

**Hang Seng Investment Precious Metals Series
(the “Trust”)**

**Hang Seng RMB Gold ETF
(Stock Code: 83168)
(the “Fund”)**

This document is important and requires your immediate attention. If you are in doubt about the contents of this document, you should seek independent professional financial advice.

Investors should note that all investments involve 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 Fund’s Prospectus (including the Product Key Facts Statement and the full text of the risk factors stated therein) in detail before making any investment decision.

The Stock Exchange of Hong Kong Limited (the “SEHK”), Hong Kong Securities Clearing Company Limited (the “HKSCC”) and the Securities and Futures Commission (the “SFC”) take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

SFC authorisation is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

Supplement to the Prospectus of the Fund

The following supplement has been made to the Prospectus of the Fund with effect from the date of this document. This supplement forms part of and should be read in conjunction with the Prospectus of the Fund.

(1) SUMMARY

The row entitled “**Ongoing Charges Over a Year**”¹ and the corresponding footnote have been deleted in their entirety and replaced by the following:

Ongoing Charges Over a Year ¹	3.45%
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¹ The ongoing charges figure is based on ongoing expenses for the year ended 31 December 2018 expressed as a percentage of the Fund’s average Net Asset Value for the same period. It includes the fees of the Manager, the Custodian and the Trustee, but excludes the indirect cost of the swaps to the Fund which is built into the value of the swaps. Please refer to the “Fees and Expenses” section for details. This figure may vary from year to year.”

If you have any queries concerning the above, please contact us at (852) 2198 5890 during office hours.

We accept full responsibility for the accuracy of the contents of this document as at the date of its publication.

IMPORTANT: If you are in any doubt about the contents of this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser for independent professional financial advice.

Hang Seng Investment Precious Metals Series

HANG SENG RMB GOLD ETF

(A sub-fund of the Hang Seng Investment Precious Metals Series, a Hong Kong umbrella unit trust authorised under

Section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong)

Stock Code 83168

PROSPECTUS

Manager and Listing Agent
Hang Seng Investment Management Limited

16 November 2018

The Stock Exchange of Hong Kong Limited, Hong Kong Exchanges and Clearing Limited, Hong Kong Securities Clearing Company Limited and the Hong Kong Securities and Futures Commission (the "SFC") take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus. Each of the Trust and the Fund has been authorised as a collective investment scheme by the SFC. SFC authorisation is not a recommendation or endorsement of the Trust or the Fund nor does it guarantee the commercial merits of the Trust or the Fund or the performance of the Fund. It does not mean the Trust or the Fund is suitable for all investors nor is it an endorsement of the suitability of the Trust or the Fund for any particular investor or class of investors.

IMPORTANT INFORMATION

This Prospectus relates to the offer in Hong Kong of units (the “Units”) in the Hang Seng RMB Gold ETF (the “Fund”), a sub-fund of the Hang Seng Investment Precious Metals Series (the “Trust”), an umbrella unit trust established under Hong Kong law by a trust deed dated 27 January 2012 (the “Trust Deed”) between Hang Seng Investment Management Limited (the “Manager”) and HSBC Institutional Trust Services (Asia) Limited (the “Trustee”).

The information contained in this Prospectus has been prepared to assist potential investors in making an informed decision in relation to investing in the Fund. It contains important facts about the Trust and the Fund whose Units are offered in accordance with this Prospectus.

The Manager accepts full responsibility for the accuracy of the information contained in this Prospectus (including the Product Key Facts Statement) and confirms that this Prospectus (including the Product Key Facts Statement) includes particulars given in compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Code on Unit Trusts and Mutual Funds (the “Code”) for the purposes of giving information with regard to the Units and that having made all reasonable enquiries, the Manager confirms that, to the best of its knowledge and belief, there are no other facts the omission of which would make any statement in this Prospectus (including the Product Key Facts Statement) misleading. The Trustee is not responsible for the preparation of this Prospectus (including the Product Key Facts Statement) and shall not be held liable to any person for any information disclosed in this Prospectus (other than information relating to itself).

Each of the Trust and the Fund is authorised by the Securities and Futures Commission (the “SFC”) in Hong Kong under Section 104 of the Securities and Futures Ordinance. SFC authorisation is not a recommendation or endorsement of the Trust or the Fund nor does it guarantee the commercial merits of the Trust, the Fund or the Fund’s performance. It does not mean that the Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

You should consult your financial adviser, consult your tax advisers and take legal advice as appropriate as to whether any governmental or other consents are required, or other formalities need to be observed, to enable you to acquire Units, as to whether any taxation effects, foreign exchange restrictions or exchange control requirements are applicable and to determine whether any investment in the Fund is appropriate for you.

The Units are listed on The Stock Exchange of Hong Kong Limited (the “SEHK”) and have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited (“HKSCC”) for deposit, clearing and settlement in the Central Clearing and Settlement System (“CCASS”). Settlement of transactions between participants of the SEHK is required to take place in CCASS on the second CCASS settlement day after any trading. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No action has been taken to permit an offering of Units or the distribution of this Prospectus in any jurisdiction other than Hong Kong and, accordingly, this Prospectus does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Furthermore, distribution of this Prospectus shall not be permitted unless it is accompanied by a copy of the latest annual financial report of the Fund (where existing) and, if later, its most recent interim financial report, which form a part of this Prospectus.

In particular:-

- (A) Units have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) or under the securities laws of any state in the U.S. and Units have not been and will not be registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”).

Units may not be offered or sold to, transferred to or acquired by any “U.S. Person” (a “US Person”) and may

not be directly or indirectly offered or sold in the U.S. or for the benefit of a US Person. For the purposes of this restriction, the term US Person shall mean the following:

1. An individual who is deemed a resident of the U.S. under any U.S. law or regulation.
2. An entity:
 - i. that is a corporation, partnership, limited liability company or other business entity:
 - a. that was created or organized under U.S. federal or state law including any non-U.S. agency or branch of such entity; or
 - b. where regardless of place of formation or organization, was organized principally for passive investment (such as an investment company or fund or similar entity other than an employee benefit plan or employee pension scheme for the employees, officers, or principals of a non-U.S. entity having its principal place of business outside the United States);
 - and owned directly or indirectly by one or more US Persons, with respect to which such US Persons (unless defined as a Qualified Eligible Person under CFTC Regulation 4.7(a)) directly or indirectly hold in the aggregate 10% or greater beneficial interest; or
 - where a US Person is the general partner, managing member, managing director or other position with authority for directing the entity's activities; or
 - was formed by or for a US Person principally for the purpose of investing in securities not registered with the Securities and Exchange Commission ("SEC"); or
 - where more than 50% of its voting ownership interests or non-voting ownership interests are directly or indirectly owned by US Persons; or
 - c. that is any agency or branch of a non-U.S. entity located in the U.S.; or
 - d. has its principal place of business in the U.S.; or
 - ii. that is a trust created or organized under U.S. federal or state law or regardless of the place of creation or organization:
 - a. where one or more US Persons has the authority to control all substantial decisions of the trust; or
 - b. where the administration of the trust or its formation documents are subject to the supervision of one or more U.S. courts; or
 - c. where any settlor, founder, trustee, or other person responsible for decisions related to the trust is a US Person; or
 - iii. that is an estate of a deceased person regardless of where the person resided while alive where an executor or administrator is a US Person.
3. An employee benefit plan established and administered in accordance with the laws of the U.S.
4. A discretionary or non-discretionary investment account or similar account (other than an estate or trust) held by a non-U.S. or U.S. dealer or other fiduciary for the benefit or account of a US Person (as defined above).

Units may not, except pursuant to a relevant exemption, be acquired or owned by, or acquired with the assets of an ERISA Plan. An "ERISA Plan" is any retirement plan subject to Title 1 of the United States Employee Retirement Income Securities Act of 1974, as amended; or any individual retirement account or plan subject to section 4975 of the United States Internal Revenue Code of 1986, as amended.

For the purpose of this definition, the "United States" and "U.S." means the United States of America (including the States and the District of Columbia), its territories, possessions and other areas of subject to its jurisdiction.

