



## VALUE GOLD ETF

Stock code: 03081 (HKD) | 83081 (RMB) | 09081 (USD)

# 2019 ANNUAL REPORT

For the year ended 31 March 2019



**Sensible Asset Management Hong Kong Limited**

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

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## VALUE GOLD ETF

(A Hong Kong Unit Trust)

### GENERAL INFORMATION

#### Investment Manager

Sensible Asset Management Hong Kong Limited  
43rd Floor, The Center  
99 Queen's Road Central  
Hong Kong

#### Sub-investment Manager

Value Partners Hong Kong Limited  
43rd Floor, The Center  
99 Queen's Road Central  
Hong Kong

#### Directors of the Investment Manager

Mr. So Chun Ki Louis  
Dr. Au King Lun  
Mr. Quah Kung Beng David  
(appointed on 2 May 2018)  
Mr. Cheung Kin Yan  
(appointed on 13 March 2019)  
Mr. Roger Anthony Hepper  
(resigned on 13 March 2019)  
Mr. Mak Ling Kai  
(resigned on 17 January 2019)

#### Trustee and Registrar

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

#### Custodian

HKIA Precious Metals Depository Limited  
HKIA Tower  
1 Sky Plaza Road  
Hong Kong International Airport  
Lantau  
Hong Kong

#### Legal Advisor

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

#### Auditor

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

#### Information available from:

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## GENERAL INFORMATION (Continued)

### Recent awards and achievements

Corporate awards (ETF)	
2018	<ul style="list-style-type: none"> <li>• <b>Best ETF – Commodities and Specialty Category (Best Performer), based on NAV tracking error</b> – <i>Bloomberg Businessweek</i></li> </ul>
2017	<ul style="list-style-type: none"> <li>• <b>Benchmark Fund of the Year Awards 2017, Hong Kong House Award (ETF) – Commodity ETF (Outstanding Achiever) of Sensible Asset Management</b> – <i>Benchmark</i></li> </ul>
2016	<ul style="list-style-type: none"> <li>• <b>Value Partners ETF and Indexing Awards 2016 – Best ETF Launch</b> – <i>Asia Asset Management &amp; ETFI Asia</i></li> <li>• <b>Value Partners ETF and Indexing Awards 2016 – Best Commodity ETF</b> – <i>Asia Asset Management &amp; ETFI Asia</i></li> <li>• <b>Value Partners ETF and Indexing Awards 2016 – Best Smart Beta ETF</b> – <i>Asia Asset Management &amp; ETFI Asia</i></li> </ul>
Value Gold ETF	
2017	<ul style="list-style-type: none"> <li>• <b>Best ETF – Commodities and Specialty Category (Outstanding Performer), based on NAV tracking error</b> – <i>Bloomberg Businessweek</i></li> </ul>
2016	<ul style="list-style-type: none"> <li>• <b>Fund of the Year Awards 2016 Top ETF (Commodities) – Precious Metals (Best-in-class)</b> – <i>Benchmark Magazine</i></li> <li>• <b>Best ETF – Commodities and Specialty Category (Best Performer), based on NAV tracking error</b> – <i>Bloomberg Businessweek</i></li> <li>• <b>Best ETF – Commodities and Specialty Category (Outstanding Performer), based on NAV total return</b> – <i>Bloomberg Businessweek</i></li> </ul>

## VALUE GOLD ETF

(A Hong Kong Unit Trust)

### MANAGER'S REPORT

Value Gold ETF ("the Fund") is a fund constituted in the form of a unit trust established under Hong Kong law. The Fund is a "physical" ETF, meaning it will hold actual gold. Units in the Fund are listed on The Stock Exchange of Hong Kong Limited (SEHK). The Fund seeks to provide investment results, before fees and expenses, that closely correspond to the performance of the London Bullion Markets Association ("LBMA") Gold Price.

As at 29 March 2019, the Net Asset Value ("NAV") per unit of the Fund was HKD31.4069, and 24,300,000 units were outstanding. The total size of the Fund was approximately HKD763.2 million.

A summary of the performance of the LBMA Gold Price and the Fund is given below.

