

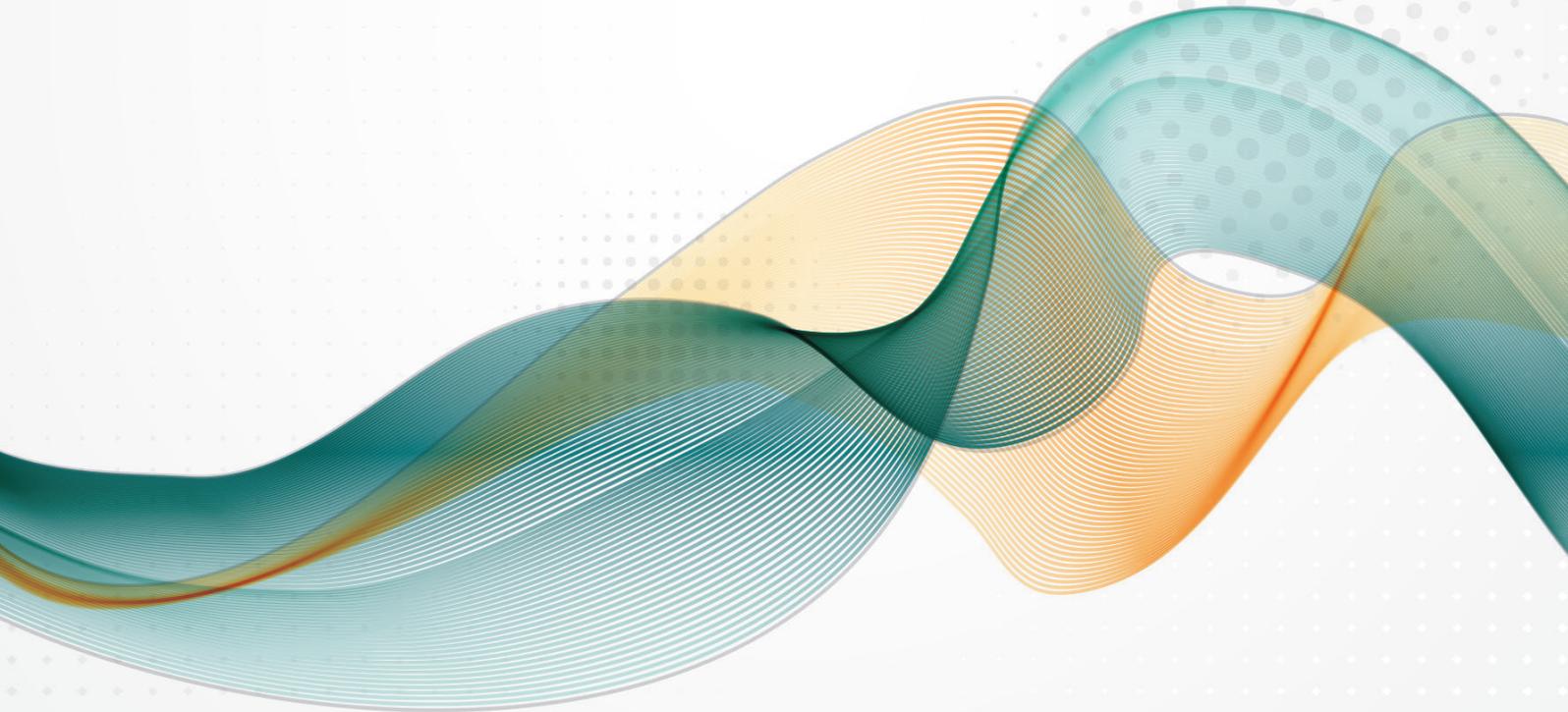


恒生投資  
HANG SENG INVESTMENT

# Hang Seng RMB Gold ETF

ANNUAL REPORT **2023**

1st January 2023 to 31st December 2023



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# Annual Financial Report 2023

## **Hang Seng Investment Precious Metals Series**

Hang Seng RMB Gold ETF (Stock Code: 83168)

# Performance Record (Unaudited)

Class of Units	Currency	Price Record									
		2023		2022		2021		2020		2019	
		Highest Offer Price	Lowest Bid Price								
Hang Seng RMB Gold ETF	RMB	32.6492	28.5848	33.6504	26.5643	33.5508	28.7310	35.7342	25.8140	27.4736	22.8149

Class of Units	Currency	Price Record											
		2018		2017		2016		2015		2014		2013	
		Highest Offer Price	Lowest Bid Price										
Hang Seng RMB Gold ETF	RMB	25.1895	21.5770	25.2576	21.7000	26.1342	20.6128	25.2843	20.1592	27.1035	22.3403	33.8186	23.5346

Class of Units	Currency	Net Asset Value Per Unit (As at 31 December)			
		2023	2022	2021	2020
<b>Hang Seng RMB Gold ETF</b>	RMB	31.9397	29.4456	30.5000	32.4274

Class of Units	Currency	Net Assets Attributable to Unitholders (As at 31 December)			
		2023	2022	2021	2020
<b>Hang Seng RMB Gold ETF</b>	RMB	62,387,839	57,516,040	59,575,735	63,340,434

# Trustee's Report

To the unitholders of Hang Seng RMB Gold ETF ("the Fund")

We hereby confirm that, in our opinion, the Manager, Hang Seng Investment Management Limited has, in all material respects, managed the Fund in accordance with the provisions of the Trust Deed dated 27 January 2012, as amended, for the year ended 31 December 2023.

HSBC Institutional Trust Services (Asia) Limited  
29 April 2024

# Independent Auditor's Report

To the Unitholders of Hang Seng RMB Gold ETF

Report on the Audit of the Financial Statements

## Opinion

We have audited the financial statements of Hang Seng RMB Gold ETF ("the Fund") set out on Pages 11 to 31, which comprise the statement of assets and liabilities as at 31 December 2023, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2023 and of its financial transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

## Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. 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 HKICPA's Code of Ethics for Professional Accountants ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional 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.