If, subsequent to a Unitholder's investment in the Fund, the Unitholder becomes a US Person, such Unitholder (i) will be restricted from making any additional investments in the Fund and (ii) as soon as practicable have its Units compulsorily redeemed by the Fund (subject to the requirements of applicable law).

The Manager may, from time to time, waive or modify the above restrictions subject to the provisions of the Trust Deed.

(B) Units will not be offered for sale in Canada. In addition, no offer or invitation to subscribe for Units may be made to, and no Units may be held by or transferred to Canadian residents or for the benefit of any Canadian resident. A distribution or solicitation may be deemed to occur in Canada where a distribution or solicitation is made to a person (including an individual, corporation, trust, partnership or other entity, or other legal person) resident or otherwise located in Canada at the applicable time. For these purposes, the following persons will generally be considered to be a Canadian resident:

1. An individual, if
 - i. the individual's primary principal residence is located in Canada; or
 - ii. the individual is physically located in Canada at the time of the offer, sale or other relevant activity.
2. A corporation, if
 - i. the corporation's head office or principal office is located in Canada; or
 - ii. securities of the corporation that entitle the holder to elect a majority of the directors are held by Canadian Resident individuals (as described above) or by legal persons resident or otherwise located in Canada; or
 - iii. the individuals that make investment decisions or provide instructions on behalf of the corporation are Canadian Resident individuals (as described above).
3. A trust, if
 - i. the principal office of the trust (if any) is located in Canada; or
 - ii. the trustee (or in the case of multiple trustees, the majority of trustees) are Canadian Resident individuals (as described above) or are legal persons resident or otherwise located in Canada; or
 - iii. the individuals that make investment decisions or provide instructions on behalf of the trust are Canadian Resident individuals (as described above).
4. A partnership, if
 - i. the partnership's head office or principal office (if any) is located in Canada; or
 - ii. the holders of the majority of the interests of or in the partnership are held by Canadian Residents (as described above); or
 - iii. the general partner (if any) is a Canadian Resident (as described above); or
 - iv. the individuals that make investment decisions or provide instructions on behalf of the partnership are Canadian Resident individuals (as described above).

You should note that any amendment or addendum to this Prospectus will be posted on the Fund's website www.hangsenginvestment.com.

Enquiries and Complaints

All investors' enquiries and complaints directed to the Manager should be made in writing and sent to the following address:

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

The Manager will respond to investor's enquiries or complaints as soon as practicable.

DIRECTORY

Directors of the Manager and the Listing Agent

Chan Shuk Pui, Ivy
Kwan Wing Han, Margaret
Lee Pui Shan
Lee Sai Kit
Leung Cheuk Yee, Eunice
Ngan Man Kit
Leung Wing Lok
Yip Kay Chun, Katie
Sridhar Chandrasekharan

Manager and Listing Agent

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

*Initial Gold Dealer and
Swap Counterparty*

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

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

Service Agent

HK Conversion Agency Services Limited
8/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

Legal Counsel to the Manager

Simmons & Simmons
13/F, One Pacific Place
88 Queensway
Hong Kong

Auditors

KPMG
8/F, Prince's Building
10 Chater Road Central
Hong Kong

*Participating Dealers**

ABN AMRO Clearing Hong Kong Limited

Level 70 International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

**Haitong International Securities Company
Limited**

22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

Hang Seng Securities Limited

83 Des Voeux Road Central
Central
Hong Kong

*Market Makers**

Commerz Securities Hong Kong Limited

29/F Two International Finance Center
8 Finance Street
Central
Hong Kong

Hang Seng Securities Limited

83 Des Voeux Road Central
Central
Hong Kong

* Please refer to the website www.hangsenginvestment.com for the latest lists of Market Makers and Participating Dealers.

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DEFINITIONS

In this Prospectus, unless the context requires otherwise, the following expressions have the meanings set out below. Other capitalised terms used, but not defined, have the meaning given to those terms in the Trust Deed.

“Account Balance” means in relation to an unallocated account maintained by the Custodian for the Fund, the amount of Bullion owed to the Fund by the Custodian or by the Fund to the Custodian, and in relation to an allocated account means the specific Bullion held for the Fund by the Custodian from time to time identified (whether by bar, serial number or otherwise) in and recorded on the allocated account.

“Application Amount” means the amount equal to the Issue Price per Unit of the Fund as of the relevant Dealing Day multiplied by the total number of Units being applied for.

“Application Unit” means the number of Units or whole multiples thereof as specified in this Prospectus or such other multiple of Units as may from time to time be determined by the Manager, approved by the Trustee and notified to Participating Dealers.

“assay” means a chemical test undertaken to determine the purity of a sample of gold.

“Basket” means an amount of Bullion for the purpose of a creation application or redemption application in an Application Unit size.

“Bullion” means gold in the form of uniquely identifiable bars or ingots of minimum fineness of 99.5% gold from an approved refiner on the LBMA Good Delivery List of Acceptable Refiners: Gold.

“Business Day” means a day (other than a Saturday): (i) on which the London bullion market is open for business, (ii) on which the SEHK is open for normal trading, and (iii) on which banks in Hong Kong are open for normal banking business provided that, where, as a result of a Typhoon Number 8 Signal or higher, Black Rainstorm warning or other similar event, the period during which either the SEHK or the banks in Hong Kong are open for normal banking business on any day is reduced, such day shall not be a Business Day unless the Manager with the consent of the Trustee otherwise determines and/or such other day or days as the Manager may from time to time determine with the approval of the Trustee.

“Cancellation Compensation” means an amount payable by a Participating Dealer in respect of a default, as set out in the Trust Deed and in the Operating Guidelines applicable at the time the relevant Creation Application or Redemption Application is made.

“Cash Component” means the cash value that represents the difference between the aggregate Net Asset Value of the Units comprising the Application Unit(s) and the value of Bullion in the Basket(s) rounded to the nearest one hundredth of a RMB.

“CCASS” means the Central Clearing and Settlement System established and operated by HKSCC or any successor system operated by HKSCC or its successors.

“Code” means the Code on Unit Trusts and Mutual Funds dated June 2010 issued by the SFC (as amended, supplemented or replaced from time to time).

“Connected Person” has the meaning as set out in the Code which at the date of this Prospectus

means in relation to a company:

- (a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise directly or indirectly, 20% or more of the total votes in that company; or
- (b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a); or
- (c) any member of the group of which that company forms part; or
- (d) any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c).

“Creation Application” means an application by a Participating Dealer for the creation and issue of Units in an Application Unit size (or whole multiples thereof or such other multiple of Units as may from time to time be determined by the Manager, approved by the Trustee and notified to Participating Dealers) in accordance with the Operating Guidelines and the Trust Deed.

“Custodian” means HSBC Bank plc (or such other entities or financial institutions acceptable to the SFC and appointed by the Trustee to act as the custodian of the Fund).

“Custody Agreement” means the allocated precious metals account agreement and the unallocated precious metals account agreement between HSBC Bank USA, N.A. and the Trustee, as novated in favour of the Custodian by a novation agreement with effect from 16 February 2015 and as amended by agreement from time to time, by which, inter alia, the Custodian agrees to provide safe custody of the Fund’s Bullion.

“Dealing Day” means each Business Day during the continuance of the Fund, and/or such other day or days as the Manager may from time to time determine with the approval of the Trustee.

“Dealing Deadline” in relation to any particular place and any particular Dealing Day, means the time on each Dealing Day specified in the “THE OFFERING” section of this Prospectus.

“Duties and Charges” means , in relation to any particular transaction or dealing, all stamp and other duties, taxes, government charges, brokerage, bank charges, transfer fees, registration fees, transaction levies, costs of assay, insurance and other duties and charges whether in connection with the constitution of the Fund’s deposited property (other than income and distributable amounts) or the increase or decrease of the Fund’s deposited property (other than income and distributable amounts) or the creation, issue, transfer, cancellation or redemption of Units or the acquisition or disposal of Bullion or otherwise which may have become or may be payable in respect of, and whether prior to, upon or after the occasion of, such transaction or dealing.

