and is the forum through which the external auditor reports to the Board of Directors. The external auditor and the Audit Committee will meet together without representatives of either the Administrator or Investment Manager being present if either consider this to be necessary.

The role of the Audit Committee includes:

- monitoring the integrity of the published financial statements of the Company
- review and report to the Board on the significant issues and judgements and estimates made in the preparation of the Company's published financial statements
- monitor and review the quality and effectiveness of the external auditors and their independence
- consider and make recommendations to the Board on the appointment, reappointment, replacement and remuneration to the Company's external auditor
- review the Company's procedures for prevention, detection and reporting of fraud, bribery and corruption
- monitor and review the internal control and risk management systems of the service providers

The Audit Committee's full terms of reference can be obtained by contacting the Company's Administrator.

Key Activities of the Audit Committee

The following sections discuss the assessments made by the Audit Committee during the period:

Financial Reporting:

The Audit Committee's review of the annual financial statements focused on the following significant area:

Valuation of investments:

The Company's investments had a fair value of £108,700,883 as at 31 December 2013 and represent the majority of the net assets of the Company. The investments are all listed and the valuation is by reference to the fair value measurement required by IFRS. The Audit Committee considered the fair value of the investments held by the Company as at 31 December 2013 to be reasonable from a review of information provided by the Investment Manager and Administrator. All prices have been confirmed by the Administrator, to independent pricing sources as at 31 December 2013.

The external auditor reported to the Audit Committee that no material misstatements were found in the course of their work. Furthermore, the Investment Manager and Administrator confirmed to the Audit Committee that they were not aware of any material misstatements including matters relating to financial statement presentation, nor were they aware of any fraud or bribery relating to the Company's activities. The Audit Committee confirms that it is satisfied that the external auditor has fulfilled its responsibilities with diligence and professional scepticism. The Audit Committee advised the Board that this annual report and audited financial statements, taken as a whole, is fair, balanced and understandable.

WEISS KOREA OPPORTUNITY FUND LTD.

Audit Committee Report (continued)

Key Activities of the Audit Committee (continued)

Following a review of the presentations and reports from the Administrator and consulting where necessary with the external auditor, the Audit Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates made in the preparation of the financial statements (both in respect to the amounts reported and the disclosures). The Audit Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust.

Risk Management:

The Audit Committee continued to consider the process for managing the risk of the Company and its service providers. Risk management procedures for the Company, as detailed in the Company's risk assessment matrix, were reviewed and approved by the Audit Committee.

Fraud, Bribery and Corruption:

The Audit Committee continues to monitor the fraud, bribery and corruption policies of the Company. The Board receives a confirmation from all service providers that there have been no instances of fraud or bribery.

The External Auditor

Independence, objectivity and fees:

The independence and objectivity of the external auditor is reviewed by the Audit Committee which also reviews the terms under which the external auditor is appointed to perform non-audit services. The Audit Committee has established pre-approval policies and procedures for the engagement of the auditor to provide audit and assurance services.

These are that the external auditors may not provide a service which:

- places them in a position to audit their own work
- creates a mutuality of interest
- results in the external auditor developing close relationships with service providers of the Company
- results in the external auditor functioning as a manager or employee of the Company
- puts the external auditor in the role of advocate of the Company

As a general rule, the Company does not utilise external auditors for internal audit purposes, secondments or valuation advice. Services such as tax compliance, tax structuring, private letter rulings, accounting advice, quarterly reviews and disclosure advice are normally permitted but will be pre-approved by the Audit Committee.

The following table summarises the remuneration paid to KPMG Channel Islands Limited and to other KPMG member firms for audit and non-audit services during the period ended 31 December 2013.

	For the period from 12 April 2013 (date of incorporation) to 31 December 2013
KPMG Channel Islands Limited	£
Annual audit	£20,000
Advisory fees (reporting accountant's report on IPO listing)*	£38,295
Tax fees (application for UK Reporting Fund Status)	£1,500
	£59,795

*KPMG Channel Islands Limited advisory fees of £38,295 in accordance with the IPO were treated as share issue costs.

WEISS KOREA OPPORTUNITY FUND LTD.

Audit Committee Report (continued)

The External Auditor (continued)

The Audit Committee does not consider KPMG Channel Islands Limited's independence to be under threat due to the high ratio of audit fees to non-audit fees on account of the one off fee of £38,295 paid in relation to the IPO. In making this assessment, the Audit Committee has concluded that the non-audit fees do not relate to prohibited services identified by the Audit Committee on page 21. In approving the non-audit services the Audit Committee considered the safeguards put in place by KPMG Channel Islands Limited to reduce the threats to independence and objectivity to an acceptable level.

KPMG Channel Islands Limited has been the external auditor from the date of the initial listing on the London Stock Exchange. The recent revisions to the UK Corporate Governance Code introduced a recommendation that the external audit be put out to tender every ten years. The Audit Committee has Noted this and will develop a plan for tendering at the appropriate time.

The Audit Committee has examined the scope and results of the audit, its cost effectiveness and the independence and objectivity of the external auditor, with particular regard to non-audit fees, and considers KPMG Channel Islands Limited, as external auditor, to be independent of the Company.

Performance and effectiveness:

During the period, when considering the effectiveness of the external auditors, the Audit Committee has taken into account the following factors:

- The audit plan presented to them before the audit;
- The post audit report including variations from the original plan;
- Changes in audit personnel;
- The external auditors' report on independence; and
- Feedback from both the Investment Manager and Administrator.