	<b>From 1 April 2018 to 29 March 2019</b>	<b>2019 YTD (as at 29 March)</b>	<b>Since inception</b>
LBMA Gold Price	-2.5%	+1.0%	-1.5%
Value Gold ETF	-2.9%	+0.9%	-5.1%

The difference in performance between the LBMA Gold Price and the Value Gold ETF is mainly attributed to fees and expenses. The historical tracking error for the NAV of the Fund against the LBMA Gold Price was at 3 basis points on an annualized basis since its inception on 29 October 2010.

### Sensible Asset Management Hong Kong Limited

19 July 2019

*All performance figures are sourced from HSBC Institutional Trust Services (Asia) Limited and Bloomberg, in HKD, NAV to NAV with dividends reinvested, as at 29 March 2019. Performance data is net of all fees.*

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

## **STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE**

### **Manager's responsibilities**

The Manager of Value Gold ETF is required by the Code on Unit Trusts and Mutual Funds established by the Hong Kong Securities and Futures Commission (the "SFC Code") and the Trust Deed dated 13 October 2010, as amended, (the "Trust Deed") to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Fund at the end of that period and of the transactions for the period then ended. In preparing these financial statements, the Manager is required to:

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

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

### **Trustee's responsibilities**

The Trustee of the Fund is required to:

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

## **VALUE GOLD ETF**

(A Hong Kong Unit Trust)

### **TRUSTEE'S REPORT TO THE UNITHOLDERS OF VALUE GOLD ETF**

We hereby confirm that, in our opinion, the Manager has, in all material respects, managed Value Gold ETF in accordance with the provisions of the Trust Deed of the Fund dated 13 October 2010 as amended by three supplemental deeds dated 8 March 2012, 19 April 2013 and 20 March 2015 for the year ended 31 March 2019.

For and on behalf of

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

Trustee

19 July 2019

## **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF VALUE GOLD ETF**

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

#### ***Opinion***

We have audited the financial statements of Value Gold ETF (the "Fund") set out on pages 12 to 37, which comprise the statement of financial position as at 31 March 2019, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

#### ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Fund in accordance with the *Code of Ethics for Professional Accountants* ("the Code"), issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Key audit matters***

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF  
VALUE GOLD ETF (Continued)**

**Report on the audit of the financial statements (Continued)**

***Key audit matters (Continued)***

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
Existence and valuation of commodity	
The investment in commodity included in the statement of financial position of the Fund at 31 March 2019 represented over 90% of the net asset value of the Fund. The Fund's investment in commodity was gold bullion which was kept by a custodian and measured at fair value as set out in Notes 2 and 9 to the financial statements.	<p>We obtained independent confirmation from the custodian of the entire investment portfolio held at 31 March 2019, and agreed the quantity held to the accounting records. In addition, we independently checked the valuation of the commodity that was quoted in active markets against third party vendor sources at 31 March 2019.</p> <p>We reviewed the financial statement disclosures regarding the fair value hierarchy as set out in Note 9 to the financial statements.</p>

***Other information included in the Annual Report***

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

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

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

## **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF VALUE GOLD ETF (Continued)**

### **Report on the audit of the financial statements (Continued)**

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

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

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

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

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

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF  
VALUE GOLD ETF (Continued)**

**Report on the audit of the financial statements (Continued)**

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

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

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

## **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF VALUE GOLD ETF (Continued)**

### **Report on the audit of the financial statements (Continued)**

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

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

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

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

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

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

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

#### ***Ernst & Young***

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

19 July 2019

**VALUE GOLD ETF**  
(A Hong Kong Unit Trust)

**STATEMENT OF FINANCIAL POSITION**

AS AT 31 MARCH 2019

	<i>Notes</i>	<b>2019</b> <i>HK\$</i>	<b>2018</b> <i>HK\$</i>
<b>ASSETS</b>			
Commodity	4, 9	763,083,737	824,378,396
Due from the Manager	7(e)	3,900	7,800
Cash and cash equivalents	7(c)	1,130,112	978,819
Prepayments and other receivables		<u>12,145</u>	<u>11,968</u>
<b>TOTAL ASSETS</b>		<u>764,229,894</u>	<u>825,376,983</u>
<b>LIABILITIES</b>			
Audit fees payable		313,672	313,672
Management fees payable	7(a)	257,470	257,231
Trustee and registrar fees payable	7(b)	63,194	–
Custodian fees payable		75,179	26,076
Other payables		<u>332,703</u>	<u>375,670</u>
<b>TOTAL LIABILITIES</b>		<u>1,042,218</u>	<u>972,649</u>
<b>TOTAL EQUITY</b>		<u>763,187,676</u>	<u>824,404,334</u>
<b>Net asset value per unit based on 24,300,000</b> <b>(2018: 25,500,000) units outstanding</b>	8	<u>31.4069</u>	<u>32.3296</u>

