



## VALUE GOLD ETF

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

# 2017 ANNUAL REPORT

For the year ended 31 March 2017

**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  
9th Floor, Nexxus Building  
41 Connaught Road Central  
Hong Kong

### Sub-investment Manager

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

### Directors of the Investment Manager

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

### Trustee and Registrar

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

### Custodian

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:

Sensible Asset Management Hong Kong Limited  
9th Floor, Nexxus Building  
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## GENERAL INFORMATION (Continued)

### Recent awards and achievements

Corporate awards (ETF)	
2016	<ul style="list-style-type: none"><li>• <b>Value Partners</b> <b>ETF and Indexing Awards 2016 – Best ETF Launch</b> – <i>Asia Asset Management &amp; ETFI Asia</i></li><li>• <b>Value Partners</b> <b>ETF and Indexing Awards 2016 – Best Commodity ETF</b> – <i>Asia Asset Management &amp; ETFI Asia</i></li><li>• <b>Value Partners</b> <b>ETF and Indexing Awards 2016 – Best Smart Beta ETF</b> – <i>Asia Asset Management &amp; ETFI Asia</i></li></ul>
Value Gold ETF	
2016	<ul style="list-style-type: none"><li>• <b>Fund of the Year Awards 2016</b> <b>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>
2012	<ul style="list-style-type: none"><li>• <b>Best of the Best Awards 2011</b> <b>Best of the Best Regional Awards – Best Performing Small ETF</b> – <i>Asia Asset Management</i></li></ul>
2011	<ul style="list-style-type: none"><li>• <b>2010 Best of the Best Awards</b> <b>Best of the Best Awards – Hong Kong – Best New ETF category</b> – <i>Asia Asset Management</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 31 March 2017, the Net Asset Value ("NAV") per unit of the Fund was HKD30.1356, and 24,000,000 units were outstanding. The total size of the Fund was approximately HKD723.3 million.

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

	From 1 April 2016 to 31 March 2017	2017 YTD (as at 31 March)	Since inception
LBMA Gold Price	+0.9%	+7.4%	-6.2%
Value Gold ETF	+0.3%	+7.2%	-8.9%

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.

### Other updates

To raise the awareness and the usage of ETFs locally, the Manager rolled out a promotional campaign in December 2016 in which the management fee of Value Gold ETF was lowered to 0%<sup>1</sup> from 0.15% per annum until 30 June 2017 while the ongoing charges of 0.49% still apply<sup>2</sup>. Launched in 2010, Value Gold ETF is the first ETF<sup>3</sup> backed by physical gold stored in Hong Kong, making it less susceptible to geopolitical risks given Hong Kong's relatively stable status as compared to other overseas locations.

### Sensible Asset Management Hong Kong Limited

18 July 2017

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

- 1. The management fee waiver will be reflected in the Fund's daily net asset value.*
- 2. Currently the ongoing charges over a year is 0.49% (as at 13 December 2016). The ongoing charges figure is expressed as a percentage of the sum of expenses over the average net asset value of the Fund for the corresponding period. 0.49% is an annualized figure based on the expenses for the interim period ended 30 September 2016. The actual ongoing charges figure may be different and may vary from year to year. The Manager temporarily waives management fee for the period from 6 December 2016 to 30 June 2017. The ongoing charges figure presented is calculated on the basis that management fee is not suspended. Please refer to the offering document for details of ongoing fees payable by the Fund.*
- 3. Refer to Hong Kong-listed ETFs only.*

*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 (the "Fund") is required by the Code on Unit Trusts and Mutual Funds established by the Hong Kong Securities and Futures Commission (the "SFC Code") and the Trust Deed as amended 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 2017.