Further to the above, at the conclusion of the 2013 audit fieldwork, the Audit Committee performed specific evaluation of the performance of the external auditor through discussion with the Administrator, Investment Manager and the Auditors, themselves.

There were no significant adverse findings from this evaluation.

Reappointment of external auditors:

Consequent to this review process, the Audit Committee has recommended to the Board that a resolution be put to the 2014 AGM for the reappointment of KPMG Channel Islands Limited as external auditor. The Board has accepted this recommendation.

Internal control and risk management systems

After consultation with the Investment Manager, Administrator and external auditor, the Audit Committee considers the impact of the risk of the override of controls by its service providers, the Investment Manager and Administrator.

The Audit Committee reviews externally prepared assessments of the control environment in place at the Administrator, with the Administrator providing a SOC1 report on a bi-annual basis. The Audit Committee noted that the Management Engagement Committee received a self-assessment from the Investment Manager and no issues were identified in this. Norman Crighton also visited the office of the Investment Manager to discuss and review the controls in place at the Investment Manager. No significant failings or weaknesses were identified in these reviews by the Audit Committee.

The Audit Committee has also reviewed the need for an internal audit function. The Audit Committee has decided that the systems and procedures employed by the Investment Manager and the Administrator's internal audit function provide sufficient assurance that a sound system of internal control, which safeguards the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

WEISS KOREA OPPORTUNITY FUND LTD.

Audit Committee Report (continued)

For any questions on the activities of the Audit Committee not addressed in the foregoing, a member of the Audit Committee remains available to attend each Annual General Meeting to respond to such questions.

The Audit Committee Report was approved by the Board on 23 April 2014 and signed on behalf of the Audit Committee by:

Stephen Coe
Chairman, Audit Committee
23 April 2014

WEISS KOREA OPPORTUNITY FUND LTD.

Independent Auditor's Report To the Members of Weiss Korea Opportunity Fund Ltd.

Opinions and conclusions arising from our audit

Opinion on financial statements

We have audited the financial statements of Weiss Korea Opportunity Fund Ltd. (the "Company") for the period from 12 April 2013 (date of incorporation) to 31 December 2013 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union ('EU'). In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its result for the period from 12 April 2013 (date of incorporation) to 31 December 2013;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
- comply with the Companies (Guernsey) Law, 2008.

Our assessment of risks of material misstatement

The risks of material misstatement detailed in this section of this report are those risks that we have deemed, in our professional judgment, to have had the greatest effect on: the overall audit strategy; the allocation of resources in our audit; and directing the efforts of the engagement team. Our audit procedures relating to these risks were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of these risks, and we do not express an opinion on these individual risks.

In arriving at our audit opinion above on the financial statements, the risk of material misstatement that had the greatest effect on our audit was as follows:

Valuation of investments (£108,700,883 (or 95% of NAV))

Refer to page 20 of the Audit Committee Report, Note 2e (accounting policies), Notes 10 and 17 (financial instruments disclosures).

- **The risk** - The Company invests primarily in listed preferred shares issued by companies incorporated in South Korea, which in certain cases may trade at a discount to the corresponding common shares of the same companies. As highlighted in the Report from the Audit Committee on page 20, the valuation of the Company's investments, given that it represents the majority of the net assets of the Company, is a significant area of our audit. Fair values of investments traded in active markets are based on the bid price at the close of business of the relevant stock exchange on the reporting date. As disclosed in Note 17 to the financial statements, 100% of the Company's investments are traded in an active market.
- **Our response** - Our audit procedures with respect to the Company's investments included, but were not limited to, evaluation of the effectiveness of design and implementation of controls over valuation of investments, assessment of bid price as the most representative measure of fair value within the bid-ask spread based on market practice, comparison of the latest available bid prices to an independent third party pricing provider who reports bid prices from the Korean Stock Exchange, and assessment of the quality of the latest available bid prices for evidence of stale prices or bid prices not quoted in an active market against observed market trading data.

We also considered the Company's investment valuation policies adopted and fair value disclosures in Note 2e, Note 10 and Note 17 for compliance with International Financial Reporting Standards as adopted by the EU.

Our application of materiality and an overview of the scope of our audit

Materiality is a term used to describe the acceptable level of precision in financial statements. Auditing standards describe a misstatement or an omission as "material" if it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The auditor has to apply judgment in identifying whether a misstatement or omission is material and to do so the auditor identifies a monetary amount as "materiality for the financial statements as a whole".

WEISS KOREA OPPORTUNITY FUND LTD.

Independent Auditor's Report To the Members of Weiss Korea Opportunity Fund Ltd.

The materiality for the financial statements as a whole was set at £3,200,000. This has been calculated using a percentage of the Company's net asset value (of which it represents approximately 2.8%), which we believe is the most appropriate benchmark as net asset value is considered as the prime driver of returns to members and main focus of these users of the financial statements.

We agreed with the audit committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £160,000, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Our assessment of materiality has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

Whilst the audit process is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather we plan the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant depth of work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the Responsible Individual, to subjective areas of the accounting and reporting process.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Matters on which we are required to report by exception

Under International Standards on Auditing (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the audit committee.

Under the Companies (Guernsey) Law, 2008, we are required to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

WEISS KOREA OPPORTUNITY FUND LTD.

Independent Auditor's Report To the Members of Weiss Korea Opportunity Fund Ltd.

The purpose of this report and restrictions on its use by persons other than the Company's members as a body

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008 and, in respect of any further matters on which we have agreed to report, on terms we have agreed with the Company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the UK Ethical Standards for Auditors.