Approved and authorised for issue by the Manager and the Trustee on 19 July 2019.

Signed by:

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

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

The notes on pages 16 to 37 form part of these financial statements.

**STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE YEAR ENDED 31 MARCH 2019

	<i>Notes</i>	<b>2019</b> <i>HK\$</i>	<b>2018</b> <i>HK\$</i>
Interest income		8,084	1,997
Net (losses)/gains from commodity	5	(21,163,591)	56,224,843
Net foreign exchange gains/(losses)		880	(30,625)
Other income		<u>72,380</u>	<u>181,935</u>
<b>Net investment (losses)/income</b>		<u>-----</u> <u>(21,082,247)</u>	<u>-----</u> <u>56,378,150</u>
Management fees	7(a)	782,525	577,510
Trustee and registrar fees	7(b)	709,101	86,133
Transaction fees		87,825	155,504
Sub-custodian fees		316,202	327,290
Auditor's remuneration		328,842	326,712
Legal and professional fees		215,769	383,485
Service agent fees		60,161	59,670
Bank charges		200	200
Listing fees		15,000	22,973
Information service fee		278,592	692,126
Other operating expenses		<u>517,924</u>	<u>405,306</u>
<b>Operating expenses</b>		<u>-----</u> <u>3,312,141</u>	<u>-----</u> <u>3,036,909</u>
<b>(LOSS)/PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>-----</u> <u>(24,394,388)</u>	<u>-----</u> <u>53,341,241</u>

The notes on pages 16 to 37 form part of these financial statements.

**VALUE GOLD ETF**  
(A Hong Kong Unit Trust)

**STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED 31 MARCH 2019

	<i>Note</i>	<b>2019</b> <i>HK\$</i>	<b>2018</b> <i>HK\$</i>
<b>BALANCE AT THE BEGINNING OF THE YEAR</b>		824,404,334	723,253,466
Issue of redeemable units	8	9,711,210	85,158,420
Redemption of redeemable units	8	(46,533,480)	(37,348,793)
Net (decrease)/increase from unit transactions		(36,822,270)	47,809,627
<b>TOTAL TRANSACTIONS WITH UNITHOLDERS</b>		(36,822,270)	47,809,627
<b>(LOSS)/PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		(24,394,388)	53,341,241
<b>BALANCE AT THE END OF THE YEAR</b>		763,187,676	824,404,334

The notes on pages 16 to 37 form part of these financial statements.

**STATEMENT OF CASH FLOWS**  
FOR THE YEAR ENDED 31 MARCH 2019

	<i>Note</i>	<b>2019</b> <i>HK\$</i>	<b>2018</b> <i>HK\$</i>
<b>OPERATING ACTIVITIES</b>			
Interest income received		8,464	1,435
Proceeds from sales of commodity		49,822,867	39,773,122
Purchase of commodity		(9,691,798)	(84,888,322)
Operating expenses paid		<u>(3,165,970)</u>	<u>(2,582,515)</u>
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>		----- 36,973,563	----- (47,696,280)
<b>FINANCING ACTIVITIES</b>			
Proceeds from issue of redeemable units		9,711,210	85,158,420
Payment on redemption of redeemable units		<u>(46,533,480)</u>	<u>(37,348,793)</u>
<b>CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES</b>		----- (36,822,270)	----- 47,809,627
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		151,293	113,347
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<u>978,819</u>	<u>865,472</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<u><u>1,130,112</u></u>	<u><u>978,819</u></u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash at bank	7(c)	<u><u>1,130,112</u></u>	<u><u>978,819</u></u>

The notes on pages 16 to 37 form part of these financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

### **1. GENERAL**

Value Gold ETF (the “Fund”) is an open ended unit trust governed by its Trust Deed dated 13 October 2010 (the “Trust Deed”), as amended from time to time under the laws of Hong Kong. The Fund is authorised by the Hong Kong Securities and Futures Commission (the “SFC”) under Section 104(1) of the Hong Kong Securities and Futures Ordinance (“HKSF”), and is governed by the Hong Kong Code on Unit Trusts and Mutual Funds of the SFC (the “SFC Code”). The Fund is also listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (a subsidiary of the Hong Kong Exchanges and Clearing Limited).