Existence and valuation of investments	
<i>Refer to note 12 to the financial statements and the accounting policies in note 2(f)(iv) on page 18.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>As at 31 December 2023 the commodity investments (gold bullion) represented 98.03% of the total assets of the Fund and is the key driver of the Fund's investment returns.</p> <p>We identified the existence and valuation of commodity investments (gold bullion) as a key audit matter because of its significance in the context of the Fund's financial statements and because the value of the commodity investments at the year end date is a key performance indicator of the Fund.</p>	<p>Our audit procedures to assess the existence and valuation of investments included the following:</p> <ul style="list-style-type: none"><li>obtaining independent confirmation from the custodian of the commodity investments held at 31 December 2023, and agreeing the Fund's holdings of commodity investments to the confirmation; and</li><li>assessing the valuation of all commodity investments at the year end date by comparing the price adopted by the Fund with the price obtained from independent pricing source.</li></ul>

# Independent Auditor's Report (continued)

## Information Other than the Financial Statements and Auditor's Report Thereon

The Manager and the Trustee of the Fund are responsible for the other information. The other information comprises all 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.

## Responsibilities of the Manager and the Trustee of the Fund for the Financial Statements

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

In preparing the financial statements, the Manager and the Trustee 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 Manager and the Trustee of the Fund either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

In addition, the Manager and the Trustee 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, as amended on 16 January 2015, 20 March 2015 and 13 December 2019 ("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. This 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 HKSAAs 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 (continued)

## Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with HKSAAs, 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 Manager and the Trustee of the Fund.
- Conclude on the appropriateness of the Manager's and the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 Manager and the Trustee of the Fund 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 Manager and the Trustee of the Fund with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Manager and the Trustee of the Fund, 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 Yiu Tsz Yeung, Arion.

Certified Public Accountants  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong  
29 April 2024

# Investment Portfolio (Unaudited)

as at 31 December 2023

Investments	Holdings (Troy ounce)	Market Value (RMB)	% of Net Assets Attributable to Unitholders
<b>Commodity</b>			
Gold Bullion	4,200	61,469,585	98.53%
<b>Total financial assets at fair value through profit or loss</b>		61,469,585	98.53%
<b>Foreign exchange swaps</b>			
Foreign exchange swaps		(123,899)	(0.20%)
<b>Unfunded asset swaps</b>			
Unfunded asset swaps		(5,507)	(0.01%)
<b>Total financial liabilities at fair value through profit or loss</b>		(129,406)	(0.21%)
<b>Total Investments</b> <i>(Total cost of investments – RMB46,828,879)</i>		61,340,179	98.32%
<b>Other Net Assets</b>		1,047,660	1.68%
<b>Net Assets Attributable to Unitholders</b>		62,387,839	100.00%

## Details in respect of Financial Derivative Instruments

The Fund held the outstanding foreign exchange swaps as shown below:

Buy	Sell	Settlement date	Counterparty	Market Value (RMB)	% of Net Asset Attributable to Unitholders
RMB59,000,000	USD8,314,250	04/01/2024	Hang Seng Bank	(123,899)	(0.20%)
				(123,899)	(0.20%)

The Fund held the outstanding unfunded asset swaps as shown below:

Underlying investments	Settlement date	Counterparty	Market Value (RMB)	% of Net Asset Attributable to Unitholders
Volatility and correlation between gold price, Renminbi and United States Dollars	04/01/2024	Hang Seng Bank	(5,507)	(0.01%)
			(5,507)	(0.01%)

# Information on exposure arising from Financial Derivative Instruments (Unaudited)

The lowest, highest and average gross exposure and net exposure arising from the use of financial derivative instruments for any purpose as a proportion to the Fund's total net asset value for the year ended 31 December 2023 are as follows:

Financial Derivative Instruments	Lowest Gross Exposure	Highest Gross Exposure	Average Gross Exposure	Lowest Net Exposure	Highest Net Exposure	Average Net Exposure
<b>Foreign exchange swaps</b>	91.91%	100.03%	96.42%	0.00%	0.03%	0.00%
<b>Unfunded asset swaps</b>	91.91%	100.03%	96.42%	0.00%	0.03%	0.00%

# Statement of Movements in Portfolio Holdings (Unaudited)

for the year ended 31 December 2023

	% of Net Assets Attributable to Unitholders	
	2023	2022
Commodity	98.53%	98.79%
Unfunded asset swaps	(0.01%)	(0.00%)
Foreign exchange swaps	(0.20%)	(0.05%)
Total investments	98.32%	98.74%
Other net assets	1.68%	1.26%
<b>Net Assets Attributable to Unitholders</b>	<b>100.00%</b>	<b>100.00%</b>

# Statement of Assets and Liabilities

as at 31 December 2023

	Notes	2023 (RMB)	2022 (RMB)
<b>Assets</b>			
Commodity	5, 7, 12	61,469,585	56,817,444
Other accounts receivable	9(h)	383,273	97,095
Cash and cash equivalents	9(f)	853,506	900,642
<b>Total Assets</b>		62,706,364	57,815,181
<b>Liabilities</b>			
Financial liabilities at fair value through profit or loss	6, 7, 9(h), 12	129,406	28,768
Accrued expenses and other payables	9(a), (b), (d) & (h)	189,119	270,373
<b>Total Liabilities</b>		318,525	299,141
<b>Net assets attributable to unitholders</b>		62,387,839	57,516,040
Representing:			
<b>Total Equity</b>		62,387,839	57,516,040
<b>Total number of units in issue</b>	10	1,953,300	1,953,300
<b>Net asset value per unit*</b>	10	31.9397	29.4456

Approved and authorised for issue by the Trustee and the Manager on 29 April 2024.

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

} For and on behalf of  
} Manager  
} Hang Seng Investment Management Limited

The notes on page 15 to page 31 form part of the financial statements.