“ETF” means an exchange traded fund authorised by the SFC and listed on the SEHK.

“Extension Fee” means the fee payable for the account and benefit of the Trustee by the Participating Dealer in respect of an extended settlement in respect of a Creation Application or a Redemption Application.

“Fund” means Hang Seng RMB Gold ETF.

“gold” means the metallic element gold, symbol Au on the periodic table of elements with atomic number 79.

“Gold Dealer” means each dealer who provides the Fund with Bullion dealing services in the London precious metals market. Initially, Hang Seng Bank Limited is the sole Gold Dealer.

“gram” means a thousandth of a kilo, equal to 0.0321507465 troy ounces.

“Group” means HSBC Holdings plc and its subsidiaries.

“HKSCC” means the Hong Kong Securities Clearing Company Limited or its successors.

“Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China.

“IBA” means ICE Benchmark Administration Limited or its successors from time to time.

“in-gold” means the physical delivery of Bullion.

“Issue Price” means the price at which a Unit may be issued, determined in accordance with the Trust Deed.

“kilo” means one kilogram or 1,000 grams (equal to 32.1507465 troy ounces).

“LBMA” means the London Bullion Market Association.

“LBMA Gold Prices” means the LBMA Gold Price AM, together with the afternoon fixing price of gold per troy ounce published by the IBA once the IBA auction process run at 3:00 p.m. (London time) is concluded.

“LBMA Gold Price AM” means the morning fixing price of gold per troy ounce calculated, quoted in US dollars and published by the IBA once the IBA auction process run at 10:30 a.m. (London time) is concluded, or any benchmark as acceptable and approved under the relevant requirement(s) of the Code.

“Listing Date” means the date on which Units are listed on the SEHK.

“London Gold Fixing Price” means the morning fixing price of gold per troy ounce quoted in US dollars by The London Gold Market Fixing Limited (published by the LBMA usually before 11:00 a.m. (London time)) before 20 March 2015. With effect from 20 March 2015, the London Gold Fixing Price is replaced by the LBMA Gold Price AM as the benchmark of the Fund.

“London Good Delivery” means the specifications for good delivery of bullion as set out in The Good Delivery Rules for Gold and Silver Bars published by the LBMA, as amended from time to time.

“LPMCL” means the London Precious Metals Clearing Limited or its successors.

“Manager” means Hang Seng Investment Management Limited.

“Market Maker” means a broker or dealer permitted by the SEHK to act as such by making a market for the Units in the secondary market on the SEHK.

“Net Asset Value” means the net asset value of the Trust or, as the context may require, the net asset value of a Unit calculated under the Trust Deed and rounded to the nearest 4 decimal places (0.00005 or above being rounded up).

“Operating Guidelines” means the guidelines for the creation and redemption of Units as set out in the schedule to the Participation Agreement as amended from time to time by the Manager with the approval of the Trustee and the Registrar and following consultation, to the extent reasonably practicable, with the Participating Dealers and as notified in writing to the Participating Dealers. Unless otherwise specified, references to the Operating Guidelines shall be to the Operating Guidelines for the Trust applicable at the time of the relevant Application.

“Participating Dealer” means any eligible dealer who has entered into a Participation Agreement.

“Participation Agreement” means an agreement entered into between the Trustee, the Manager and a Participating Dealer setting out, (amongst other things), the arrangements in respect of the creation and issue of Units and the redemption and cancellation of Units.

“PBOC” means The People’s Bank of China.

“PRC” means the People’s Republic of China or, as the context may require, mainland China.

“Redemption Application” means an application by a Participating Dealer for the redemption of Units in Application Unit size (or whole multiples thereof or such other multiple of Units as may from time to time be determined by the Manager, approved by the Trustee and notified to Participating Dealers) in accordance with the Operating Guidelines and the Trust Deed.

“Redemption Value” means, in respect of a Unit of the Trust, the price per Unit at which such Unit is redeemed, calculated in accordance with the Trust Deed.

“Registrar” means the Trustee or such other person appointed under the Trust Deed as registrar of the Fund.

“RMB” means Renminbi or Chinese Yuan, the lawful currency of the PRC.

“Rules” means the rules, regulations, practices and customs of the LBMA, the LPMCL, the London Platinum and Palladium Market, the Financial Services Authority of the United Kingdom, the Bank of England and such other regulatory or other body, applicable to the activities contemplated by the Custody Agreement or the activities of a Sub-Custodian.

“SAFE” means the State Administration of Foreign Exchange of the PRC.

“Securities and Futures Ordinance” means the Securities and Futures Ordinance (Cap. 571) of Hong Kong.

“SEHK” means The Stock Exchange of Hong Kong Limited or its successors.

“Service Agent” means HK Conversion Agency Services Limited or its successors.

“Settlement Day” means the Business Day which is 3 Business Days after the relevant Dealing Day (or such later Business Day or such later day as is permitted in relation to such Dealing Day pursuant to the Operating Guidelines) or such other number of Business Days or such number of days after the relevant Dealing Day as determined by the Manager, in consultation with the Trustee, from time to time and as notified to the relevant Participating Dealers.

“SFC” means the Securities and Futures Commission of Hong Kong or its successors.

“Sub-Custodian” means a Sub-Custodian, agent or depository (including an entity within the Custodian’s corporate group) appointed by the Custodian to perform any of the Custodian’s duties under the allocated bullion accounts agreement including the safekeeping of Bullion.

“Swap Counterparty” means Hang Seng Bank Limited as counterparty or one or more other counterparties, selected by the Manager, to enter into (i) foreign exchange swaps by which, inter alia, some or all of the RMB application monies in respect of creation of Units received on behalf of the Fund will be exchanged into US dollars primarily for the purpose of purchasing Bullion in US dollars, and (ii) unfunded asset swaps by which, together with the foreign exchange swaps, the value of the Fund’s holding of Bullion valued in US dollars will be managed and hedged so as to provide, less the costs of the swaps, a performance of the Fund in RMB which corresponds to the performance of the Bullion valued in US dollars regardless of fluctuations in the foreign exchange rates as between RMB and US dollars.

“Transaction Fee” means the fee which may be charged for the benefit of the Trustee to each Participating Dealer on each Dealing Day upon which a Creation Application or Redemption Application has been made by the relevant Participating Dealer, the maximum level of which shall be as set out in this Prospectus.

“troy ounce” means the traditional weight used for precious metals, including gold, equal to 31.1034768 grams or 1.0971428 ounces avoirdupois.

“Trust” means the Hang Seng Investment Precious Metals Series.

“Trust Deed” means the trust deed dated 27 January 2012 between the Manager and the Trustee constituting the Trust.

“Trust Fund” means all the property held for the Fund, including all deposited property and, if any, income property, except for amounts to be distributed, in each case in accordance with the Trust Deed.

“Trustee” means HSBC Institutional Trust Services (Asia) Limited.

“Unit” means a unit representing an undivided share in the Trust Fund attributable to the Fund.

“United Kingdom” means the United Kingdom of Great Britain and Northern Ireland.

“Unitholder” means a person entered on the register of holders as the holder of Units including, where the context so admits, persons jointly registered and the beneficial owner of Units which are registered in the name of HKSCC Nominees Limited and held in CCASS.

“US” means the United States of America.

“US dollars” or “USD” means United States dollars.

“Valuation Point” means the time at which the LBMA Gold Price AM is quoted and published on each Dealing Day or such other time or times as determined by the Manager in consultation with the Trustee provided that there shall always be a Valuation Point on each Dealing Day other than where there is a suspension of the creation and redemption of Units.

SUMMARY

Key information

Set out below is a summary of certain key information in respect of the Fund which should be read together with the full text of this Prospectus.