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

Trustee  
18 July 2017



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

### **Opinion**

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

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

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are also required to assess whether the financial statements have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed of the Fund dated 13 October 2010, as amended, (the "Trust Deed") and the disclosure provisions specified in Appendix E of the Code on Unit Trusts and Mutual Funds of the Securities and Futures Commission of Hong Kong (the "SFC Code"). We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key audit matters**

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF  
VALUE GOLD ETF (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 2017 represented over 90% of the net asset value of the Fund. The Fund's investment in commodity was gold bullion which was kept by the custodian and measured at fair value as set out in note 4 and 9 to the financial statements.	<p>We obtained independent confirmation from the custodian of the entire investment portfolio held at 31 March 2017, and agreed the quantity held to the accounting records. In addition, we independently checked the valuation of the commodity that are quoted in active markets against third party vendor sources such as Reuters or Bloomberg at 31 March 2017.</p> <p>We evaluated the assumptions made by the management and reviewed the financial statement disclosures regarding 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)**

### **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, 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)**

### **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 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.

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

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

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

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

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

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

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

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

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

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

18 July 2017

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

**STATEMENT OF FINANCIAL POSITION**  
AS AT 31 MARCH 2017

	<i>Notes</i>	<b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
<b>ASSETS</b>			
Commodity	4, 9	723,038,353	684,218,847
Amounts receivable on sale of commodity		–	63,173,037
Cash and cash equivalents	7(c)	865,472	1,010,853
Prepayments		<u>13,834</u>	<u>11,271</u>
<b>TOTAL ASSETS</b>		<u>723,917,659</u>	<u>748,414,008</u>
<b>LIABILITIES</b>			
Amounts due to unitholders		–	63,177,314
Audit fee payable		302,400	96,496
Management fees payable	7(a)	13,441	188,460
Trustee and registrar fees payable	7(b)	60,896	63,781
Custodian fees payable		35,075	16,432
Other payables		<u>252,381</u>	<u>171,916</u>
<b>TOTAL LIABILITIES</b>		<u>664,193</u>	<u>63,714,399</u>
<b>TOTAL EQUITY</b>		<u>723,253,466</u>	<u>684,699,609</u>
<b>Net asset value per unit based on 24,000,000</b> <b>(2016: 22,800,000) units outstanding</b>	8	<u>30.1356</u>	<u>30.0307</u>

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

Signed by:

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

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

The notes on pages 16 to 31 form part of these financial statements.

**STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 MARCH 2017

	<i>Notes</i>	<b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
Interest income		727	–
Net gains from commodity	5	1,150,574	31,042,593
Net foreign exchange (losses)/gains		(37,896)	3,133
Other income		604,725	191,764
		-----	-----
<b>Net investment income</b>		<b>1,718,130</b>	<b>31,237,490</b>
		-----	-----
Management fees	7(a)	690,416	1,095,270
Trustee and registrar fees	7(b)	699,767	755,180
Transaction fees		424,008	81,233
Custodian fees		300,318	307,192
Auditor's remuneration		517,574	288,000
Legal and professional fees		176,912	290,209
Service agent fees		81,721	59,839
Listing fees		14,970	3,729
Information services fee		944,365	326,995
Other operating expenses		73,752	264,753
		-----	-----
<b>Operating expenses</b>		<b>3,923,803</b>	<b>3,472,400</b>
		-----	-----
<b>(LOSS)/PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(2,205,673)</b>	<b>27,765,090</b>
		=====	=====

The notes on pages 16 to 31 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 2017

	<i>Note</i>	<b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
<b>BALANCE AT THE BEGINNING OF THE YEAR</b>		684,699,609	830,653,749
Issue of redeemable units	8	144,569,880	–
Redemption of redeemable units	8	(103,810,350)	(173,719,230)
Net increase/(decrease) from unit transactions		40,759,530	(173,719,230)
<b>TOTAL TRANSACTIONS WITH UNITHOLDERS</b>		40,759,530	(173,719,230)
<b>(LOSS)/PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		(2,205,673)	27,765,090
<b>BALANCE AT THE END OF THE YEAR</b>		723,253,466	684,699,609

The notes on pages 16 to 31 form part of these financial statements.