# Statement of Comprehensive Income

for the year ended 31 December 2023

	Notes	Year ended 31 December 2023 (RMB)	Year ended 31 December 2022 (RMB)
<b>Income</b>			
Interest income	9(f)	6	–
		6	–
<b>Expenses</b>			
Auditor's remuneration		(56,533)	(50,841)
Legal and professional fees		(214)	–
Management fees	9(a)	(90,400)	(87,402)
Safe custody and bank charges	9(d), (e)	(37,816)	(38,434)
Sundry expenses	9(b)	(263,873)	(266,000)
Transaction fees paid to trustee	9(b)	(101,200)	(103,600)
Trustee's fees	9(b)	(422,999)	(422,999)
		(973,035)	(969,276)
<b>Loss before gains/(losses) on investments</b>		(973,029)	(969,276)
<b>Gains/(losses) on investments</b>			
Net gains on commodity	8	8,020,782	3,954,982
Net losses on derivatives	8	(2,922,602)	(6,193,298)
Net foreign exchange gains		746,822	1,150,548
Commodities expenses	9(e)	(174)	(2,651)
		5,844,828	(1,090,419)
Gains/(losses) before taxation		4,871,799	(2,059,695)
<b>Income/(loss) attributable to unitholders and total comprehensive income for the year</b>		4,871,799	(2,059,695)

The notes on page 15-31 form part of the financial statements.

# Statement of Changes in Equity

for the year ended 31 December 2023

	Notes	Year ended 31 December 2023 (RMB)	Year ended 31 December 2022 (RMB)
<b>Balance at beginning of year</b>		57,516,040	59,575,735
<b>Income/(loss) attributable to unitholders and total comprehensive income for the year</b>		4,871,799	(2,059,695)
<b>Balance at year end</b>		62,387,839	57,516,040

	Notes	Year ended 31 December 2023 (Number of Units)	Year ended 31 December 2022 (Number of Units)
<i>Movement of units in issue is listed below:</i>			
Number of units brought forward		1,953,300	1,953,300
Number of units issued during the period		–	–
Number of units redeemed during the period		–	–
Number of units carried forward	10	1,953,300	1,953,300

The notes on page 15-31 form part of the financial statements.

# Statement of Cash Flow

for the year ended 31 December 2023

	Year ended 31 December 2023 (RMB)	Year ended 31 December 2022 (RMB)
<b>Operating activities</b>		
Interest income received	6	–
Payment for auditor's remuneration	(53,059)	(49,647)
Payment for legal and professional fees	(214)	–
Payment for management fees	(89,793)	(87,602)
Payment for fees paid to trustee	(557,090)	(557,391)
Payment for safe custody and bank charges	(36,836)	(38,164)
Payment for other operating expenses	(226,470)	(129,280)
<b>Net cash used in operating activities</b>	<b>(963,456)</b>	<b>(862,084)</b>
<b>Investing activities</b>		
Payment for commodities expenses	(174)	(2,906)
(Increase)/decrease in unfunded asset swaps receivable	(20,814)	2,937
(Decrease)/increase in unfunded asset swaps receivable	(801)	2,159
Increase in foreign exchange swaps receivable	(265,364)	(85,478)
Increase in foreign exchange swaps payables	32,680	64,377
Net movement of loss on foreign exchange swaps	(3,109,631)	(6,126,114)
Net movement of gain/(loss) on unfunded asset swaps	187,029	(67,184)
Proceeds from sale of commodity	9,924,224	14,280,652
Payments for purchase of commodity	(5,830,829)	(7,637,596)
<b>Net cash generated from investing activities</b>	<b>916,320</b>	<b>430,847</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(47,136)</b>	<b>(431,237)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>900,642</b>	<b>1,331,879</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>853,506</b>	<b>900,642</b>

The notes on page 15-31 form part of the financial statements.

# Notes to the Financial Statements

## 1. Background

Hang Seng RMB Gold ETF ("the Fund") is authorised by the Securities and Futures Commission in Hong Kong ("SFC") under Section 104(1) of the Hong Kong Securities and Futures Ordinance, and is governed by the Hong Kong Code on Unit Trusts and Mutual Funds ("the SFC Code").

The Fund was constituted by a Trust Deed dated 27 January 2012, as amended, under the laws of Hong Kong, and registered on 8 February 2012 as a unit trust under the laws of Hong Kong.

The investment objective of the Fund is to provide investment results denominated in Renminbi that, before fees and expenses and other hedging costs, closely correspond to the performance of the LBMA Gold Price AM in United States dollars ("USD").

## 2. Material accounting policies

### (a) Statement of compliance

The financial statements of the Fund have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the relevant provisions of the Trust Deed, as amended, and the relevant disclosure provisions of the SFC Code issued by the SFC. A summary of the material accounting policies adopted by the Fund is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Fund. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Fund for the current and prior accounting periods reflected in these financial statements.

### (b) Basis of preparation of the financial statements

The functional and presentation currency of the financial statements is Renminbi, which is the reporting currency of the units in issue of the Fund. All figures are rounded to the nearest integer.

The measurement basis used in the preparation of the financial statements is the historical cost basis except the measurement of commodity and derivatives explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires the Manager and the Trustee to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities 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) Income and expenses

Interest income and expenses are recognised as they accrue under the effective interest method using the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or financial liability. Interest income presented gross of any non-recoverable withholding taxes, which are disclosed separately in profit or loss. All other income and expenses are accounted for on an accruals basis.

# Notes to the Financial Statements (continued)

## (d) Translation of foreign currency

Foreign currency transactions during the year are translated into Renminbi at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the foreign exchange rates ruling at the date of statement of assets and liabilities. Exchange gains or losses are recognised in profit or loss. Exchange differences relating to investments in commodity and derivatives are included in gains on investments.