Benchmark (LBMA Gold Price AM)	The morning fixing price of gold per troy ounce calculated, quoted in US dollars and published by the IBA once the IBA auction process run at 10:30 a.m. (London time) is concluded, or any benchmark as acceptable and approved under the relevant requirement(s) of the Code
Listing Date (SEHK)	14 February 2012
Exchange Listing	SEHK – Main Board
Stock Code	83168
Trading Board Lot Size	100 Units
Trading and Base Currency	Renminbi (RMB)
Currency Hedging Strategy	The Manager will use foreign exchange swaps and unfunded asset swaps to manage and hedge the foreign exchange rate movements between RMB (CNH) and US dollars.
Dividend Policy	No distributions will be made
Application Unit size (only by or through Participating Dealers)	Minimum 300,000 Units (or whole multiples thereof or such other multiple of Units from time to time determined by the Manager, approved by the Trustee and notified to Participating Dealers) for all creations and redemptions in cash or in gold
Investment Strategy	Physical Bullion holding (Please refer to the section “What is the Investment Strategy?” below)
Financial Year End	31 December
Website	www.hangsenginvestment.com
Ongoing Charges Over a Year¹	2.59%

What is the Investment Objective?

The investment objective of the Fund is to provide investment results denominated in RMB that,

¹ The ongoing charges figure is based on annualised ongoing expenses for the half-year ended 30 June 2018 expressed as a percentage of the Fund’s average Net Asset Value for the same period. It includes the fees of the Manager, the Custodian and the Trustee, but excludes the indirect cost of the swaps to the Fund which is built into the value of the swaps. Please refer to the “Fees and Expenses” section for details. This figure may vary from year to year.

before fees and expenses and other hedging costs, closely correspond to the performance of the LBMA Gold Price AM in US dollars. The Fund will seek to hedge against the foreign exchange rate movements between RMB and US dollars so that its performance in RMB will, before fees and expenses and other hedging costs, track the performance of the LBMA Gold Price AM in US dollars as closely as possible. **The performance of the Fund is not expected to be materially affected by the foreign exchange rate movements between RMB and US dollars. However, investors will be subject to the foreign exchange rate risk when they realise their investment and convert the RMB proceeds into other currencies (for example Hong Kong dollars).** There can be no assurance that the Fund will achieve its investment objective.

What is the Investment Strategy?

To seek to achieve its investment objective, the Fund will acquire and hold Bullion.

To manage and hedge the foreign exchange rate movements between RMB and US dollars, the Fund will enter into a series of swaps with the Swap Counterparty, which is currently Hang Seng Bank Limited. Nevertheless, investors will still be subject to the fluctuation of RMB against a currency when they are converting the RMB proceeds into such currency.

The following provides a general description of the investment strategy:

1. Upon receipt of RMB for creation of Units, the Fund will enter into foreign exchange swaps with the Swap Counterparty to hedge against the foreign exchange rate movements between RMB and US dollars. The Fund will swap the RMB received from creation of Units into US dollars at a RMB/US dollars foreign exchange rate quoted by the Swap Counterparty at or around 4:00 p.m. (Hong Kong time). The US dollars that the Fund receives pursuant to the foreign exchange swaps, net of any fees and expenses which may be payable, will be used to buy Bullion through the Gold Dealer, which is currently Hang Seng Bank Limited;
2. The Fund will also enter into unfunded asset swaps with the Swap Counterparty to hedge against the effect of foreign exchange rate movements between RMB and US dollars on the Net Asset Value during the life of the Fund; and
3. For the purpose of liquidity and/or performance management, up to 10% of the Net Asset Value of the Fund may be invested in other physical ETFs (authorised by the SFC and listed on the SEHK) whose primary investment objective is to track the performance of a gold benchmark.

It is the intention of the Manager to roll over the foreign exchange swaps and unfunded asset swaps on a daily basis.

The following summarizes the terms of the two types of swaps:

- (a) Foreign exchange swap: This is a currency conversion arrangement that comprises a spot and a forward foreign exchange transaction. Under the foreign exchange swap, the Fund will sell a sum of RMB to the Swap Counterparty for US dollars at the then prevailing spot rate. At the same time, the Swap Counterparty will agree to sell the same amount of RMB back to the Fund for US dollars on an agreed future day at the then prevailing forward rate. It is the intention of the Manager to set such future day as the day immediate following the value day of the spot trade, i.e. tenor of the swap is 1 day. The Fund's net exposure to the Swap Counterparty is essentially the 1-day foreign exchange fluctuation of RMB against

US dollar, which is normally below 1% according to historical data.

- (b) Unfunded asset swap: This is intended to reduce the effect of foreign exchange fluctuations between US dollars and RMB on the Net Asset Value of the Fund. Under the unfunded asset swap, the Fund will pay a fee to the Swap Counterparty in return for a balancing payment to be made to the Fund on the next Dealing Day. The fee payable to the Swap Counterparty will be subject to the then prevailing market expectation on the volatility of and correlation between RMB/US dollars and the gold price. The balancing payment will be an amount determined by a model by which the Fund will receive or make US dollars payment from or to the Swap Counterparty which equates the percentage change in the RMB denominated Net Asset Value of the Fund (before fees) with that of the US dollars denominated LBMA Gold Price AM. Similar to the foreign exchange swap, its tenor is 1 day. The Fund's net exposure to the Swap Counterparty is essentially the 1-day foreign exchange fluctuation of RMB against US dollars with respect to the 1-day fluctuation of the gold price.

Other than the foreign exchange swaps and unfunded asset swaps referred to above, the Fund is not permitted to invest in other types of financial derivative instruments – including, but not limited to, futures contracts, options on futures contracts, options, warrants and other financial derivative instruments. The Fund is also subject to the investment and borrowing restrictions as set out in the Schedule to this Prospectus.

The expected maximum leverage level of the Fund as a result of the use of financial derivative instruments and its basis of calculation may be obtained from the Manager upon request.

Owing to the expenses of the Fund, mainly the fees and other expenses and costs associated with the Fund's ongoing operations (for example the Manager's, Trustee's, Registrar's, Custodian's, SFC's and SEHK's fees), the Manager anticipates that the Fund may also need to sell Bullion or other assets and retain a small amount of cash in RMB (or US dollars or Hong Kong dollars) to pay for such outgoings. Accordingly the Fund will not at all times be fully invested in Bullion.

As a result of the investment strategy described above and the ongoing charges of the Fund, based upon historical data and current market conditions the Manager anticipates that the Fund may suffer a tracking error to the movement of the LBMA Gold Price AM of up to 2% a year, although the Manager estimates that the tracking error will generally be approximately 1.5% a year. These estimates may be affected by factors beyond the control of the Manager such as interest rates and foreign exchange rates applicable to US dollars and RMB as well as the indirect costs of the foreign exchange swaps and unfunded asset swaps. In such circumstances, the actual tracking error may be significantly higher than the Manager's anticipation and the performance of the Fund may be adversely affected.

What does “providing investment results denominated in RMB” mean?

The Fund's Units are issued in RMB and so the Net Asset Value per Unit will be calculated in RMB. However the LBMA Gold Price AM, with whose performance the Fund will seek to closely correspond, is not quoted in RMB but is quoted in US dollars. This means that, without any foreign exchange management, when RMB appreciates or depreciates against the US dollars, the Net Asset Value per Unit will be affected even if the LBMA Gold Price AM remains constant.

However, the investment objective of the Fund is to provide *investment results denominated in RMB* which closely correspond to the LBMA Gold Price AM. For the purposes of managing and

hedging the foreign exchange risk, in addition to foreign exchange swap, which inherently provides a hedge on the invested principal, the Fund will enter the unfunded asset swap with the intention to further reduce the effect of foreign exchange fluctuations between US dollars and RMB so that the Net Asset Value of the Fund in RMB will rise and fall by the same approximate percentages as the increases and decreases in the LBMA Gold Price AM which is denominated in US dollars. However, the foreign exchange swaps and unfunded asset swaps will not attempt to maximize returns in a situation where RMB depreciates against US dollars. Accordingly, although there can be no assurance that the investment strategy adopted by the Manager will be successful, the relative strength of RMB against US dollars is not expected to materially affect the increase and decrease of the Net Asset Value per Unit which is targeted to increase and decrease by the same percentages as the LBMA Gold Price AM in US dollars. In other words, the performance of the Fund is not expected to be materially affected by the foreign exchange rate movements between RMB and US dollars.