The investment objective of the Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the LBMA Gold Price.

To achieve the investment objective, Sensible Asset Management Hong Kong Limited (the “Manager”) will employ a purchase and hold investment strategy of gold bullion. Disposal of gold bullion will be necessary to pay redemptions when cash reserves are not adequate. In addition, for the purpose of liquidity, up to 5% of the Net Asset Value of the Fund may be invested in other physical gold exchange traded funds listed on other international stock exchanges which have a similar risk profile for the Fund.

The Fund is not permitted to invest in other types of investments including, but not limited to, derivative futures contracts, options on futures contracts, options, swaps, warrants and other financial instruments, local currency and foreign currency exchange contracts, securities and other financial instruments.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Statement of compliance**

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

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

The Fund has not applied any amendments and new standards that are not yet effective for the current accounting period (see Note 12).

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

### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(b) Basis of preparation**

The functional currency of the financial statements of the Fund is Hong Kong dollars (“HK\$”), and units of the Fund are issued in HK\$.

These financial statements are presented in HK\$.

The financial statements are prepared on a fair value basis for investments in commodity. Other financial assets and financial liabilities are stated at amortised cost.

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

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

#### **(c) Foreign currency translation**

Transactions in foreign currencies are translated at foreign currency exchange rates ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated to HK\$ at the foreign currency closing exchange rate ruling at the end of the reporting period. Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in profit or loss.

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

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

### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

In the current period, the Fund has adopted IFRS 9 *Financial Instruments*. See note 11 for an explanation of the impact. Comparative figures for the year ended 31 March 2018 have not been restated. Therefore, financial instruments in the comparative period are still accounted for in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

#### **(iA) Classification – Policy effective from 1 April 2018 (IFRS 9)**

In accordance with IFRS 9, the Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below. In applying that classification, a financial asset or financial liability is considered to be held for trading if:

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

#### *Financial assets*

The Fund classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

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

#### Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Fund includes in this category short-term non-financing receivables including accrued income.

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

### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

##### **(iA) Classification – Policy effective from 1 April 2018 (IFRS 9) (Continued)**

###### *Financial assets (Continued)*

Financial assets measured at fair value through profit or loss (FVPL)

A financial asset is measured at FVPL if:

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

The Fund includes in this category:

- Instruments held for trading; this category includes equity instruments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price.

###### *Financial liabilities*

###### *Financial liabilities measured at fair value through profit or loss (FVPL)*

A financial liability is measured at FVPL if it meets the definition of held for trading.

###### *Financial liabilities measured at amortised cost*

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Fund includes in this category other short-term payables.

##### **(iB) Classification – Policy effective before 1 April 2018 (IAS 39)**

The category of financial assets at fair value through profit or loss comprises financial instruments held for trading and financial instruments designated at fair value through profit or loss upon initial recognition.

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

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

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

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

### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

##### **(ii) Recognition**

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

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

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

##### **(iii) Measurement**

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

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

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

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

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

The Fund measures its investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on their quoted market price at the end of the reporting period without any deduction for estimated future selling cost. The Fund utilises the last traded price for both listed financial assets and liabilities.

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

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

### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

##### **(v) Derecognition**

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

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

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

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

### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(e) Impairment of financial assets**

##### ***(i) Policy effective from 1 April 2018 (IFRS 9)***

The Fund holds only receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (“ECLs”) under IFRS 9 to all its trade receivables. Therefore, the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Fund’s approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

##### ***(ii) Policy effective before 1 April 2018 (IAS 39)***

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

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

#### **(f) Commodity**

Commodity comprises gold bullion. Gold bullion is stated at the gold price prevailing at the close of business at the end of the reporting period. Differences arising from changes in gold prices are recorded in profit or loss. Net realised gains and losses from commodity is calculated using the weighted average method.