## (e) Commodity

Commodity comprises gold bullion. The gold bullion is held by the Fund for trading for profit and thus is measured at fair value and is stated at the morning fixing price of gold at the date of the statement of assets and liabilities. Differences arising from changes in gold prices are dealt with in profit or loss. Net realized gains or losses from commodity is calculated using the weighted average cost method

## (f) Financial instruments

### (i) Classification

On initial recognition, the Fund classifies financial assets as measured at amortised cost or fair value through profit or loss ("FVTPL").

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets 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 ("SPPI").

All other financial assets of the Fund are measured at FVTPL.

### *Business model assessment*

In making an assessment of the objective of the business model in which a financial asset is held, the Fund considers all of the relevant information about how the business is managed, including:

- the investment strategy in the offering document of the Fund and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how the compensation to investment manager is determined: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

# Notes to the Financial Statements (continued)

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Fund's continuing recognition of the assets.

The Fund has determined that it has two business models.

- Held-to-collect business model: this includes other accounts receivable and cash and cash equivalents. These financial assets are held to collect contractual cash flows.
- Other business model: this includes derivatives. These financial instruments are managed and their performance is evaluated, on a fair value basis, with frequent sales taking place.

## *Assessment whether contractual cash flows are SPPI*

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Fund considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse features); and
- features that modify consideration for the time value of money (e.g. periodical reset of interest rates).

The Fund classifies its investments based on the business model and contractual cash flows assessment. Accordingly, all derivatives in a net receivable position (positive fair value) are classified as financial assets at FVTPL category. All derivatives in a net payable position (negative fair value) are included in financial liabilities at FVTPL category. Financial assets measured at amortised cost include other accounts receivable and cash and cash equivalents. Financial liabilities that are not at fair value through profit or loss include accrued expenses and other payables.

## *Reclassifications*

Financial assets are not reclassified subsequent to their initial recognition unless the Fund was to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

## (ii) Recognition

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

A regular way purchase or sale of financial assets or financial liabilities at fair value through profit or loss is recognised on a trade date basis. From this date, any gains or losses arising from changes in fair value of the financial assets or financial liabilities at fair value through profit or loss 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 HKFRS 9.

# Notes to the Financial Statements (continued)

## (iii) Measurement

Financial instruments are measured initially at fair value (transaction price). Transaction costs on financial assets and liabilities at fair value through profit or loss are expensed immediately.

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

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

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate method.

## (iv) Fair value measurement principles

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 in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the date of statement of assets and liabilities based on the prevailing market conditions and the current creditworthiness of the counterparties.

Investments in forward contracts are recognised in the statement of assets and liabilities at fair value. The fair value of open positions in forward contracts is calculated as the difference between the contract price and the fair value of current market forward rate.

The Fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

Net gains or losses on investments in derivatives are included in profit or loss. Realised gains or losses on investments in derivatives and unrealised gains or losses on investments in derivatives arising from a change in fair value are provided in note 8.

## (v) Derecognition

A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership, have been transferred.

Financial assets measured at FVTPL that are sold are derecognised and corresponding receivables from brokers are recognised as of the date the Fund commits to sell the assets.

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

A regular way purchase or sale of financial assets or financial liabilities at fair value through profit or loss is recognised on a trade date basis. From this date, any gains or losses arising from changes in fair value of the financial assets or financial liabilities at fair value through profit or loss are recorded.

On derecognition of a financial asset, the difference between the carrying value of the asset and the consideration received is recognised in profit or loss.

## (vi) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of assets and liabilities when the Fund has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis or simultaneously, e.g. through a market clearing mechanism.

# Notes to the Financial Statements (continued)

## (g) Related parties

- (a) A person, or a close member of that person's family, is related to the Fund if 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 the Fund's parent.
- (b) An entity is related to the Fund if any of the following conditions applies:
- (i) The entity and the Fund are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities 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 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).
  - (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 Fund's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

## (h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

# Notes to the Financial Statements (continued)

## (i) Units in issue

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

The Fund has one class of redeemable units in issue. This is the most subordinate class of financial instruments in the Fund and ranks *pari passu* in all material respects and has identical terms and conditions. The redeemable units provide investors with the right to require redemption for cash at a value proportionate to the investor'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 issuer to repurchase or redeem that instrument for cash or another financial asset is classified as equity instruments if it meets the following conditions:

- (i) it entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- (ii) it is in the class of instruments that is subordinate to all other classes of instruments;
- (iii) all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- (iv) 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
- (v) 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.

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

## (j) Segment reporting

An operating segment is a component of the Fund that engages in business activities from which they 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, Hang Seng Investment Management Limited.

## 3. Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Fund.

- Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimate*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

# Notes to the Financial Statements (continued)

None of these standards or amendments impact on the accounting policies of the Fund.

The Fund has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 14).

## 4. 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.

## 5. Commodity

The value of commodity as of 31 December 2023 and 31 December 2022 is shown as follows.

	Market Value	
	2023 (RMB)	2022 (RMB)
Gold bullion	61,469,585	56,817,444

## 6. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss as of 31 December 2023 and 31 December 2022 are shown as follows.

	2023 (RMB)	2022 (RMB)
Unfunded asset swaps	(5,507)	(2,133)
Foreign exchange swaps	(123,899)	(26,635)
<b>Total financial liabilities at fair value through profit or loss</b>	<b>(129,406)</b>	<b>(28,768)</b>

## 7. Financial risk management

The Fund will acquire and hold gold bullion as dictated by its investment management strategy. To manage and hedge the foreign exchange rate movements between Renminbi and USD, the Fund will enter into a series of swaps with the swap counterparty.

The Fund's investing activities expose it to various types of risks that are associated with the commodity and derivatives and markets in which it invests. To comply with HKFRS 7, the Manager has set out below the most important types of financial risks inherent in the commodity and derivatives held by the Fund. The Manager would like to highlight that the following list of associated risks only sets out some of the risks but does not purport to constitute an exhaustive list of all the risks inherent in an investment in the Fund. Investors should note that additional information in respect of risks associated with the investment in the Fund can be found in the Fund's prospectus.