KPMG Channel Islands Limited

Chartered Accountants
20 New Street
St Peter Port, Guernsey
GY1 4AN
23 April 2014

The maintenance and integrity of the Weiss Korea Opportunity Fund Ltd. website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements or audit report since they were initially presented on the website.

Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

WEISS KOREA OPPORTUNITY FUND LTD.

Statement of Financial Position

	Notes	As at 31 December 2013 £
Assets		
Current assets		
Financial assets at fair value through profit or loss	10, 17	108,700,883
Cash and cash equivalents	11	3,869,125
Other receivables	12	1,999,503
Total assets		114,569,511
Liabilities		
Current liabilities		
Other payables	13	688,248
Total liabilities		688,248
Net assets		113,881,263
Represented by:		
Shareholders' equity and reserves		
Share capital	14	102,900,000
Other reserves	2(r)	10,981,263
Total shareholders' equity		113,881,263
Net assets per Share	5	1.0846

There are no comparative figures as this is the Company's first financial period of operation.

The Financial Statements were approved and signed by the Board of Directors on 23 April 2014.

Norman Crighton
Chairman

Stephen Coe
Director

The notes on pages 31 to 45 form an integral part of these Financial Statements.

WEISS KOREA OPPORTUNITY FUND LTD.

Statement of Comprehensive Income

For the period
from 12 April 2013
(date of incorporation) to
31 December 2013

	Notes	£
Income		
Net changes in fair value of financial assets at fair value through profit or loss	6	10,855,001
Other income	7	2,008,782
Net income		12,863,783
Expenses		
Operating expenses	8	(1,440,637)
Total operating expenses		(1,440,637)
Operating profit for the period before tax		11,423,146
Withholding tax	2	(441,883)
Operating profit for the period after tax		10,981,263
Total comprehensive income for the period		10,981,263
Basic and diluted earnings per share	4	0.1046

There are no comparative figures as this is the Company's first financial period of operation.

All items derive from continuing activities.

The notes on pages 31 to 45 form an integral part of these Financial Statements.

WEISS KOREA OPPORTUNITY FUND LTD.

Statement of Changes in Equity

For the period from 12 April 2013 (date of incorporation) to 31 December 2013

	Notes	Share capital £	Other reserves £	Total £
Balance at 12 April 2013		-	-	-
Total comprehensive income for the period		-	10,981,263	10,981,263
Transactions with Shareholders, recorded directly in equity				
Shares issued	14	105,000,000	-	105,000,000
Share issue costs	14	(2,100,000)	-	(2,100,000)
Balance at the 31 December 2013		102,900,000	10,981,263	113,881,263

There are no comparative figures as this is the Company's first financial period of operation.

The notes on pages 31 to 45 form an integral part of these Financial Statements.

WEISS KOREA OPPORTUNITY FUND LTD.

Statement of Cash Flows

		For the period from 12 April 2013 (date of incorporation) to 31 December 2013
	Notes	£
Cash flows from operating activities		
Total comprehensive income for the period		10,981,263
Adjustments for:		
Net change in fair value of financial assets held at fair value profit or loss	6	(10,855,001)
Increase in debtors	12	(1,999,503)
Increase in creditors	13	688,248
Net cash used in operating activities		(1,184,993)
Cash flows from investing activities		
Purchase of financial assets at fair value through profit or loss		(160,786,482)
Proceeds from the sale of financial assets at fair value through profit or loss		62,561,526
Net cash outflows from investing activities		(98,224,956)
Cash inflows from financing activities		
Proceeds from issue of ordinary shares		105,000,000
Share issue costs		(2,100,000)
Net cash inflows from financing activities		102,900,000
Effects of exchange rate fluctuations		379,074
Net increase in cash and cash equivalents		3,869,125
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period		3,869,125

There are no comparative figures as this is the Company's first financial period of operation.

Operating cash flows includes dividends received of £12,057 net of taxes withheld of £2,604.

The notes on pages 31 to 45 form an integral part of these Financial Statements.

WEISS KOREA OPPORTUNITY FUND LTD.

Notes to the Financial Statements

1. General information

The Company was incorporated with limited liability in Guernsey, as a closed-ended investment company on 12 April 2013. The Company's Shares were admitted to trading on the AIM Market of the LSE on 14 May 2013.

The Company's investment objective is to provide Shareholders with an attractive return on their investment predominantly through long-term capital appreciation. The Company intends to return to Shareholders dividends received on an annual basis.

The Company's investment policy is geographically focused on South Korean companies. Specifically, the Company invests predominantly in listed preferred shares issued by companies incorporated in South Korea, which in many cases are currently trading at a discount to the corresponding common shares of the same companies. The Investment Manager intends to assemble a portfolio of Korean preferred shares that it believes are undervalued and could appreciate based on criteria it selects. Some of the considerations that will affect the Investment Manager's choice of securities to buy and sell may include the discount at which a preferred share is trading relative to its respective common shares, its dividend yield, its liquidity and its common shares weighting (if any) in the Korea Index, among other factors. Not all of these factors will necessarily be satisfied for particular investments. The Investment Manager will not generally make decisions based on corporate fundamentals or its view of the commercial prospects of the issuer. Preferred shares will be selected by the Investment Manager at its sole discretion subject to the overall control of the Board.

The Company invests predominantly in Korean preferred shares, but it may invest some portion of its assets in other securities, including exchange-traded funds, futures contracts and other types of options, swaps and derivatives related to Korean equities, as well cash and cash equivalents. The Company does not have any concentration limits.