The following examples illustrate what is meant by “investment results denominated in RMB”. It should be noted that these are hypothetical and do not reflect a complete analysis of all possible gain or loss scenarios which could apply to the Fund. They are included only for illustrating the investment objective, and should not be relied upon as an indication of the expected performance of the Fund or the actual return of an investment in the Fund. **The following scenarios do not take into account of any fees and charges payable by an investor, any transaction and hedging cost to be incurred by the Fund during the course of its investment and any exchange rate fluctuations between the base currency of the Fund (i.e. RMB) and Hong Kong dollars (or any other currency).**

The scenario analysis is based on the following hypothetical terms:

On Day T:

LBMA Gold Price AM	USD/RMB Exchange Rate	Net Asset Value per Unit
USD1,700	USD1 : RMB6.3000	RMB34.0000

On Day T+1:

Examples of scenarios which may occur	LBMA Gold Price AM (+ increase / - decrease in US dollar price)	USD/RMB Exchange Rate (+ increase / - decrease of RMB to 1 US dollar)	Target Net Asset Value per Unit that the Fund aims to achieve (+ increase / - decrease in RMB)
1	USD1,700 (No change)	6.4890 (+3%)	RMB34.0000 (No change)
2		6.3000 (No change)	
3		6.1110 (-3%)	
4	USD1,870 (+10%)	6.4890 (+3%)	RMB37.4000 (+10%)
5		6.3000 (No change)	
6		6.1110 (-3%)	

7	USD1,530 (-10%)	6.4890 (+3%)	RMB30.6000 (-10%)
8		6.3000 (No change)	
9		6.1110 (-3%)	

The following explains the table above in more detail (each number corresponds to the relevant scenario):

- 1 to 3 *If the LBMA Gold Price AM does not change, the target Net Asset Value per Unit on Day T+1 will remain the same as that on Day T (i.e. RMB34.0000) regardless of the movement of RMB against US dollars.*
- 4 to 6 *If the LBMA Gold Price AM goes up by 10%, the target Net Asset Value per Unit on Day T+1 will also grow by 10% compared to Day T (i.e. RMB37.4000) regardless of the movement of RMB against US dollars.*
- 7 to 9 *If the LBMA Gold Price AM goes down by 10%, the target Net Asset Value per Unit on Day T+1 will also drop by 10% compared to Day T (i.e. RMB30.6000) regardless of the movement of RMB against US dollars.*

As described above, although there can be no assurance that the investment strategy adopted by the Manager will be successful, the Manager will seek to manage and hedge foreign exchange rate changes between US dollars and RMB to provide investment results in RMB terms by using foreign exchange swaps and unfunded asset swaps entered into with the Swap Counterparty.

What is the LBMA Gold Price AM?

The LBMA Gold Price AM is a price calculated, quoted in US dollars and published by the IBA once the IBA auction process run at 10:30 a.m. (London time) is concluded.

The IBA's electronic price fixing processes used to determine the fixing for gold will establish and publish fixed prices for troy ounces of gold twice each London trading day during fixing sessions beginning at 10:30 a.m. London time and 3:00 p.m. London time. At these times, participants in the auction process will place buy and sell orders via the IBA's electronic platform. Within the auction process, aggregated gold bids and offers will be updated in real-time with the imbalance calculated and the price updated every 30 seconds until the buy and sell orders are matched and the LBMA Gold Prices will be set at the price at which the orders matched. In this way, the LBMA Gold Prices will be set in a fully transparent and auditable process. Additionally, it is expected that IBA will require participants in the LBMA Gold Prices to sign up to codes of conduct in relation to participation of the LBMA Gold Prices to ensure further governance over the process and ensure that it will be administered in a way consistent with applicable regulation such as the International Organization of Securities Commissions' "Principles for Financial Benchmarks".

During London trading hours on a daily basis, the LBMA Gold Prices each provide reference gold prices for that day's trading. Many long-term contracts will be priced on the basis of either of the LBMA Gold Prices, and market participants will usually refer to such prices when looking for a basis for valuations. Both the IBA and the LBMA are independent of the Manager and its Connected Persons. The LBMA Gold Prices are expected to be a widely used international benchmark for daily gold prices and to be viewed as a full and fair representation of all market

interest at the conclusion of the electronic price fixing process.

The LBMA Gold Price AM published by the IBA at any time is available on the IBA's website www.theice.com/iba as well as on the LBMA's website www.lbma.org.uk.

All references to the LBMA Gold Price AM are used with the permission of the IBA and have been provided for informational purpose only. IBA accepts no liability or responsibility for the accuracy of the prices or the Fund.

Any change to the use of the LBMA Gold Price AM as the Fund's benchmark may only be made in accordance with the Trust Deed (and with the SFC's prior approval) and will only be effective upon not less than one month's prior notice (or such other period as may be agreed with the SFC) being given to Unitholders.

The Net Asset Value of the Fund will be valued by reference to the LBMA Gold Price AM. Further information on the determination of Net Asset Value is set out in the section of this Prospectus entitled "DETERMINATION OF NET ASSET VALUE".

Where will the Fund's Bullion be held?

All Bullion deposited with the Fund will be safekept at the Custodian's own secure vaults in London except where the gold has been allocated in the vault of a Sub-Custodian. Where gold is allocated to the vault of any Sub-Custodian, the Custodian will use commercially reasonable efforts to transport the gold from each Sub-Custodian's vault to the Custodian's London vault at the Custodian's costs and risk as soon as reasonably practicable.

Who is the Custodian of the Fund's Bullion?

The Custodian, a direct wholly owned subsidiary of HSBC Holdings plc, is responsible for safekeeping all the Fund's physical Bullion deposited with it under delegated authority from the Trustee. Under the Custody Agreement, the Custodian is responsible for the safe custody of all gold deposited with it.

Any replacement or substitute Custodian in respect of the Fund shall be as agreed by the Trustee and the Manager and shall be an entity or a financial institution acceptable to the SFC and shall only be appointed following approval by the SFC. The Custodian shall not cease to act as a custodian except upon the appointment of a new custodian acceptable to the SFC; and the cessation of the Custodian's appointment shall only take effect at the same time as the new custodian takes up office.

Is the Fund's Bullion "allocated"?

Bullion delivered to the Fund either by a Participating Dealer or a Gold Dealer will be in unallocated form through credits and debits between the Participating Dealer's or Gold Dealer's unallocated accounts and the Fund's unallocated account. After being credited to the Fund's unallocated account, the Bullion will then be allocated to the Fund's allocated account and will be held on a "fully allocated" basis. This means that the Fund will have an account with the Custodian in the Fund's name which will evidence that uniquely identifiable pieces of Bullion are "allocated" to the Fund and are physically segregated in the Custodian's secure vault from other bullion (including gold) belonging to other owners. All Bullion fully allocated to the Fund by the Custodian will be clearly identifiable through the refiner's brand and unique serial number. Because Bullion is

allocated only in multiples of whole bars, the Custodian will allocate specific pieces of Bullion representing the amount of Bullion credited to the Fund's unallocated account (to the extent such amount is represented by whole pieces of Bullion, any remaining balance will be held in the Fund's unallocated account) to the Fund's allocated account.

In any case, it is not expected to have more than 430 ounces of Bullion being held in the Fund's unallocated account at the close of business (London time) on each business day in London, United Kingdom.

All Participating Dealers will be required to have accounts with the Custodian to act as such and the Gold Dealer and the Fund will also have an account with the Custodian.

Why is an “unallocated” account needed?

The Custodian holds all of the Fund's Bullion in its London vault premises except when the Bullion has been allocated in the vault of a Sub-Custodian, and in such cases the Custodian has agreed that it will use commercially reasonable efforts to transport the Bullion from the Sub-Custodian's vault to the Custodian's London vault, at the Custodian's cost and risk, as soon as reasonably practicable.