The nature and extent of the investments outstanding at the year end date and the risk management policies employed by the Fund are discussed below.

# Notes to the Financial Statements (continued)

## (a) Market risk

Market risk arises when the fair value and future cash flows of commodity and financial instruments will fluctuate because of changes in market prices and includes price risk, interest rate risk and currency risk.

### (i) Price risk

Price risk is the risk that the value of a financial instrument or a commodity will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Fund is exposed to price risk arising from changes in market prices of gold bullion.

The Fund is not actively managed. Regardless of its investment merit, the Manager does not attempt to select other commodities or precious metals or to take defensive positions in declining markets. Hence, any fall in the LBMA Gold Price AM will result in a corresponding fall in the value of the Fund.

Major investments of the Fund are gold bullion. The Fund estimates the future reasonably possible market price fluctuations for gold on an overall basis. It is estimated that a reasonably possible strengthening in the LBMA Gold Price AM of 20% (2022: 20%) at 31 December 2023 would increase the net assets attributable to unitholders by RMB12,293,917 (2022: RMB11,363,489); an equal change in the LBMA Gold Price AM in the opposite direction would decrease the net assets attributable to unitholders by an equal but opposite amount. The analysis assumes that all other variables, in particular, interest rates remain constant.

### (ii) Interest rate risk

Interest rate risk arises from changes in interest rates which may inversely affect the value of interest bearing assets and therefore results in potential gain or loss to the Fund. Except for bank deposits, all the commodity, financial assets and financial liabilities of the Fund are non-interest bearing. As a result, the Fund has limited exposure to interest rate risk.

### (iii) Currency risk

The gold bullion invested by the Fund is denominated in USD, while the Fund is denominated in Renminbi. The Fund enters into a series of swaps, so that the net asset value of the Fund in Renminbi will rise and fall by the same approximate percentages as the increases and decreases in the LBMA Gold Price AM which is denominated in USD. There can be no guarantee that all such foreign exchange risk can be fully eliminated, however, the Fund's exposure to foreign exchange risk is greatly reduced.

# Notes to the Financial Statements (continued)

## (b) Credit risk

### (i) Analysis of credit risk management policy and concentration of credit risk

Credit risk arises if a gold dealer or a participating dealer fails to deliver or instruct a credit or allocation of gold bullion and in the event of an insolvency or default by the swap counterparty upon settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high quality of the gold dealer, participating dealer and swap counterparty. The Manager monitors the credit rating and financial positions of the gold dealer, participating dealer and the swap counterparty to further mitigate this risk.

HSBC Institutional Trust Services (Asia) Limited is the Trustee of the Fund. Bankruptcy or insolvency of the Trustee may cause the Fund's rights with respect to the assets to be delayed or limited. The Manager monitors the risk by monitoring the credit quality of the Trustee on an on-going basis.

All of the commodity investments of the Fund are held by HSBC Bank plc (the "Custodian"). Bankruptcy or insolvency of the Custodian may cause the Fund's rights with respect to investments held by the Custodian to be delayed or limited. The Manager monitors the risk by monitoring the credit rating of the Custodian on an on-going basis.

All of the cash held by the Fund is deposited with Hang Seng Bank Limited ("HSB"). Bankruptcy or insolvency of HSB may cause the Fund's rights with respect to the cash held by the Banks to be delayed or limited. The Manager monitors its risk by monitoring the credit rating of the Banks on an on-going basis.

Other than outlined above, there were no significant concentrations of credit risk to counterparties at 31 December 2023 and 31 December 2022.

# Notes to the Financial Statements (continued)

## (ii) Offsetting financial assets and financial liabilities

None of the financial assets and financial liabilities is offset in the statement of assets and liabilities. The disclosures set out in the table below include financial liabilities that are subject to an enforceable master netting arrangement.

	As at 31 December 2023 (RMB)	As at 31 December 2022 (RMB)
<b>Financial liabilities subject to enforceable master netting arrangements</b>		
Derivatives: Unfunded asset swaps		
Gross amounts of recognised financial liabilities	(5,507)	(2,133)
Gross amounts of recognised financial assets offset in the statement of assets and liabilities	–	–
Net amounts of financial liabilities presented in the statement of assets and liabilities	(5,507)	(2,133)
Related amounts not offset in the statement of assets and liabilities		
– Financial instruments	–	–
Net amount	(5,507)	(2,133)
Derivatives: Foreign exchange swaps		
Gross amounts of recognised financial liabilities	(123,899)	(26,635)
Gross amounts of recognised financial assets offset in the statement of assets and liabilities	–	–
Net amounts of financial liabilities presented in the statement of assets and liabilities	(123,899)	(26,635)
Related amounts not offset in the statement of assets and liabilities		
– Financial instruments	–	–
Net amount	(123,899)	(26,635)

The enforceable master netting arrangements do not meet the criteria for offsetting in the statement of assets and liabilities. This is because they create a right of set-off of recognised amounts that is enforceable only following on event of default, insolvency or bankruptcy of the Fund or its counterparties. In addition, the Fund and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

# Notes to the Financial Statements (continued)

## (c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund and the Manager have policies and procedures to manage liquidity to meet its liability including estimated redemption of units, as and when due, without incurring undue losses or risking damage to the Fund's reputation.

The Fund's prospectus provides for the daily creation and redemption of units and the Fund is therefore exposed to the liquidity of meeting unitholder redemptions daily. All other financial liabilities are repayable on demand or have contractual maturities less than three months.

The majority of the Fund's investments are gold bullion which is considered to be readily realisable. As a result, the Fund is able to liquidate quickly some of its investments in order to meet its liquidity requirements. However, for other investments including derivatives which are traded over-the-counter and may not be able to liquidate quickly, they are exposed to certain degree of liquidity risks.