The Investment Manager of the Company is Weiss Asset Management LP.

2. Significant accounting policies

a) Statement of Compliance

The Annual Report and Audited Financial Statements of the Company for the period from 12 April 2013 (date of incorporation) to 31 December 2013 have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the European Union and the AIM Listing Rules of the London Stock Exchange. They give a true and fair view and are in compliance with the Companies (Guernsey) Law, 2008.

b) Basis of preparation

The financial statements are prepared in pounds sterling (£), which is the Company's functional and presentation currency. They are prepared on a historical cost basis modified to include financial assets at fair value through profit or loss.

c) Going Concern

The Directors believe that it is appropriate to adopt the going concern basis in preparing the Financial Statements in view of its holding in cash and cash equivalents and liquid investments and the income deriving from those investments, meaning the Company has adequate financial resources to meet its liabilities as they fall due.

d) Standards, amendments and interpretations not yet effective

At the date of approval of these Financial Statements, the following standards and interpretations, which have not been applied in these Financial Statements, were in issue but not yet effective:

WEISS KOREA OPPORTUNITY FUND LTD.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

d) Standards, amendments and interpretations not yet effective (continued)

IFRS 9, 'Financial instruments', was updated in October 2010. The standard addresses the classification and measurement of financial assets. IFRS 9 divides all financial assets that are currently in the scope of IAS 39 into two classifications – those measured at amortised cost and those measured at fair value. The standard is not expected to be applicable until 1 January 2018 but is available for early adoption. IFRS 9 requires that the effects of changes in credit risk of liabilities designated as at fair value through profit or loss are presented in other comprehensive income unless such treatment would create or enlarge an accounting mismatch in profit or loss, in which case all gains or losses on that liability are presented in profit or loss. Other requirements of IFRS 9 relating to classification and measurement of financial liabilities are unchanged from IAS 39. Its adoption is not expected to have a significant impact on the Company's financial statements because the majority of the Company's financial assets are designated as at fair value through profit or loss and there are presently no financial liabilities designated as at fair value through profit or loss.

There are no other standards, amendments or interpretations that are not yet effective that would be expected to have a material impact on the Company.

e) Financial instruments

i) Classification

Financial assets are classified into the following categories: financial assets at fair value through profit or loss 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.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the marketplace.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

ii) Recognition

Investment assets at fair value through profit or loss ("investments")

Financial assets and derivatives are recognised in the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

Purchases and sales of investments are recognised on the trade date (the date on which the Company commits to purchase or sell the investment). Investments purchased are initially recorded at fair value, being the consideration given and excluding transaction or other dealing costs associated with the investment.

Subsequent to initial recognition, investments are measured at fair value. Gains and losses arising from changes in the fair value of investments and gains and losses on investments that are sold are recognised through profit or loss in the Statement of Comprehensive Income within net changes in fair value of financial assets at fair value through profit or loss.

Derivatives

Futures and forward foreign currency contracts are treated as derivative contracts and as such are recognised at fair value on the date on which they are entered into and subsequently re-measured at their fair value. Fair value is determined by rates in active currency markets. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The gain or loss on re-measurement to fair value is recognised immediately through profit or loss in the Statement of Comprehensive Income within net changes in fair value of financial assets at fair value through profit or loss in the period in which they arise.

WEISS KOREA OPPORTUNITY FUND LTD.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

Financial instruments (continued)

Offsetting of financial instruments

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

iii) Measurement

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. Investments traded in active markets are valued at the latest available bid prices ruling at midnight on the reporting date. The Directors are of the opinion that the bid-market prices are the best estimate on fair value. Gains and losses arising from changes in the fair value of financial assets/(liabilities) are shown as net gains or losses on financial assets through profit or loss in Note 10 and recognised in the Statement of Comprehensive Income in the period in which they arise.

Derecognition of financial instruments

A financial asset is derecognised when: (a) the rights to receive cash flows from the asset have expired, (b) the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass through arrangement”; or (c) the Company has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Realised and unrealised gains and losses

Realised gains and losses arising on disposal of investments are calculated by reference to the proceeds received on disposal and the average cost attributable to those investments, and are recognised in the Statement of Comprehensive Income. Unrealised gains and losses on investments are recognised in the Statement of Comprehensive Income.

f) Income

Dividend income from equity investments is recognised through profit or loss in the Statement of Comprehensive Income when the relevant investment is quoted ex-dividend. Investment income is included gross of withholding tax.

g) Expenses

All expenses are accounted for on an accruals basis.

h) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents, which can include bank overdrafts, are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value. Cash, deposits with banks and bank overdrafts are stated at their principal amount.

i) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are shown in equity as a deduction, net of tax, from the proceeds and disclosed in the Statement of Changes in Equity.

WEISS KOREA OPPORTUNITY FUND LTD.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

Financial instruments (continued)

j) Foreign currency translations

Functional and presentation currency

The financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its 'functional currency'). The Directors have considered the currency in which the original capital was raised, distributions will be made and ultimately the currency in which capital would be returned in a liquidation. On balance, the Directors believe that pounds sterling best represents the functional currency of the Company. For the purpose of the financial statements, the results and financial position of the Company are expressed in pounds sterling, which is the presentation currency of the Company.

Transactions denominated in foreign currencies are translated into pounds sterling at the rate of exchange ruling on the date of the transaction. Financial assets and liabilities denominated in foreign currencies at the reporting date are translated into pounds sterling at the exchange rate prevailing at that date. Realised and unrealised gains or losses on currency translation are recognised in the Statement of Comprehensive Income. Foreign currency differences relating to investments at fair value through profit or loss are included within net changes in fair value of financial assets at fair value through profit or loss (Note 6).

k) Treasury Shares

Where the Company purchases its own share capital, the consideration paid, which includes any directly attributable costs, is recognised as a deduction from Shareholders' equity through the other reserves, which is a distributable reserve.