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

### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

#### **(h) Interest income**

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

#### **(i) Expenses**

All expenses, including management fees and trustee and registrar fees, are recognised in profit or loss on an accrual basis.

#### **(j) Foreign exchange gains and losses**

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

#### **(k) Taxation**

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

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

### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(I) Redeemable units**

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

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

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

- it entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life are based substantially on profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

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

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

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

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

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

### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(l) Redeemable units (Continued)**

##### *Repurchase of redeemable units*

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

#### **(m) Related parties**

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

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

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Fund are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Fund are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Fund or an entity related to the Fund;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Fund or to the parent of the Fund.

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

### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(n) Segment reporting**

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

#### **(o) Distributions to unitholders**

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

### **3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

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

#### **Judgements**

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

##### *Going concern*

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

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

### **4. FINANCIAL RISK MANAGEMENT**

The investment objective of the Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the LBMA Gold Price.

The Fund's main financial instrument consists of cash and cash equivalents. The Fund also holds gold bullion which is considered a commodity. The Fund's financial instrument and commodity are exposed to various types of risks including market risk (which includes foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk.

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

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

#### **(a) Market risk**

##### **(i) Foreign exchange risk**

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

As at 31 March 2019 and 2018, the Fund was not exposed to significant foreign currency risk. The majority of assets and liabilities are denominated in HK\$ and United States dollars ("USD"). As the HK\$ is pegged to USD, the Fund does not expect any significant movements in the HK\$/USD exchange rate.

##### **(ii) Price risk**

Market price risk is the risk that the value of the commodity will fluctuate as a result of changes in the LBMA Gold Price.

The Fund employs a purchase and hold investment strategy of gold bullion. Disposal of gold bullion will be necessary to pay redemptions when cash reserves are not adequate.

The Fund's price risk arises from gold bullion of HK\$763,083,737 (2018: HK\$824,378,396). As at 31 March 2019, if the LBMA Gold Price had been 20% (2018: 20%) higher or lower with all other variables held constant, the operating profit and total equity would have been approximately HK\$152,616,747 (2018: approximately HK\$164,875,679) higher or lower, for the year ended 31 March 2019.

##### **(iii) Interest rate risk**

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 4. FINANCIAL RISK MANAGEMENT (Continued)

#### (b) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Fund. Potential credit risk to the Fund principally relates to commodity, cash and cash equivalents and other receivables.

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

The table below shows the major counterparties at the end of the reporting period. The credit ratings are issued by Standard & Poor's:

Counterparty	Credit rating		2019	2018
	2019	2018	HK\$	HK\$
Bank A	AA-	AA-	1,130,112	978,819
Custodian A	AA+	AA+	763,083,737	824,378,396

#### (c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund is exposed to cash redemptions of redeemable units. The Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity. In addition, gold bullion is readily tradable in an active market and can be sold if it is necessary for the Fund to fulfil those payment obligations, as a result the Fund's exposure to liquidity risk is considered to be minimal.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**5. NET (LOSSES)/GAINS FROM COMMODITY**

	<b>2019</b> <i>HK\$</i>	<b>2018</b> <i>HK\$</i>
Net realised losses	(4,291,840)	(3,694,727)
Change in unrealised gains/losses	<u>(16,871,751)</u>	<u>59,919,570</u>
	<u>(21,163,591)</u>	<u>56,224,843</u>

**6. TAXATION**

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

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

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

**(a) Management fees**

The Fund appointed the Manager, an investment management company incorporated in Hong Kong, to implement the investment strategy as specified in the Trust Deed. The Manager is entitled to receive management fees of up to 1% per year of the net asset value of the Fund. For the period from 1 April 2016 to 5 December 2016, the management fee was 0.15% per year of the net asset value of the Fund and was accrued daily and calculated as at each dealing day and payable monthly in arrears. For the period from 6 December 2016 to 30 June 2017, the management fee was temporarily waived. With effect from 1 July 2017, the management fee was reduced to 0.10% per annum of the net asset value in accordance with the announcement dated 28 June 2017. Management fees of HK\$782,525 (2018: HK\$577,510) were charged to profit or loss during the year. Included in liabilities as at 31 March 2019 were management fees payable of HK\$257,470 (2018: HK\$257,231).