**STATEMENT OF CASH FLOWS**  
FOR THE YEAR ENDED 31 MARCH 2017

	<i>Note</i>	<b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
<b>OPERATING ACTIVITIES</b>			
Interest received		704	–
Proceeds from sale of commodity		169,399,140	181,643,404
Purchase of commodity		(143,895,035)	(67,518,513)
Operating expenses paid		<u>(3,232,406)</u>	<u>(3,126,791)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<u>22,272,403</u>	<u>110,998,100</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issue of redeemable units		144,569,880	–
Payment on redemption of redeemable units		<u>(166,987,664)</u>	<u>(110,541,916)</u>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<u>(22,417,784)</u>	<u>(110,541,916)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		(145,381)	456,184
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<u>1,010,853</u>	<u>554,669</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<u><u>865,472</u></u>	<u><u>1,010,853</u></u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash at bank	7(c)	<u><u>865,472</u></u>	<u><u>1,010,853</u></u>

The notes on pages 16 to 31 form part of these financial statements.

## **NOTES TO THE 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. Effective from 20 March 2015, the LBMA Gold Price replaced the London Gold Fixing Price as the replacement benchmark of the Fund.

To achieve the investment objective, Sensible Asset Management Hong Kong Limited (the “Manager”) will employ a purchase and hold investment strategy of gold bullion. Deposition 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 Exchange 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 specified in 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 THE 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 carrying values of financial position that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to 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 THE FINANCIAL STATEMENTS (Continued)**

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

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

##### **(i) Classification**

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.

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

##### **(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 their obligations under the contract or the contract is a derivative contract not exempted from the scope of International Accounting Standard 39 ("IAS 39").

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

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

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

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

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

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

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

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

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

The 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 date of the statement of financial position 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.

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 expired.

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

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

#### **(e) Commodity**

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

#### **(f) Other financial assets**

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

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

#### **(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 THE 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.

#### ***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.

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

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

#### **(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.

#### **(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.



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

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

#### **(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.

### **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.

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

### **4. FINANCIAL RISK MANAGEMENT (Continued)**

The risk 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 2017 and 2016, the Fund is 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 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. Effective from 20 March 2015, the LBMA Gold Price replaced the London Gold Fixing Price as the replacement benchmark of the Fund. Those changes may be caused by a number of unpredictable factors such as international, economic, monetary and political factors.

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\$723,038,353 (2016: HK\$684,218,847). As at 31 March 2017, if the LBMA Gold Price had been 20% (2016: 20%) higher or lower with all other variables held constant, the operating profit and total equity would have been approximately HK\$144,607,671 (2016: HK\$136,843,769) higher or lower, for the year ended 31 March 2017.

##### **(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 THE 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 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 date of the statement of financial position. The credit ratings are issued by Standard & Poor's:

Counterparty	Credit rating		2017	2016
	2017	2016	HK\$	HK\$
Bank A	AA-	AA-	865,472	1,010,853
Custodian A	AA+	AA+	723,038,353	684,218,847
Custodian B	—	A-2	—	63,173,037

#### (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 payments obligations, as a result the Fund's exposure to liquidity risk is considered minimal.

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

**5. NET GAINS FROM COMMODITY**

	<b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
Net realised losses	(22,843,330)	(61,541,309)
Change in unrealised gains/losses	<u>23,993,904</u>	<u>92,583,902</u>
	<u><u>1,150,574</u></u>	<u><u>31,042,593</u></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 in accordance with the announcement dated 5 December 2016. Management fees of HK\$690,416 (2016: HK\$1,095,270) were charged to profit or loss during the year. Included in liabilities as at 31 March 2017 are management fees payable of HK\$13,441 (2016: HK\$188,460).

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

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

**(b) Trustee and registrar fees**

The 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 April 2016 to 31 March 2017, HSBC Institutional Trust Services (Asia) Limited (the "Trustee") is entitled to receive trustee and registrar fees of up to 0.1% (2016: 0.1%) per annum of the net asset value of the Fund, subject to a minimum of HK\$90,000 per month. For the period from 1 April 2015 to 31 March 2017, the minimum fee was waived. 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 (2016: HK\$25,000) per annum accrued daily and payable quarterly in arrears as well as ad hoc valuation fees of HK\$4,000 (2016: 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\$699,767 (2016: HK\$755,180) were charged to profit or loss during the year. Included in liabilities as at 31 March 2017 are trustee and registrar fees payable of HK\$60,896 (2016: HK\$63,781).