When such Shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is recognised as an increase in equity and the resulting surplus or deficit on the transaction is transferred to/from the other reserve.

Where the Company cancels treasury shares, no further adjustment is required to the share capital account at the time of cancellation. Shares held in treasury are excluded from calculations when determining NAV per share and earnings per share.

l) Operating Segments

The Board has considered the requirements of IFRS 8 'Operating Segments', and is of the view that the Company is engaged in a single segment of business, being an investment strategy tied to listed preferred shares issued by companies incorporated in South Korea. The Board, as a whole, has been determined as constituting the chief operating decision maker of the Company.

The key measure of performance used by the Board to assess the Company's performance and to allocate resources is the total return on the Company's NAV, as calculated under IFRS, and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in these audited financial statements.

The Board of Directors is charged with setting the Company's investment strategy in accordance with the investment policy. They have delegated the day to day implementation of this strategy to its Investment Manager but retain responsibility to ensure that adequate resources of the Company are directed in accordance with their decisions. The investment decisions of the Investment Manager are reviewed on a regular basis to ensure compliance with the policies and legal responsibilities of the Board. The Investment Manager has been given full authority to act on behalf of the Company, including the authority to purchase and sell securities and other investments on behalf of the Company and to carry out other actions as appropriate to give effect thereto. Whilst the Investment Manager may make the investment decisions on a day to day basis regarding the allocation of funds to different investments, any changes to the investment strategy or major allocation decisions have to be approved by the Board, even though they may be proposed by the Investment Manager. The Board therefore retains full responsibility as to the major decisions made on an ongoing basis. The Investment Manager will always act under the terms of the Admission Document which cannot be significantly changed without the approval of the Board of Directors and where necessary, Shareholders.

WEISS KOREA OPPORTUNITY FUND LTD.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

m) Other receivables

Other receivables are amounts due in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

n) Other payables

Other payables are obligations to pay for services that have been acquired in the ordinary course of business. Other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

o) Due from and due to brokers

Amounts due from and due to brokers represent receivables for securities sold and payables purchased that have been contracted for but not yet settled or delivered on the Statement of Financial Position date respectively.

p) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements and disclosed in the Statement of Changes in Equity in the period in which the dividends are proposed and approved by the Board.

q) Taxation

The Company has been granted Exempt Status under the terms of The Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 to income tax in Guernsey. Its liability is an annual fee of £600.

The amounts disclosed as taxation in the Statement of Comprehensive Income relates solely to withholding tax levied in South Korea on distribution from Korean companies at an offshore rate of 22%.

r) Other reserves

Gains and losses recorded on the realisation of investments and realised exchange differences of a capital nature are transferred to Reserves. Unrealised gains and losses recorded on the revaluation of investments held at the year end and unrealised exchange differences of a capital nature are transferred to Reserves.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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 revision and future periods if the revision affects both current and future periods.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the Annual Financial Statements:

Functional currency

As disclosed in Note 2(i), the Company's functional currency is Sterling. Sterling is the currency in which the original capital was raised, distributions will be made and ultimately the currency in which capital would be returned in a liquidation.

WEISS KOREA OPPORTUNITY FUND LTD.

Notes to the Financial Statements (continued)

4. Basic and diluted earnings per Share

The basic and diluted earnings per share for the Company has been calculated based on the total comprehensive income for the period of £10,981,263 and the weighted average number of Ordinary Shares in issue during the period of 105,000,000.

5. Net Asset Value per Ordinary Share

The net asset value of each Share of £1.0846 is determined by dividing the net assets of the Company attributed to the Ordinary Shares of £113,881,263 by the number of Ordinary Shares in issue at 31 December 2013 of 105,000,000.

6. Net changes in fair value on financial assets at fair value through profit or loss

	For the period from 12 April 2013 (date of incorporation) to 31 December 2013 £
Realised gain on investments	526,094
Realised gain on foreign currency	396,721
Movement in unrealised gain on investments	9,949,833
Movement in unrealised exchange loss on foreign currency	(17,647)
Net changes in fair value on financial assets at fair value through profit or loss	10,855,001

7. Other Income

	For the period from 12 April 2013 (date of incorporation) to 31 December 2013 £
Dividend income	2,008,782

8. Operating expenses

	For the period from 12 April 2013 (date of incorporation) to 31 December 2013 £
Investment Management fee (note 15c)	1,010,578
Custodian fees (note 15e)	50,162
Audit fees	20,000
Administration and Secretarial fees (note 15d)	59,141
Directors' fees (note 15a)	47,973
Auditors remuneration for non-audit services *	1,500
Transaction costs	154,964
Financial Adviser, Nominated Adviser and Broker fee (note 15f)	18,956
Bank interest	467
Sundry expenses	76,896
	1,440,637

* Fees of £1,500 were paid to the auditors, KPMG Channel Islands Limited, in respect of tax services provided in the period to 31 December 2013.

WEISS KOREA OPPORTUNITY FUND LTD.

Notes to the Financial Statements (continued)

9. Operating segments

Information on realised gains and losses derived from sales of investments are disclosed in Note 6 of the financial statements. The Company is domiciled in Guernsey. Substantially all of the Company's income is from its investment in listed preferred shares issued by companies incorporated in South Korea.