**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

**(b) Trustee and registrar fees**

The Fund appointed the Trustee, a registered trust company incorporated in Hong Kong, to implement the responsibilities as specified in the Trust Deed. For the period from 1 May 2018 to 31 March 2019, HSBC Institutional Trust Services (Asia) Limited (the "Trustee") was entitled to receive trustee and registrar fees of up to 0.1% per annum of the net asset value of the Fund. For the period from 1 April 2018 to 30 April 2018, the trustee fee was waived (2018: 11 months waived). For the period from 1 April 2018 to 31 March 2019, the minimum fee requirement of HK\$35,100 per month was waived (2018: HK\$90,000 per month). The fees are accrued daily and calculated as at each dealing day and payable monthly in arrears.

The Trustee is also entitled to receive service fees of HK\$25,000 (2018: HK\$25,000) per annum accrued daily and payable quarterly in arrears as well as ad hoc valuation fees of HK\$4,000 (2018: HK\$4,000) per calculation of net asset value other than at the valuation point on a regular dealing day. Trustee and registrar fees of HK\$709,101 (2018: HK\$86,133) were charged to profit or loss during the year. Included in liabilities as at 31 March 2019 were trustee and registrar fees payable of HK\$63,194 (2018: nil).

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

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

	<b>2019</b>	<b>2018</b>
	<i>HK\$</i>	<i>HK\$</i>
Cash and cash equivalents	<u>1,130,112</u>	<u>978,819</u>

**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

**(d) Manager's and its related parties' holdings in the Fund**

Units held by the related parties of the Manager and the Sub-investment Manager as at 31 March 2019 and 31 March 2018 are listed below:

	<b>Number of units</b>	
	<b>2019</b>	<b>2018</b>
Dato' Seri Cheah Cheng Hye <sup>i</sup>	4,428,200	4,428,200
Mr. Mak Ling Kai <sup>ii</sup>	–	3,200
Value Partners Hong Kong Limited <sup>iii</sup>	4,500,000	4,500,000
Value Partners Limited <sup>iv</sup>	617,500	617,500
Value Partners China HK Bond and Gold Fund <sup>v</sup>	<u>806,500</u>	<u>974,300</u>

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

*ii Mr. Mak Ling Kai is a director of the Investment Manager and resigned on 17 January 2019*

*iii Value Partners Hong Kong Limited is the Sub-investment Manager*

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

*v Value Partners China HK Bond and Gold Fund is an investment fund managed by the Sub-investment Manager*

**(e) Outstanding balance from the Manager**

	<b>2019</b>	<b>2018</b>
	<i>HK\$</i>	<i>HK\$</i>
Due from the Manager	<u>3,900</u>	<u>7,800</u>

The amount arising from expenses paid on behalf of the Manager is unsecured, non-interest-bearing and has no fixed terms of repayment.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**8. REDEEMABLE UNITS IN ISSUE**

	<b>Number of units</b>	
	<b>2019</b>	<b>2018</b>
<b>At the beginning of the year</b>	25,500,000	24,000,000
Issue of redeemable units	300,000	2,700,000
Redemption of redeemable units	<u>(1,500,000)</u>	<u>(1,200,000)</u>
<b>At the end of the year</b>	<u><u>24,300,000</u></u>	<u><u>25,500,000</u></u>

The rights attaching to each unit are as follows:

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

The Fund does not have any externally imposed capital requirements.

In accordance with the Trust Deed, the net assets of the Fund are computed at each valuation point by valuing the assets of the Fund and deducting the liabilities of the Fund.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 9. FAIR VALUE INFORMATION

The Fund's investment in commodity are carried at fair value on the statement of financial position. Usually the fair value can be reliably determined within a reasonable range of estimates. For certain investments, including cash and cash equivalents, accounts payable and accrued expenses, the carrying amounts approximate to their fair values due to the immediate or short-term nature of these investments.