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

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

	<b>2017</b>	<b>2016</b>
	<i>HK\$</i>	<i>HK\$</i>
Cash and cash equivalents	<u>865,472</u>	<u>1,010,853</u>

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

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

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

Units held by the related parties of the Manager and the Sub-investment Manager as at 31 March 2017 and 31 March 2016 are listed out below:

	<b>Number of units</b>	
	<b>2017</b>	<b>2016</b>
Dato' Seri Cheah Cheng Hye*	4,428,200	4,428,200
Value Partners Hong Kong Limited**	4,500,000	4,500,000
Value Partners Limited***	617,500	17,500
Value Partners Multi-Asset Fund****	683,700	–
	<u>683,700</u>	<u>–</u>

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

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

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

\*\*\*\* Value Partners Multi-Asset Fund is an investment fund of the Sub-investment Manager

**8. REDEEMABLE UNITS IN ISSUE**

	<b>Number of units</b>	
	<b>2017</b>	<b>2016</b>
<b>At the beginning of the year</b>	22,800,000	28,800,000
Issue of redeemable units	4,800,000	–
Redemption of redeemable units	<u>(3,600,000)</u>	<u>(6,000,000)</u>
<b>At the end of the year</b>	<u>24,000,000</u>	<u>22,800,000</u>

The rights attaching to each unit are as follows:

The holders of the units have the right to receive notice of, attend and vote at meetings of the 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 THE 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 investment, including cash and cash equivalents, accounts payables 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>2017</b>	<b>2016</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>Level 1</b>		
Commodity – Gold bullion	<u>723,038,353</u>	<u>684,218,847</u>

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

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

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

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

### **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 is derived from its investments domiciled in Hong Kong for the years ended 31 March 2017 and 2016.

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

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

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

#### **Amendments to IAS 1 Disclosure Initiative**

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

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

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



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

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

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

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

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Fund expects to adopt IFRS 9 and is currently assessing the impact of the standard.

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

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

### **13. EVENTS AFTER THE REPORTING DATE**

On 28 June 2017, the Manager announced that following the end of the temporarily waiver of management fee for the period from 6 December 2016 to 30 June 2017, the management fee for the Fund will be reduced from 0.15% per year of the Fund's net asset value to 0.10% per year of the Fund's net asset value with effect from 1 July 2017 until further notice.

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

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

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

**INVESTMENT PORTFOLIO (UNAUDITED)**  
AS AT 31 MARCH 2017

	<b>Holdings</b> Fine weight gram	<b>Fair value</b> HK\$	<b>% of</b> <b>net assets</b>
<b>COMMODITY</b>			
Gold bullion	2,330,767	<u>723,038,353</u>	<u>99.97</u>
<b>Total commodity</b>		723,038,353	99.97
Cash and cash equivalents		865,472	0.12
Other net liabilities		<u>(650,359)</u>	<u>(0.09)</u>
<b>Total net assets</b>		<u><u>723,253,466</u></u>	<u><u>100.00</u></u>
<b>Total investments, at cost</b>		<u><u>820,197,974</u></u>	

**STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)**  
*FOR THE YEAR ENDED 31 MARCH 2017*

	% of net assets	
	2017	2016
<b>COMMODITY</b>		
Gold bullion	99.97	99.93
<b>Total commodity</b>	99.97	99.93
Cash and cash equivalents	0.12	0.15
Other net liabilities	(0.09)	(0.08)
<b>Total net assets</b>	<u>100.00</u>	<u>100.00</u>

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

**PERFORMANCE RECORD (UNAUDITED)**  
FOR THE YEAR ENDED 31 MARCH 2017

**Net asset value**

	<b>Net asset value per unit HK\$</b>	<b>Net asset value HK\$</b>
As at 31 March 2017	30.1356	723,253,466
As at 31 March 2016	30.0307	684,699,609
As at 31 March 2015	28.8421	830,653,749

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

	<b>Highest net asset value per unit HK\$</b>	<b>Lowest net asset value per unit HK\$</b>
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