All Bullion will be delivered to the Fund and delivered by the Fund in unallocated form through credits and debits between any Participating Dealer's or Gold Dealer's unallocated accounts and the Fund's unallocated account. Any Bullion transferred to the Fund in unallocated form is first credited to the Fund's unallocated account. After being credited to the Fund's unallocated account, the Bullion will then be allocated to the Fund's allocated account and will be held on a “fully allocated” basis. Because Bullion is allocated only in multiples of whole bars, the Custodian will allocate specific pieces of Bullion representing the amount of Bullion credited to the Fund's unallocated account (to the extent such amount is represented by whole pieces of Bullion, any remaining balance will be held in the Fund's unallocated account) to the Fund's allocated account. The movement of Bullion is reversed for the distribution of Bullion to a Participating Dealer in connection with redemption of Basket(s) or settlement of Bullion to a Gold Dealer. The ownership of the Bullion in the Fund's allocated account belongs solely to the Fund. The Custodian will use its commercially reasonable efforts to minimise the amount of Bullion held in the Fund's unallocated account; no more than 430 ounces of Bullion is expected to be held in the Fund's unallocated account at the close of business (London time) on each Business Day.

The Custodian will segregate Bullion in the Fund's allocated account from any gold which it owns or holds for other clients and the Custodian will request each Sub-Custodian to segregate the Bullion belonging to the Fund from Bullion which it owns or which it holds for its other clients. If the Custodian holds a quantity of Bullion for the Fund which cannot be allocated in a whole number of physical bars, the allocated account will record the nearest whole number of physical bars not exceeding such quantity of Bullion, and the difference between the quantity of Bullion comprised by such physical bars and the quantity of such Bullion which the Custodian has agreed to hold for the Fund will be held by the Custodian for the Fund as an unallocated amount of Bullion pursuant to the unallocated bullion accounts agreement. The Bullion held in the Fund's and the Participating Dealer's unallocated accounts will not be segregated from the Custodian's assets.

How are the “unallocated” account risk and Sub-Custodian risk be mitigated?

The unsecured credit risk of the unallocated accounts and Sub-Custodian risk are mitigated in the following ways:

- (a) The Custodian is responsible for the safety of, and loss of and damage to, the Bullion held by it and gold owed to the Fund but held in a Sub-Custodian's account. In addition all Bullion held by a Sub-Custodian, if any, will be fully allocated for the account of the Fund;
- (b) The Custodian will ensure that all Bullion held (which will be held in allocated accounts only) with Sub-Custodians, if any, is transferred (at the Custodian's risk and cost) to the Custodian's London vault to be held on a fully allocated basis as soon as reasonably practicable after the Fund being credited such Bullion with the relevant Sub-Custodian; and
- (c) Not more than 430 ounces of the Fund's Bullion are expected to be held for the Fund by the Custodian in an unallocated account at the close of business (London time) on each Business Day.

What sort of gold will the Fund acquire?

The Fund will only hold Bullion (i.e. gold in the form of bars or ingots from approved refiners which are included in the LBMA Good Delivery List of Acceptable Refiners: Gold) of minimum fineness of 99.5% gold. Each bar of Bullion held by the Custodian for the Fund on a fully allocated basis is uniquely identifiable as having been made by the relevant refiner. Any Bullion allocated to the Fund with the Custodian will be in the form of bars which comply with The Good Delivery Rules for Gold and Silver Bars published by the LBMA.

The Custodian has agreed with the Trustee that the Trustee will have the right to replace any bar which does not meet the required fineness of Bullion.

What are the LBMA, London Good Delivery and London Good Delivery Bars?

Although the market for physical gold is distributed globally, most over the counter market trades are cleared through London. Over the counter trades are typically on a principal to principal basis and are confidential. The LBMA co-ordinates these market activities and acts as the main point of contact between the market and its regulators. A primary function of the LBMA is its involvement in the promotion of refining standards by maintenance of the "London Good Delivery Lists", which are the lists of LBMA accredited melters and assayers of gold. The LBMA also coordinates market clearing and vaulting, promotes good trading practices and develops standard documentation.

"London Good Delivery Bars" refers to bullion that meets the specifications of "London Good Delivery" made by the LBMA accredited melters and assayers of gold. These specifications include weight, dimensions, fineness, identifying marks (including the assay stamp of a LBMA acceptable refiner) and appearance for bullion as set forth in "The Good Delivery Rules for Gold and Silver Bars" published by the LBMA. The unit of trade in London is the troy ounce, whose conversion between grams is: 1,000 grams = 32.1507465 troy ounces and 1 troy ounce = 31.1034768 grams. A London Good Delivery Bar is acceptable for delivery in settlement of a transaction on the grams. A London Good Delivery Bar is acceptable for delivery in settlement of a transaction on the over the counter market. Typically referred to as 400 ounce bars, a London Good Delivery Bar must contain between 350 and 430 fine troy ounces of gold, with a minimum fineness of 99.5%, be of good appearance and be easy to handle and stack. The fine gold content of a gold bar is calculated by multiplying the gross weight of the bar (expressed in units of 0.025 troy ounces) by the fineness of the bar. A London Good Delivery Bar must also bear the stamp of one of the melters and assayers who are on the LBMA approved list.

What is the Fund's foreign exchange risk?

The base currency of the Fund is RMB and Units are denominated in RMB, which is also the

currency in which Units are traded on the SEHK. However the LBMA Gold Price AM is quoted and settled in US dollars. Because the denomination of the Fund is different to the denomination of the assets which it holds, the Fund is therefore exposed to a foreign exchange risk.

In order to seek to achieve the investment objective, the Manager must manage this risk, in particular the effect of fluctuations in the USD/RMB exchange rate on the Fund's performance. To do so, the Fund will enter into foreign exchange swaps and unfunded asset swaps with the Swap Counterparty. By the foreign exchange swaps the Fund will swap all or some of the RMB which it receives from investors for US dollars which will be used to invest in Bullion. Under the unfunded asset swaps, the Fund may receive or make US dollars cash balancing payment from or to the Swap Counterparty, which amount is intended to equate the performance of the RMB denominated Net Asset Value of the Fund (before the fees) with that of the US dollars denominated LBMA Gold Price AM, regardless of fluctuations in the foreign exchange rates as between RMB and US dollars.

How will Swap Counterparty risk be managed?

The first Swap Counterparty is Hang Seng Bank Limited, although there may be other Swap Counterparties in addition to or in place of Hang Seng Bank Limited. To mitigate counterparty risk in respect of any Swap Counterparty, the Manager will apply viability checks including counterparty credit analysis and evaluation, exposure limits and monitoring of the credit quality of that counterparty. The Manager will review and approve transactions and limits on the basis of a counterparty's ability to meet its obligations. In addition, the Manager will select only those counterparties of whom it will have sufficient knowledge and comfort with both their operations and business practices.

In respect of a Swap Counterparty entering into transactions with the Fund, the selection criteria shall be, at a minimum, as follows: (1) it must have a paid-up capital of the equivalent of at least HK\$150 million; (2) it or its guarantor must be a substantial financial institution (as defined under the Code) subject to an on-going prudential supervision; and (3) it must have a long-term debt credit rating of at least "A-" from Standard & Poor's or an equivalent rating given by other reputable rating agency. The Manager may also impose such other selection criteria as it considers appropriate. The Swap Counterparty will act independently of the Manager (although both are members of the Group).

With regard to any prospective swap counterparty, the Manager will perform a comprehensive review of its financial statements, minimum capitalisation levels, business reputation, lines of business, credit enhancements (if any), earnings, management quality, external credit ratings, the scope of business operations and its risk management framework before accepting it as eligible to be a Swap Counterparty.

The Manager will seek to mitigate counterparty exposure by limiting the total amount of the Fund's net exposure to a single Swap Counterparty under the swap to no more than 10% of the Net Asset Value of the Fund.

Are there any special RMB payment or account procedures?