#### (a) Investments carried at fair value

The following table presents the fair value of commodity at the end of the reporting period across the three levels of the fair value hierarchy defined in IFRS 13, with the fair value of the investments categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined in Note 2(d)(iv) to the financial statements.

	<b>2019</b>	<b>2018</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>Level 1</b>		
Commodity – Gold bullion	<u>763,083,737</u>	<u>824,378,396</u>

During the years ended 31 March 2019 and 2018, there were no transfers between Level 1, Level 2 or Level 3 of the fair value hierarchy. As at 31 March 2019, there were no Level 2 and Level 3 investments (2018: Nil).

#### (b) Investments carried at other than fair value

The carrying amounts of all the Fund's financial assets and financial liabilities at the end of the reporting period approximated to their fair values.

### 10. SEGMENT REPORTING

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

The Manager considers that the Fund has a single operating segment which is investing in gold bullion with the objective as stated in the investment objective and policies of the Fund.

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

The Fund is established and domiciled in Hong Kong. The majority of the Fund's investment income was derived from its investments domiciled in Hong Kong for the years ended 31 March 2019 and 2018.

The Fund has no assets classified as non-current as at 31 March 2019 (2018: nil).

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

### **11. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

The Fund applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 April 2018.

The nature and the impact of each new standard and amendment are described below:

#### **IFRS 9 *Financial Instruments***

The Fund adopted IFRS 9 *Financial Instruments* on 1 April 2018. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* and introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is not applicable to items that have already been derecognised at 1 April 2018, the date of initial application.

##### **(a) *Classification and measurement***

The Fund has assessed the classification of financial instruments as at the date of initial application and has applied such classification retrospectively. Based on that assessment:

- All financial assets previously held at fair value continue to be measured at fair value.
- Equity instruments, are acquired for the purpose of generating short-term profit. Therefore, they meet the held-for-trading criteria and are required to be measured at FVPL.
- Financial assets previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Thus, such instruments continue to be measured at amortised cost under IFRS 9.
- The classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39. The main impact on measurement from the classification of liabilities under IFRS 9 relates to the element of gains or losses for financial liabilities designated as at FVPL attributable to changes in credit risk. IFRS 9 requires that such element be recognised in other comprehensive income (OCI), unless this treatment creates or enlarges an accounting mismatch in profit or loss, in which case, all gains and losses on that liability (including the effects of changes in credit risk) should be presented in profit or loss. The Fund has not designated any financial liabilities at FVPL. Therefore, this requirement has not had any impact on the Fund.

##### **(b) *Impairment***

IFRS 9 requires the Fund to record expected credit losses (“ECLs”) on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. Given the limited exposure of the fund to credit risk, this amendment has not had a material impact on the financial statements. The Fund only holds trade receivables with no financing component and that have maturities of less than 12 months at amortised cost. Therefore, it has adopted an approach similar to the simplified approach to ECLs.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**11. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)**

**IFRS 9 Financial Instruments (Continued)**

**(c) Hedge accounting**

The Fund has not applied hedge accounting under IAS 39 nor will it apply hedge accounting under IFRS 9.

**Impact of adoption of IFRS 9**

The classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on 1 April 2018. However, the Fund has chosen to take advantage of the option not to restate comparatives. Therefore, the 2018 figures are presented and measured under IAS 39. The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Fund's financial assets and financial liabilities as at 1 April 2018:

*Financial assets*

<b>1 April 2018</b>	<b>IAS 39 classification</b>	<b>IAS 39 measurement HK\$</b>	<b>IFRS 9 classification</b>	<b>IFRS 9 measurement HK\$</b>
Commodity	Held for trading at fair value through profit or loss	824,378,396	Fair value through profit or loss	824,378,396
Due from the Manager	Loans and receivables	7,800	Amortised cost	7,800
Cash and cash equivalents	Loans and receivables	978,819	Amortised cost	978,819

*Financial liabilities*

<b>1 April 2018</b>	<b>IAS 39 classification</b>	<b>IAS 39 measurement HK\$</b>	<b>IFRS 9 classification</b>	<b>IFRS 9 measurement HK\$</b>
Audit fees payable	Other financial liabilities	313,672	Amortised cost	313,672
Management fees payable	Other financial liabilities	257,231	Amortised cost	257,231
Custodian fees payable	Other financial liabilities	26,076	Amortised cost	26,076
Other payables	Other financial liabilities	375,670	Amortised cost	375,670