The Fund's liquidity risk is managed on a daily basis by the Manager in accordance with the policies and procedures in place. The Fund's redemption policy allows redemption to be made through participating dealers by any investor with gold and a minor cash component or wholly with cash at a minimum of 300,000 units.

The Manager has the right to declare suspension of unitholders' right to redeem units under certain conditions, such as when the London bullion market is closed; dealings on the London bullion market are restricted or suspended; or the LBMA Gold Price AM is not published or available, etc. in accordance with the Fund's prospectus.

## (d) Derivatives

The table below states the Fund's holdings in derivatives as of the year end date translated into its reporting currency.

Type of contracts	Year	Expiration date	Underlying parameters	Fair value assets/ (liabilities) (RMB)	Year	Expiration date	Underlying parameters	Fair value assets/ (liabilities) (RMB)
Foreign exchange swaps	2023	04-01-2024	Foreign currency (USD)	(123,899)	2022	05-01-2023	Foreign currency (USD)	(26,635)
Unfunded asset swaps	2023	04-01-2024	*Gold, RMB, USD	(5,507)	2022	03-01-2023	*Gold, RMB, USD	(2,133)

\* Volatility and correlation between the gold price, Renminbi and United States dollars.

# Notes to the Financial Statements (continued)

## (e) Capital Management

The Fund's capital as at the year end date is represented by its redeemable units.

The Fund's objective in managing the capital is to ensure a stable and strong base to maximise returns to all investors, and to manage liquidity risk arising from the redemptions. The Manager manages the capital of the Fund in accordance with the Fund's investment objectives and policies stated in the Fund's prospectus.

There were no changes in the policies and procedures during the year with respect to the Fund's approach to its capital management.

The Fund is not subject to externally imposed capital requirements.

The amount and the movement of equity are stated in the statement of changes in equity. As the redeemable units are redeemed on demand at the unitholders' option, the actual level of redemption may differ significantly from the historic experience.

## 8. Net gains on commodity and net losses on derivatives

During the year, the Fund disposed of gold bullion and derivatives, and earned or incurred realised and unrealised gains/(losses) as shown below.

	Year ended 31 December 2023 (RMB)	Year ended 31 December 2022 (RMB)
Realised gains on commodity	1,160,698	771,283
Movement on unrealised gains on commodity	6,860,084	3,183,699
<b>Net gains on commodity</b>	<b>8,020,782</b>	<b>3,954,982</b>
Realised losses on derivatives	(2,821,963)	(6,169,642)
Movement on unrealised losses on derivatives	(100,639)	(23,656)
<b>Net losses on derivatives</b>	<b>(2,922,602)</b>	<b>(6,193,298)</b>

# Notes to the Financial Statements (continued)

## 9. Transactions with the Trustee, the Manager and their Connected Persons

The following is a summary of significant related party transactions or transactions entered into during the year between the Fund and the Trustee, the Manager and their Connected Persons. Connected Persons are those as defined in the SFC Code issued by the SFC. All transactions during the year between the Fund, the Trustee, the Manager and their Connected Persons were entered into in the ordinary course of business and under normal commercial terms. To the best of the knowledge of the Trustee and the Manager, the Fund did not have any other transactions with the Trustee, the Manager and their Connected Persons except for those disclosed below. The relevant receivables and payables are unsecured, interest-free and repayable on demand.

- (a) Hang Seng Investment Management Limited (“HSVM”), a wholly-owned subsidiary of Hang Seng Bank (“HSB”), which is a member of the HSBC Group, is the Manager of the Fund. HSVM earns management fees at a rate of 0.15% of net asset value per annum. Management fees are calculated as at each dealing day and payable monthly. Management fees paid during the year was RMB90,400 (2022: RMB87,402). Management fees payable to the Manager at the year end date was RMB7,887 (2022: RMB7,280).
- (b) HSBC Institutional Trust Services (Asia) Limited is the Trustee and the Registrar of the Fund. Effective from 27 May 2020, the trustee fee and registrar fee are charged at a rate of 0.10% of net asset value per annum. Effective from 27 May 2020, the minimum monthly fee is RMB33,500. The trustee fee and registrar fee are calculated as at each dealing day and payable monthly. The Trustee also earns a service fee of RMB21,000 (2022: RMB21,000) per annum. Service fees are calculated as at each dealing day and payable quarterly. During the year, trustee’s fees was RMB422,999 (2022: RMB422,999).

In addition, the Trustee earns processing fee of RMB100 (2022: RMB100) for handling each purchase or sale of investments. During the year, transaction fees paid to the Trustee was RMB101,200 (2022: RMB103,600). The Trustee earns financial reporting fee to provide financial reporting service. During the year, the financial reporting fee paid to the Trustee was RMB35,254 (2022: RMB44,890).

Fees payable to Trustee at the year end date was RMB77,671 (2022: RMB75,308).

- (c) The Fund utilised the services of HSB for its purchase and sale of commodities. Details of such transactions executed are shown below. No commission was paid to HSB for these transactions during the year.

	2023	2022
Value of transactions executed through HSB (in RMB)	15,755,053	21,918,247
Share of total value of transactions of the Fund	100.00%	100.00%

- (d) HSBC Bank PLC is the Custodian of the Fund and earns custodian’s fee at a rate of 0.06% and 0.10% of the outstanding credit balance on allocated gold account and unallocated gold account respectively per annum. Custodian’s fee is calculated as at each dealing day and payable monthly. Custodian’s fee paid during the year is RMB36,980 (2022: RMB37,212). Custodian’s fee payable at the year end date was RMB6,965 (2022: RMB5,985)

# Notes to the Financial Statements (continued)

- (e) The Fund utilises the services of HSB and HSBC (collectively the "Banks") and pay commodities expense and bank charges to the Banks. Details of such fees paid during the year and such fees payable at the year end date are shown below.