The Company has no assets classified as non-current assets. The Company is likely to have a high degree of portfolio concentration as Korean preferred shares are concentrated with a small number of issuers.

The Company also has a diversified Shareholder base. As at 31 December 2013, registered shareholders that have notified the market of their holding in the Company via RNS, were as follows:

Shareholders	Shares	% of issued share capital
Ruffer LLP	11,000,000	10.48%
Chalkstream Capital Group L.P	8,990,000	8.56%
Lepercq Lynx Investment Advisory LLC	8,671,077	8.26%
Miton Group plc	7,000,000	6.67%
Andrew M. Weiss	6,427,550	6.12%

10. Financial assets at fair value through profit or loss

	As at 31 December 2013 £
Cost of investments at beginning of the period	-
Purchases of investments in the period	160,786,482
Disposal of investments in the period	(62,561,526)
Realised gain on disposal of investments in the period	526,094
Cost of investments held at end of the period	98,751,050
Movement in unrealised gain on investments	9,949,833
Financial assets at fair value through profit or loss	108,700,883

Financial assets are valued at the bid-market prices ruling as at the close of business at the statement of financial position date, net of any accrued interest which is included in the Statement of Financial Position as an income related item. The Directors are of the opinion that the bid-market prices are the best estimate of fair value in accordance with the requirements of IFRS 13. Movements in fair value are included in the Statement of Comprehensive Income.

11. Cash and cash equivalents

	As at 31 December 2013 £
Cash at bank	3,869,125

Cash at bank earns interest at floating rates based on daily bank deposit rates.

12. Other receivables

	As at 31 December 2013 £
Dividends receivable	1,996,725
Prepaid expenses	2,778
	1,999,503

WEISS KOREA OPPORTUNITY FUND LTD.

Notes to the Financial Statements (continued)

12. Other receivables (continued)

The Directors consider that the carrying amount of receivables approximate their fair value.

13. Other payables

	As at 31 December 2013 £
Investment management fees payable (note 15c)	148,336
Withholding Tax payable	439,279
Administration fee payable (note 15d)	22,573
Custody fee payable (note 15e)	8,377
Directors' fees payable (note 15a)	17,000
Audit fees payable	20,000
Other payables	32,683
	688,248

The Directors consider that the carrying amount of payables approximate their fair value.

14. Share capital

	As at 31 December 2013
Authorised	
Unlimited Ordinary Shares at no par value	-
Issued at no par value	
105,000,000 unlimited Ordinary Shares at no par value	-

Reconciliation of number of Shares

	As at 31 December 2013 No. of Shares
Ordinary Shares at the beginning of the period	-
Issue of Ordinary Shares	105,000,000
Total Ordinary Shares in issue at the end of the period	105,000,000

Share capital account

	As at 31 December 2013 Share Capital £
Share Capital at the beginning of the period	-
Issued Share Capital	105,000,000
Share issue costs	(2,100,000)
Total Share Capital at the end of the period	102,900,000

The Share Capital of the Company consists of an unlimited number of Ordinary Shares of no par value.

WEISS KOREA OPPORTUNITY FUND LTD.

Notes to the Financial Statements (continued)

14. Share capital (continued)

Ordinary shares

The Company has a single class of Ordinary Shares which were issued by means of an initial public offering on 14 May 2013, at 100 pence per Share.

The rights attaching to the Ordinary Shares are as follows:

- a) the holders of Ordinary Shares shall confer the right to all dividends in accordance with the Articles of Incorporation of the Company.
- b) the capital and surplus assets of the Company remaining after payment of all creditors shall, on winding-up or on a return (other than by way of purchase or redemption of own Ordinary Shares) be divided amongst the Shareholders on the basis of the capital attributable to the Ordinary Shares at the date of winding up or other return of capital.
- c) the Shareholders present in person or by proxy or (being a corporation) present by a duly authorised representative at a general meeting has, on a show of hands, one vote and, on a poll, one vote for every Share.
- d) On 20 March 2017, being 56 days before the fourth anniversary of admission (the "Realisation Date"), the Shareholders are entitled to serve a written notice (a "Realisation Election") requesting that all or a part of the Ordinary Shares held by them be redesignated to Realisation Shares, subject to the aggregate NAV of the continuing Ordinary Shares on the last business day before the Reorganisation Date being not less than £50 million. A Realisation Notice, once given is irrevocable unless the Board agrees otherwise. If one or more Realisation Elections are duly made and the aggregate NAV of the continuing Ordinary Shares on the last business day before the Realisation Date is less than £50 million, the Directors may propose an ordinary resolution for winding up of the Company and may pursue a liquidation of the Company instead of splitting the Portfolio into the Continuation Pool and the Realisation Pool.

15. Related party transactions and Material Agreements

Related party transactions

a) Directors Remuneration and expenses

During the period from 12 April 2013 to 31 December 2013, director fees of £47,973 were charged to the Company and £17,000 remained payable at the period end. For additional information refer to the Directors Remuneration Report on page 19.

b) Shares held by related parties

The Directors who held office at 31 December 2013 and up to the date of this Report held the following numbers of Ordinary Shares beneficially:

	Ordinary Shares	% of issued share capital
Norman Crighton	20,000	0.02%
Stephen Coe	10,000	0.01%
Robert King	15,000	0.01%

The Investment Manager is principally owned by Dr. Andrew Weiss and certain members of the Investment Manager's senior management team.

As at 31 December 2013, Dr. Andrew Weiss and his immediate family members held an interest in 6,427,550 Ordinary Shares representing 6.12 per cent. of the issued share capital of the Company.