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

### **11. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)**

#### ***IFRS 9 Financial Instruments (Continued)***

##### ***Impact of adoption of IFRS 9 (Continued)***

In line with the characteristics of the Fund's financial instruments as well as its approach to their management, the Fund neither revoked nor made any new designations on the date of initial application. IFRS 9 has not resulted in changes in the carrying amount of the Fund's financial instruments due to changes in measurement categories. All financial assets that were classified as at fair value through profit or loss under IAS 39 are still classified as at fair value through profit or loss under IFRS 9. All financial assets that were classified as loans and receivables and measured at amortised cost continue to be.

In addition, the application of the ECL model under IFRS 9 has not significantly changed the carrying amounts of the Fund's amortised cost financial assets. The carrying amounts of amortised cost instruments continued to approximate to these instruments' fair values on the date of transition after transitioning to IFRS 9.

#### ***IFRS 15 Revenue from Contracts with Customers***

The Fund adopted IFRS 15 *Revenue from Contracts with Customers* on 1 April 2018. IFRS 15 replaces IAS 18 *Revenue* and establishes a five-step model to account for revenue arising from contracts with customers. In addition, guidance on interest and dividend income has been moved from IAS 18 to IFRS 9 without significant changes to the requirements. Therefore, there was no impact of adopting IFRS 15 for the Fund.

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

### **12. STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The Fund has not early applied any of the new and revised IFRSs that have been issued but are not yet effective for the accounting year ended 31 March 2019, in these financial statements.

### **13. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the Manager and the Trustee on 19 July 2019.

**VALUE GOLD ETF**  
(A Hong Kong Unit Trust)

**INVESTMENT PORTFOLIO (UNAUDITED)**

AS AT 31 MARCH 2019

	<b>Holdings</b> <i>Fine weight of grams</i>	<b>Fair value</b>  <i>HK\$</i>	<b>% of net assets</b>
<b>COMMODITY</b>			
Gold bullion	2,341,766	<u>763,083,737</u>	<u>99.99</u>
<b>Total commodity</b>		763,083,737	99.99
Cash and cash equivalents		1,130,112	0.14
Other net liabilities		<u>(1,026,173)</u>	<u>(0.13)</u>
<b>Total net assets</b>		<u>763,187,676</u>	<u>100.00</u>
<b>Total investments, at cost</b>		<u>817,655,767</u>	

**STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)**  
*FOR THE YEAR ENDED 31 MARCH 2019*

	<b>% of net assets</b>	
	<b>2019</b>	<b>2018</b>
<b>COMMODITY</b>		
Gold bullion	<u>99.99</u>	<u>100.00</u>
<b>Total commodity</b>	99.99	100.00
Cash and cash equivalents	0.14	0.12
Other net liabilities	<u>(0.13)</u>	<u>(0.12)</u>
<b>Total net assets</b>	<u><u>100.00</u></u>	<u><u>100.00</u></u>

## VALUE GOLD ETF

(A Hong Kong Unit Trust)

### PERFORMANCE RECORD (UNAUDITED)

FOR THE YEAR ENDED 31 MARCH 2019

#### Net asset value

	<b>Net asset value per unit</b> <i>HK\$</i>	<b>Net asset value</b> <i>HK\$</i>
As at 31 March 2019	31.4069	763,187,676
As at 31 March 2018	32.3296	824,404,334
As at 31 March 2017	30.1356	723,253,466

#### Highest and lowest net asset value per unit

	<b>Highest net asset value per unit</b> <i>HK\$</i>	<b>Lowest net asset value per unit</b> <i>HK\$</i>
Year ended 31 March 2019	32.9114	28.6951
Year ended 31 March 2018	33.1060	29.4429
Year ended 31 March 2017	33.3256	27.4516
Year ended 31 March 2016	31.0684	25.5991
Year ended 31 March 2015	32.9276	28.0306
Year ended 31 March 2014	39.4526	29.3178
Year ended 31 March 2013	44.2319	38.1371
Period ended 31 March 2012	47.3279	32.9193