	2023 (RMB)	2022 (RMB)
Commodities expense paid to HSBC during the year	174	2,651
Bank charges paid to HSB during the year	836	1,221

- (f) All bank accounts are maintained with HSB and HSBC. The bank balances as at year end date, interest income earned and interest expense paid during the year are shown below.

	2023 (RMB)	2022 (RMB)
HSB bank balances as of year end	853,506	900,642
Interest income earned from HSB during the year	6	–

- (g) HSBC provides uncommitted overdraft facility to the Fund. The details of uncommitted overdraft facility and interest expenses paid during the year are shown below.

	2023	2022
Uncommitted overdraft facility as at 31 December	Lesser of: (i) USD710,000; (ii) 10% of net value assets in HSBC custody; and (iii) 10% of net asset value	Lesser of: (i) USD710,000; (ii) 10% of net value assets in HSBC custody; and (iii) 10% of net asset value
Interest rate	USD Best Lending Rate	USD Best Lending Rate

- (h) The Fund entered into foreign exchange swaps and unfunded asset swaps with HSB to hedge against the foreign exchange rate movements between Renminbi and USD. Financial liabilities arising from outstanding foreign exchange swaps at the year end date are RMB123,899 (2022: RMB26,635) and financial liabilities arising from outstanding unfunded asset swaps at the year end date were RMB5,507 (2022: RMB2,133). At year end date, amounts receivable on closed foreign exchange swaps were RMB354,421 (2022: RMB89,058), amounts payable on closed foreign exchange swaps were RMBNil (2022: RMB64,584), amounts receivable on closed unfunded asset swaps were RMB28,852 (2022: RMB8,037) and amounts payable on closed unfunded asset swaps were RMB171 (2022: RMB4,346).
- (i) The directors and officers of the Manager may transact in the units of the Fund as principal. As at 31 December 2023, the directors and officers of the Manager together held 1,800 units in the Fund (2022: 1,800 units).

# Notes to the Financial Statements (continued)

## 10. Units in issue and net asset value per unit

As at 31 December 2023, units in issue was 1,953,300 units (2022: 1,953,300 units) and NAV per unit was RMB31.9397 (2022: RMB29.4456).

## 11. Soft dollar commission

As regards to the Fund, the Manager has not entered into any soft dollar commission arrangements with brokers.

## 12. Fair value information

The Fund's commodity and derivatives investments are measured at fair value on the date of the statement of assets and liabilities. Fair value estimates are made at a specified point in time, based on market conditions and information about the commodity and derivatives investments. With the involvement of unobservable factors and judgement, fair value can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including other accounts receivable, cash and cash equivalents and accrued expenses and other payables, the carrying amounts approximate fair value due to the intermediate or short-term nature of these financial instruments.

### Valuation of financial instruments

The Fund's accounting policy on fair value measurements is detailed in accounting policy in note 2(f)(iv). The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). The category includes instruments valued using: quoted market price in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Commodity held by the Fund is gold bullion, its fair value is based on LBMA Gold Price AM. Therefore, the commodity is classified as Level 1 investments in the fair value hierarchy.

Fair values of derivatives are determined by valuation techniques. For all other financial instruments, their carrying amounts approximate fair value due to the intermediate or short-term nature of these financial instruments.

# Notes to the Financial Statements (continued)

For investments held by the Fund that are grouped into Level 2, the Fund uses widely recognised valuation models where all significant inputs are directly or indirectly observable from market data in determining the fair value. The valuation of these common and simple financial instruments uses only observable market data and require little management judgement and estimation.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of the valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Observable prices and model inputs are usually available in the market for simple over-the-counter securities. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Fund uses proprietary valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Examples of instruments involving significant unobservable inputs include certain over-the-counter derivatives. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and selection of appropriate discount rates.

The tables below present the carrying value of commodity and derivatives investments measured at fair value at the date of the statement of assets and liabilities across three levels of fair value hierarchy.

	2023 (RMB)	2022 (RMB)
<b>Assets</b>		
<b>Level 1</b>		
– Commodity	61,469,585	56,817,444
Total	61,469,585	56,817,444
<b>Liabilities</b>		
<b>Level 2</b>		
– Unfunded asset swaps	(5,507)	(2,133)
– Foreign exchange swaps	(123,899)	(26,635)
Total	(129,406)	(28,768)

# Notes to the Financial Statements (continued)

During the year, there is sufficient information available to measure the fair value of the unfunded asset swaps based on the valuation models where all significant inputs are directly or indirectly observable from market data in determining the fair value. Therefore, the unfunded asset swaps are grouped into Level 2.

Although the Fund believes that their estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

There were no transfers of financial instruments between Level 1 and Level 2, or transfers into or out of Level 3 during the year.

## 13. Segment information

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

The Manager considers that the Fund has one single operating segment based on one single integrated investment strategy by investing in gold bullion and derivatives with the objective to match, before expenses, as closely as practicable, the performance of the LBMA Gold Price AM in USD as stipulated in the Fund's prospectus. There were no changes in the operating segment during the year.

Major revenues generated by the Fund are from gold bullion. The segment information provided to the Manager is the same as that disclosed in the statement of comprehensive income and statement of assets and liabilities.

The Fund is domiciled in Hong Kong. Majority of the Fund's investment income is from gold bullion traded in London bullion market. Please refer to note 5 for details.

## 14. Possible impact of amendments issued but not yet effective for the year ended 31 December 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements.

Of these developments, the following may be relevant to the Fund's operations and financial statements:

Amendments to HKAS 1, <i>Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")</i>	1 January 2024
Amendments to HKAS 21, <i>The effects of changes in foreign exchange rates: Lack of exchangeability</i>	1 January 2025

The Fund is in the process of making an assessment of what the impact of these amendments and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Fund's results of operations and financial position.