As at 31 December 2013, employees of the Investment Manager, their respective immediate family members or entities controlled by them or their immediate family members held an interest in 2,468,333 Ordinary Shares representing 2.35 per cent. of the issued share capital of the Company.

WEISS KOREA OPPORTUNITY FUND LTD.

Notes to the Financial Statements (continued)

Material Agreements

c) Investment Management Fee

The Company's Investment Manager is Weiss Asset Management LP. In consideration for its services provided by the Investment Manager under the Investment Management Agreement dated 8 May 2013, the Investment Manager is entitled to an annual management fee of 1.5% of the Company's NAV accrued daily and payable within 14 days after each month end. The management fee is subject to a minimum annual amount of £1 (one) million per annum for the first 48 months following Admission. The Investment Manager is also entitled to reimbursement of certain expenses incurred by it in connection with its duties.

The Investment Management Agreement will continue in force until terminated by the Investment Manager or the Company giving to the other party thereto not less than 12 months' notice in writing, such notice not to expire prior to the fourth anniversary of admission other than in limited circumstances.

During the period from 12 April 2013 to 31 December 2013, investment management fees and charges of £1,010,578 were charged to the Company and £148,336 remained payable at the period end.

16. Financial Risk Management

The Company's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Company's activities, but it is managed through an ongoing process of identification, measurement and monitoring.

The Company's financial instruments include investments designated as fair value through profit or loss and cash and cash equivalents.

The main risks arising from the Company's financial instruments are market price risk, interest rate risk, credit risk, liquidity risk and currency risk. The techniques and instruments utilised for the purposes of efficient portfolio management are those which are reasonably believed by the Board to be economically appropriate to the efficient management of the Company.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's activities expose it primarily to the market risks of changes in market prices, interest rates and foreign currency exchange rates.

Market price risk

The Company's NAV is sensitive to movement in market prices. As at 31st December 2013, if market prices had been 5% higher, or 5% lower, with all other variables held constant then the increase/decrease in NAV would have been £5,435,044. Actual trading results may differ from the above sensitivity analysis and those differences may be material.

Foreign Currency Risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company does not hedge its exposure to foreign currency (predominantly Korean Won (KWR)) and NAV per share will fluctuate with movements in foreign exchange rates. As at 31st December 2013 the Company held the following assets and liabilities in foreign currencies:

Amounts in Sterling	As at	
	31 December	
	KRW	USD
Assets		
Monetary assets	757,209	298,070
Non-monetary assets	97,961,277	10,739,606

Amounts in the above table are based on the carrying value of monetary assets and liabilities.

WEISS KOREA OPPORTUNITY FUND LTD.

Notes to the Financial Statements (continued)

16. Financial Risk Management (continued)

Foreign Currency Risk (continued)

The table below summarises the sensitivity of the Company's monetary and non-monetary assets and liabilities to changes in foreign exchange movements at 31 December 2013.

	Reasonable possible shift in rate 2013	As at 31 December 2013 £
Currency		
KRW		
- Monetary	+/- 5%	37,860
- Non-Monetary	+/- 5%	4,898,064
US Dollars		
- Monetary	+/- 5%	14,904
- Non-monetary	+/- 5%	536,980

Interest rate risk

The Company holds limited amounts on interest bearing deposits (at 31st December 2013: £3,869,125) and does not invest in interest bearing securities and instruments. Accordingly interest rate risk is considered very low.

The table below summaries the Company's exposure to interest rate risk:

	Floating rate £	Fixed rate £	Non-Interest bearing £	Total As at 31 December 2013 £
Financial Assets				
Investments designated at fair value through profit or loss	-	-	108,700,883	108,700,883
Cash and cash equivalents	3,869,125	-	-	3,869,125
Other receivables	-	-	1,999,503	1,999,503
	3,869,125	-	110,700,386	114,569,511

	Floating rate £	Fixed rate £	Non-Interest bearing £	Total As at 31 December 2013 £
Financial Liabilities				
Other payables	-	-	688,248	688,248
	-	-	688,248	688,248

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 Company.

WEISS KOREA OPPORTUNITY FUND LTD.

Notes to the Financial Statements (continued)

16. Financial Risk Management (continued)

Credit Risk (continued)

Credit risk is limited to the carrying value of financial assets at 31st December 2013 as follows:

	As at 31 December 2013 £
Cash and cash equivalents	3,869,125
Other receivables	1,999,503
	5,868,628

The Company is exposed to material credit risk in respect of cash and cash equivalents. The credit risk from cash and cash equivalents is mitigated as all cash is placed with Northern Trust (Guernsey) Limited (“NTGL”). NTGL is a wholly owned subsidiary of The Northern Trust Corporation (“TNTC”). TNTC is publicly traded and a constituent of the S&P 500. TNTC has a credit rating of A+ from Standard & Poor’s and A2 from Moody’s.

Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Company's investments are relatively liquid and the Company holds sufficient cash balances (or liquid investments) to meet its obligations as they fall due. The Board reviews its resources and obligations on a regular basis to ensure sufficient liquid assets are held.

As at 31 December 2013, the Company had no significant financial liabilities other than payables arising directly from investing activity.

	Less than 1 month £	1-3 months £	3-12 months £	Total As at 31 December 2013 £
Other payables	228,969	-	459,279	688,248
	228,969	-	459,279	688,248

Capital risk management

The fair value of the Company’s financial assets and liabilities approximate to their carrying amounts at the reporting date. For the purposes of this disclosure, redeemable participating preference shares are considered to be capital.