Investors may apply for Units through Participating Dealers only if they have sufficient RMB to pay the application monies and the related fees. Investors should note that RMB is the only official currency of the PRC. While both onshore RMB ("CNY") and offshore RMB ("CNH") are the same currency, they are traded in different and separated markets. Since the two RMB markets operate independently where the flow between them is highly restricted, CNY and CNH are traded

at different rates and their movement may not be in the same direction. Although there is a significant amount of RMB held offshore (i.e. outside the PRC), CNH cannot be freely remitted into the PRC and is subject to certain restrictions, and vice versa. As such whilst CNH and CNY are both the same currency, certain special restrictions do apply to RMB outside the PRC. The liquidity and trading price of the Fund may be adversely affected by the limited availability of, and restrictions applicable to, RMB outside the PRC.

Application monies from Participating Dealers to the Fund will be paid in RMB. Accordingly a Participating Dealer may require you (as its client) to pay RMB to it. (Payment details will be set out in the relevant Participating Dealer's documentation such as the application form for its clients.) As such, you may need to have opened a bank account (for settlement) and a securities dealing account if a Participating Dealer is to subscribe for Units on your behalf as you will need to have accumulated sufficient RMB to pay at least the aggregate Issue Price and related costs, to the Participating Dealer or if an application to the Participating Dealer is not successful or is successful only in part, the whole or appropriate portion of the monies paid will need to be returned to you by the Participating Dealer by crediting such amount into your RMB bank account. Similarly, if you wish to buy and sell Units in the secondary market on the SEHK, you may need to open a securities dealing account with your broker. You will need to check with the relevant Participating Dealer and/or your broker for payment details and account procedures.

If any investors wish to buy or sell Units on the secondary market, they should contact their brokers and they are reminded to confirm with their brokers their readiness for dealing and/or clearing transactions in RMB securities and other relevant information published by the SEHK regarding readiness of its participants for dealing in RMB securities from time to time. CCASS Investor Participants who wish to settle the payment in relation to their trades in the Units using their CCASS Investor Participant account should make sure that they have set up an RMB designated bank account with CCASS.

Investors intending to purchase Units from the secondary market should consult their stockbrokers as to the RMB funding requirement and settlement method for such purchase. Investors may need to open and maintain securities dealing accounts with the stockbroker first before any dealing in Units can be effected.

Investors should ensure they have sufficient RMB to settle the trades. When investors open the RMB bank accounts for settling RMB payment, they should be note that under the current regulations, only Hong Kong residents with Hong Kong identity cards may open personal RMB bank accounts in Hong Kong. Investors should consult the banks for the account opening procedures as well as terms and conditions of the RMB bank account. Some banks may impose restrictions on their RMB cheque account and fund transfer to third party account. For non-bank financial institutions (e.g. brokers), however, such restriction will not be applicable and investors should consult their brokers as to the currency exchange service arrangement.

The transaction costs of dealings in the Units on the SEHK include the SEHK trading fee and SFC transaction levy. All these secondary trading related fees and charges will be collected in Hong Kong dollars and calculated based on an exchange rate as determined by the Hong Kong Monetary Authority on the date of the trade which will be published on the SEHK's website by 11:00 a.m. or earlier on each trading day.

Investors should consult their own brokers or custodians as to how and in what currency the trading related fees and charges and brokerage commission should be paid by the investors.

The Renminbi Equity Trading Support Facility (the "TSF") was launched on 24 October 2011 by

the SEHK to provide a facility to enable investors who wish to buy RMB-traded shares (RMB shares) in the secondary market with Hong Kong dollars if they do not have sufficient RMB or have difficulty in obtaining RMB from other channels. The TSF is currently not available to investors who wish to invest in the Fund. Investors should refer to, from time to time, the latest list of TSF stocks which is available at www.hkex.com.hk.

Where payment is to be made by cheque investors should consult the bank at which their respective RMB bank accounts are opened in advance whether there are any specific requirements in relation to the issue of RMB cheques. In particular, investors should note that some banks have imposed an internal limit (usually RMB80,000) on the balance of RMB cheque account of their clients or the amount of cheques that their clients can issue in a day and such limit may affect an investor's arrangement of funding for an application (through a Participating Dealer) for Units.

When an individual investor opens an RMB bank account or settle RMB payments, he or she will be subject to a number of restrictions, including:

- (a) RMB bank accounts are only available to Hong Kong residents; and
- (b) the daily maximum remittance amount to the PRC is RMB80,000 and a remittance service is only available to an RMB deposit account-holder who remits from his or her RMB deposit account to the PRC and provided that the account name of the account in the PRC is identical with that of the RMB bank account with the bank in Hong Kong.

Please also refer to the section entitled "RMB Related Risk Factors" in the section on Risk Factors for further details.

Can I exchange my gold for Units or Units for gold?

No, only Participating Dealers can create and redeem Units directly with the Fund in gold although they can do so on your behalf. Redemptions in gold by a Participating Dealer (for itself or on your behalf) may only be made in Application Unit size (300,000 Units or multiples thereof or such other multiple as may from time to time be determined by the Manager, approved by the Trustee and notified to the Participating Dealers) and so a redemption in gold is only typically possible in respect of a large number of Units.

Is the Fund's Bullion insured?

The Trustee and the Manager will not arrange insurance of the Bullion held by the Fund and, because the Fund acquires title to Bullion only when they are transferred to the Fund's allocated account with the Custodian and, indirectly, with the Sub-Custodians, the Fund accepts no responsibility or liability for Bullion in transit by a Participating Dealer or the Gold Dealer prior to such transfer. However the Custodian, which will hold all the Bullion deposited for the account of the Fund, will generally maintain insurance at its own expense with regard to its business on such terms and conditions as it considers reasonable and appropriate. The Custodian's insurance coverage with respect to its vault is regularly reviewed by the Custodian which considers the present insurance coverage sufficient and appropriate, given the exposure, security installations and risk management which the Custodian has in place. A copy of the certificates of insurance in respect of the present insurance policy has been provided to the Trustee and the Manager (although neither the Trustee nor the Manager warrant or represent as to its sufficiency or appropriateness generally). The present policy does not necessarily cover all Bullion which may be deposited at the Custodian's vault for the account of the Fund.

Bullion held by a Participating Dealer is not part of the Trust Fund and is the sole responsibility of the relevant Participating Dealer. Bullion in transit to the Custodian by a Participating Dealer or the Gold Dealer is not the Fund's property and so is the sole responsibility of the relevant Participating Dealer or the Gold Dealer (which may or may not have adequate insurance arrangements in place). For Bullion that is in transit from a Sub-Custodian to the Custodian, such Bullion is the responsibility and at the risk and cost of the Custodian. Because ownership of the Bullion does not pass to the Fund until it is received in the Fund's allocated account with the Custodian, the Fund is not liable for any loss if Bullion is lost, destroyed or stolen in transit to the Custodian. The Fund, the Trustee, the Manager and the Custodian are not liable for the loss of any such Bullion in transit to the Custodian's vault by Participating Dealers and the Gold Dealer although the Custodian is responsible for transfers to it of Bullion from Sub-Custodian's vaults to its vault at the Custodian's cost and risk.

The Custodian will use reasonable care in the performance of its duties under the Custody Agreement and will only be responsible for any loss or damage suffered by the Fund as a direct result of any negligence, fraud or willful default on the Custodian's part in the performance of its duties. The Custodian's liability will not exceed the aggregate market value of the Account Balances at the time of such negligence, fraud or willful default. The Custodian is not liable for any consequential loss or loss of profit or goodwill, whether or not resulting from any negligence, fraud or willful default on the Custodian's part.