# Performance of the LBMA Gold Price AM and Hang Seng RMB Gold ETF (Unaudited)

For the period from 1 January 2023 to 31 December 2023 and the comparison with the same period in 2022

Fund/Benchmark	For the period from 1 January 2023 to 31 December 2023	For the period from 1 January 2022 to 31 December 2022
Hang Seng RMB Gold ETF*	9.26%	(2.64%)
LBMA Gold Price AM#	14.37%	0.35%

Source: NAV is provided by HSBC Institutional Trust Services (Asia) Limited. The performance information of the ETF is provided by the Manager. Index information is provided by Bloomberg.

\* Performance is calculated in RMB with NAV to NAV.

# Benchmark performance is calculated based on gold price-to-gold price return (in USD).

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

# Hang Seng RMB Gold ETF – Comparison of Daily Closing Price and Net Asset Value per Unit (Unaudited)

For the period from 1 January 2023 to 31 December 2023 and the comparison with the same period in 2022

## Comparison of Daily Closing Price and Net Asset Value per Unit for the period from 1 January 2023 to 31 December 2023



## Comparison of Daily Closing Price and Net Asset Value per Unit for the period from 1 January 2022 to 31 December 2022



# Portfolio Carbon Footprint (Unaudited)

as at 31 December 2023

Please visit <https://www.hangsenginvestment.com/> for more details.

# Management and Administration

## **Manager and Listing Agent**

Hang Seng Investment Management Limited  
83 Des Voeux Road Central  
Central  
Hong Kong

## **Directors of the Manager**

CHEUNG Ka Wai, Kathy  
CHIU Wai Man, Vivien  
LEE Pui Shan  
LEE Wah Lun, Rannie  
SAW Say Pin  
SIT Wing Fai, Wilfred  
TSANG Hing Keung (resigned on 1 June 2023)  
WHITE Stuart Kingsley

## **Trustee and Registrar**

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

## **Custodian**

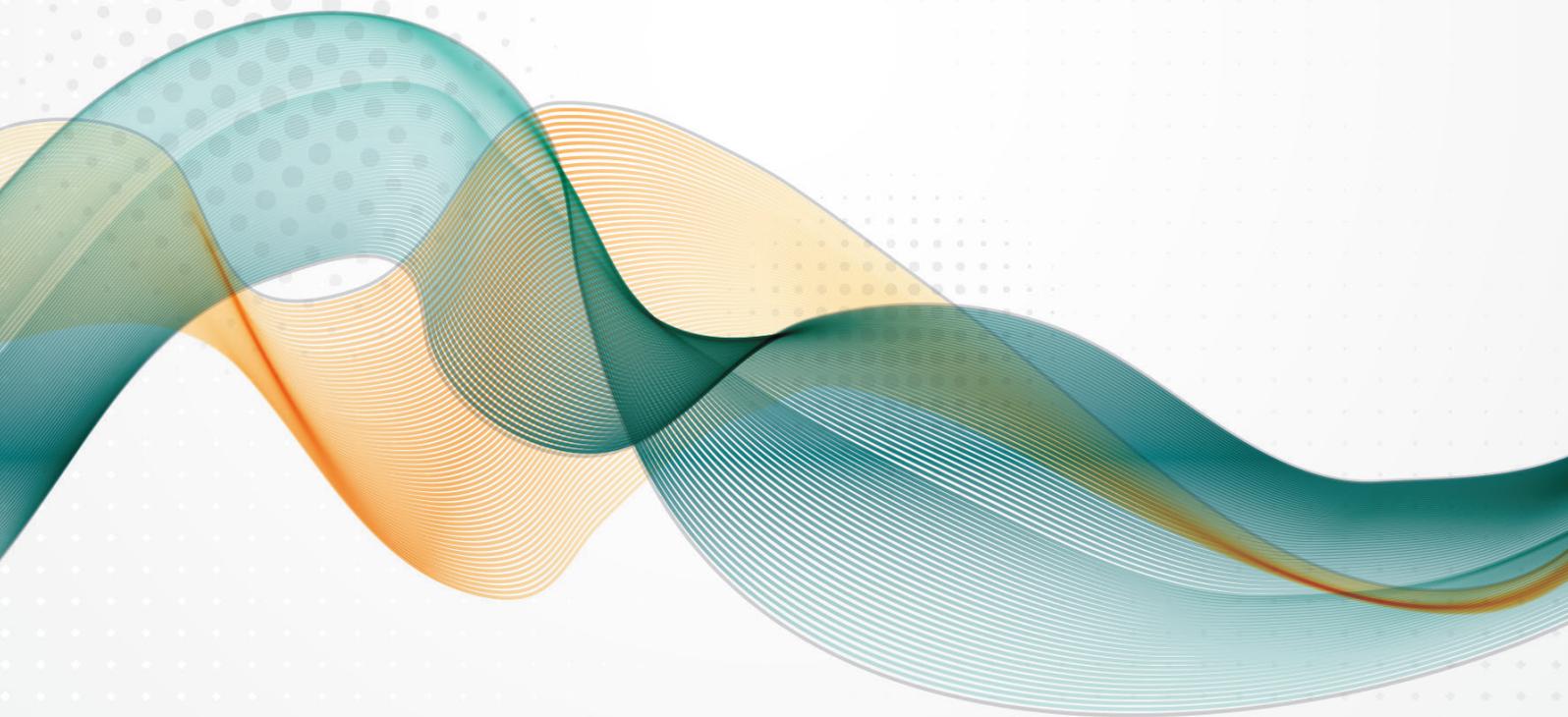
HSBC Bank PLC  
8 Canada Square  
London E14 5HQ  
United Kingdom

## **Auditor**

KPMG  
Certified Public Accountants (Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance)  
8th Floor, Prince's Building  
10 Chater Road  
Central  
Hong Kong

## **Conversion Agent**

HK Conversion Agency Services Limited  
8th Floor, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong



Issued by Hang Seng Investment Management Limited  
(A wholly-owned subsidiary of Hang Seng Bank)