The Company's objective when managing capital is to maintain an optimal capital structure in order to reduce the cost of capital. The Company may borrow, however as at 31st December 2013 there were no borrowings.

The gearing ratio below is calculated as total liabilities divided by total equity.

	As at 31 December 2013 £
Total assets	114,569,511
Less: total liabilities	(688,248)
Net Asset Value	113,881,263
Gearing Ratio	0.60%

WEISS KOREA OPPORTUNITY FUND LTD.

Notes to the Financial Statements (continued)

16. Financial Risk Management (continued)

Capital Risk Management (continued)

Share buybacks

The Directors have general shareholder authority to purchase in the market up to 40 per cent. of the Ordinary Shares in issue from time to time following Admission. The Directors intend to seek annual renewal of this authority from Shareholders at each general meeting of the Company.

Pursuant to this authority, and subject to Guernsey law and discretion of the Directors, the Company may repurchase Ordinary Shares in the market on an ongoing basis at a discount to NAV with a view to increasing the NAV per Ordinary Share and assisting in controlling the discount to NAV per Ordinary Share in relation to the price at which such Ordinary Shares may be trading.

Purchases by the Company will be made only at prices below the estimated prevailing NAV per Ordinary Share based on the last Published NAV but taking account of movements in investments, stock markets and currencies, in consultation with the Investment Manager and at prices where the Directors believe such purchases will result in an increase in the NAV per Ordinary Share of the remaining Ordinary Shares.

The Directors will consider repurchasing Ordinary Shares when the price per Ordinary Share plus the pro forma cost to the Company per share repurchased is less than 95 per cent. of the NAV per Ordinary Share. The pro forma cost per share should include any brokerage commission payable and costs of realising portfolio securities to fund the purchase. The Directors may, at their discretion, also consider repurchasing Ordinary Shares at a smaller discount to NAV per Ordinary Share, provided that such purchase would be accretive to NAV per Ordinary Share for any continuing Shareholders.

Realisation opportunity

The Company will offer all Shareholders the right to elect to realise some or all of the value of their Ordinary Shares, less applicable costs and expenses, on or prior to the fourth anniversary of Admission, being 14 May 2017 (the "Realisation Date").

Subject to the aggregate Net Asset Value of the continuing Ordinary Shares at the close of business on the last Business Day before the Realisation Date being not less than £50 million, the Ordinary Shares held by the Shareholders who have elected for Realisation will be redesignated as Realisation Shares and the Portfolio will be split into two separate and distinct Pools namely the Continuation Pool (comprising the assets attributable to the continuing Ordinary Shares) and the Realisation Pool (comprising the assets attributable to the Realisation Shares).

With effect from the Realisation Date, the assets in the Realisation Pool will be managed in accordance with an orderly realisation programme with the aim of making progressive returns of cash, as soon as practicable, to those Shareholders who have elected to receive Realisation Shares. Ordinary Shares held by Shareholders who do not submit a valid and complete election in accordance with the Articles during the Election Period will remain Ordinary Shares.

Unless it has already been determined that the Company will be wound-up; every two years after the Realisation Date, the Directors will propose further realisation opportunities for Shareholders who have not previously elected to realise their Ordinary Shares using a similar mechanism to that described above.

If the weighted average discount on the Portfolio is less than 25 per cent. over any 90 day period, then the Directors shall propose an ordinary resolution for the winding up of the Company. If one or more Realisation Elections are duly made and the Net Asset Value of the continuing Ordinary Shares at the close of business on the last Business Day before the reorganisation Date is less than £50 million, the Directors may propose an ordinary resolution for the winding up of the Company and may pursue a liquidation of the Company instead of splitting the Portfolio into the Continuation Pool and the Realisation Pool.

WEISS KOREA OPPORTUNITY FUND LTD.

Notes to the Financial Statements (continued)

17. Fair Value Measurement

IFRS 13 requires the Company to establish a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under IFRS 13 are set as follows:

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

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table presents the Company's financial assets and liabilities by level within the valuation hierarchy as of 31 December 2013:

	Level 1	Level 2	Level 3	Total As at 31 December 2013
	£	£	£	£
Financial assets at fair value through profit or loss:				
Korean preferred shares	97,961,277	-	-	97,961,277
Korean Exchange Traded Fund	10,739,606	-	-	10,739,606
Total assets	108,700,883	-	-	108,700,883

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between levels during the period.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include Korean preference shares and Exchange Traded Funds.

The Company held no Level 2 or 3 investments as at or during the period ended 31 December 2013.

18. NAV reconciliation

The Company announces its NAV, based on bid value, to the LSE after each weekly and month end valuation point. The following is a reconciliation of the NAV per share attributable to redeemable participating preference shareholders as presented in these financial statements, using International Financial Reporting Standards to the NAV per share reported to the LSE:

WEISS KOREA OPPORTUNITY FUND LTD.

Notes to the Financial Statements (continued)

18. NAV reconciliation (continued)

	As at 31 December 2013	
	NAV	NAV per Participating Share
	£	£
Net Asset Value reported to the LSE	112,323,817	1.0698
Adjustment for dividend income	1,557,446	0.0148
Net Assets Attributable to Shareholders per Financial Statements	113,881,263	1.0846

The published NAV per Share of £1.0698 is different from the accounting NAV per Share of £1.0846 due to the adjustments noted above.

19. Subsequent events

These financial statements were approved for issuance by the Board on 23 April 2014. Subsequent events have been evaluated until this date.