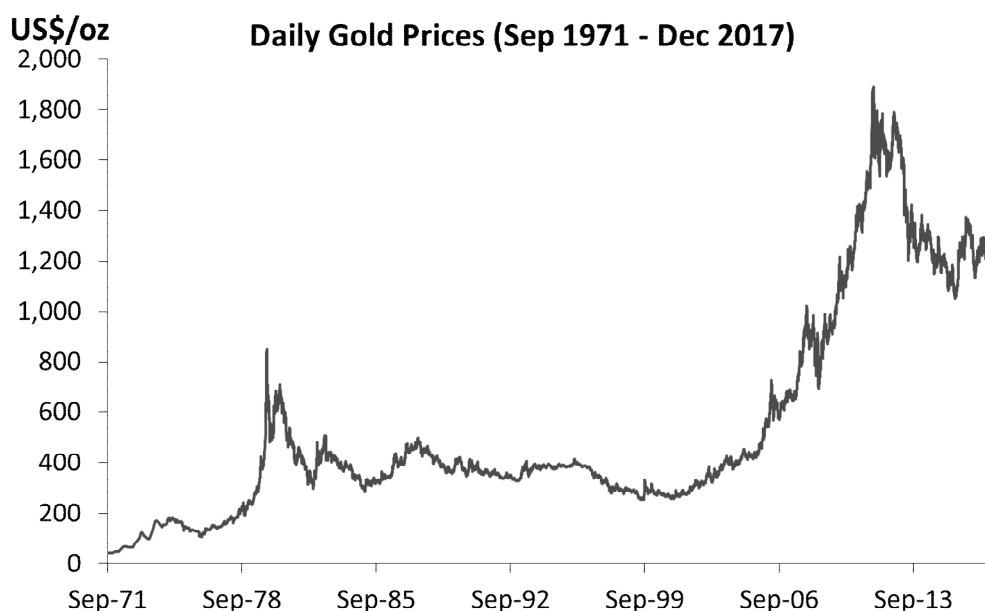
OVERVIEW OF THE GOLD MARKET

What is Gold?

Gold is a rare metallic element that is found in natural settings, mostly in veins of quartz and in certain alluvial deposits. Gold, as a precious metal, has been valued and held in high esteem since ancient times and is still one of the most highly prized metals that has, throughout the ages, been used to symbolise wealth and power. Besides its widespread monetary and symbolic functions, gold has many practical uses in dentistry, electronics, and other fields. Its high malleability, ductility, resistance to corrosion and most other chemical reactions, and conductivity of electricity led to many uses of gold, such as electric wiring and colored-glass production.

Historical Gold Price Movement (1971 to 2017)

The recent history of the gold price can be divided into three periods: A bull market of the 1970s, followed by 20 years of mediocre performance, and again an increasing gold rate since 2001. The following chart illustrates the movements in the price of gold in US dollars per ounce over the period from September 1971 to December 2017.



Source: Bloomberg; Data as of 29 Dec 2017

Since 2001 the gold price has risen steadily. This increase has a clear correlation with the growth of US national debt and the weakening of US dollars relative to other currencies. In 2005, the gold price reached USD500 for the first time since 1987. Three years later in 2008, the rate was at more than USD1,000. The financial crisis of 2008 increased the demand for physical gold and exchange-traded funds. In August 2011, the price of gold has reached a record high of over USD1,900 per troy ounce. As confidence in the dollar, pound sterling, and euro collapses, gold - seen as a safe investment - is increasing in value. The depreciation of the dollar and the downgrading of the US credit rating from AAA have been noted by analysts as causes for the rising price of gold. After more than a decade of positive return, gold price had a lower year-end close in 2013.

Looking ahead, the outlook for gold depends very much on whether investors will further increase purchases of gold in light of the ongoing uncertainty about the global economy and financial markets. The fundamental story for the backdrop of gold investment somehow stayed

unchanged, say, the extremely low interest rate prevailing in the US, the ample liquidity created under the so-called quantitative easing in various forms by different central banks and the world stays highly unstable both politically and financially.

Gold Supply and Demand

Like any other freely-traded goods or service, the price of gold is determined by the meeting of demand and supply.

On the supply side, the annual supply of gold mainly comes from a combination of newly mined gold and the recycling of above ground stocks. In the five years between 2013 and 2017, 70% of the gold supply came from newly mined production, approximately 3,195 tonnes per year. The remaining came from the recycling of fabricated products, principally jewellery. Mine production started to fall from 2001, hit by the curtailment of mine expansion plans in previous years, declining ore grades and production disruptions. Widespread producer de-leveraging and rising mining costs put a higher underneath of the gold price.

Meanwhile on the demand side, demand from jewellery, industrial use, central bank reserve and investment sources have made up the other side of the market. In the five years between 2013 and 2017, the primary source of demand came from jewellery, at approximately 2,360 tonnes per year which accounts for 55% of the total demand over the five-year period, followed by investment demand which accounts for 25%, central bank reserve which accounts for 12% and industrial use which accounts for the remaining 8%.

Gold as Investment Tool

Demand for gold has also grown among investors. Many are beginning to see commodities, particularly gold, as an investment class into which monies should be allocated. Investors can gain access to the gold market in the most traditional way, by buying physical gold. The most common form is gold bullion bars and gold bullion coins. Nowadays investors can also gain an exposure to movements in the gold price via investment vehicles such as gold certificates, gold accounts, gold derivatives (including gold forwards, futures and options traded in OTC market) and gold exchange traded funds.

Many investors have bought gold as a tactical asset in recent years in order to capitalise on the positive price outlook associated with strong demand and tight supply in the industry. Gold also has a role to play as a strategic asset, thanks to the diversification benefits it can bring to a portfolio, as well as its effectiveness as a store of value against inflation and dollar depreciation. These attributes make gold a valuable investment option in times of financial or geographical duress, as well as during periods of economic prosperity.

Gold Exchange Traded Funds

Gold exchange traded funds have grown in importance in recent years. A few years ago, it was difficult for investors to efficiently invest in gold bullion or gain access to the gold derivatives traded in OTC market. The introduction of exchange-traded gold securities is intended to lower many of the barriers such as access, custody, and transaction costs, which have prevented some investors from investing in gold.

Gold exchange traded funds offer investors a relatively cost efficient and secure way to access the gold market. Some of the gold exchange traded funds have focused primarily on ownership of gold bullion. Such gold exchange traded funds are backed by allocated gold held in a vault

on behalf of investors. They are intended to offer investors a means of participating in the gold bullion market without the necessity of taking physical delivery of gold, and to buy and sell that interest through the trading of a security on a regulated stock exchange.

Unlike traditional funds, gold exchange traded funds can be traded like shares during exchange trading hours, liquidity, convenience and transparency provided via exchange trading become distinctive advantages to investors. Gold exchange traded funds are a valuable tool for investors, including retail investors and speculators, and have been widely used by institutional investors for tactical trading, hedging, arbitrage or asset allocation. Nonetheless, gold exchange traded funds carry certain risks including those and related to the custody of gold and market trading. Please refer to the “RISK FACTORS” section of this Prospectus, in particular “Custodian Related Risk Factors” and “Market Trading Related Risk Factors” for details.

OVERVIEW OF THE ONSHORE AND OFFSHORE RMB MARKET

What Led to RMB Internationalisation?

RMB is the lawful currency of the PRC. RMB is not a freely convertible currency and it is subject to foreign exchange control policies of and repatriation restrictions imposed by the PRC government. Since July 2005, the PRC government began to implement a controlled floating exchange rate system based on the supply and demand in the market and adjusted with reference to a portfolio of currencies. The exchange rate of RMB is no longer pegged to US dollars, resulting in a more flexible RMB exchange rate system.

Over the past two decades, the PRC's economy grew rapidly at an average annual rate of 9.8% in real terms. This enables it to overtake Japan to become the second largest economy and trading country in the world. The International Monetary Fund has projected that the PRC will contribute to more than one-third of global growth by 2015. As the PRC's economy becomes increasingly integrated with the rest of the world, it is a natural trend for its currency – the RMB, to become more widely used in the trade and investment activities.

Accelerating the Pace of the RMB Internationalisation

The PRC has been taking gradual steps to increase the use of RMB outside its borders by setting up various pilot programmes in Hong Kong and neighbouring areas in recent years. For instance, banks in Hong Kong were the first permitted to provide RMB deposits, exchange, remittance and credit card services to personal customers in 2004. Further relaxation occurred in 2007 when the authorities allowed PRC financial institutions to issue RMB bonds in Hong Kong. As of the end of January 2018, there are 138 authorised institutions in Hong Kong engaging in RMB business, with RMB deposits amounting to about RMB546 billion, as compared to just RMB63 billion in 2009. As at the end of June 2017, the total size of RMB bond issuances outstanding (including Certificates of Deposit) amounted to about RMB502.2 million.

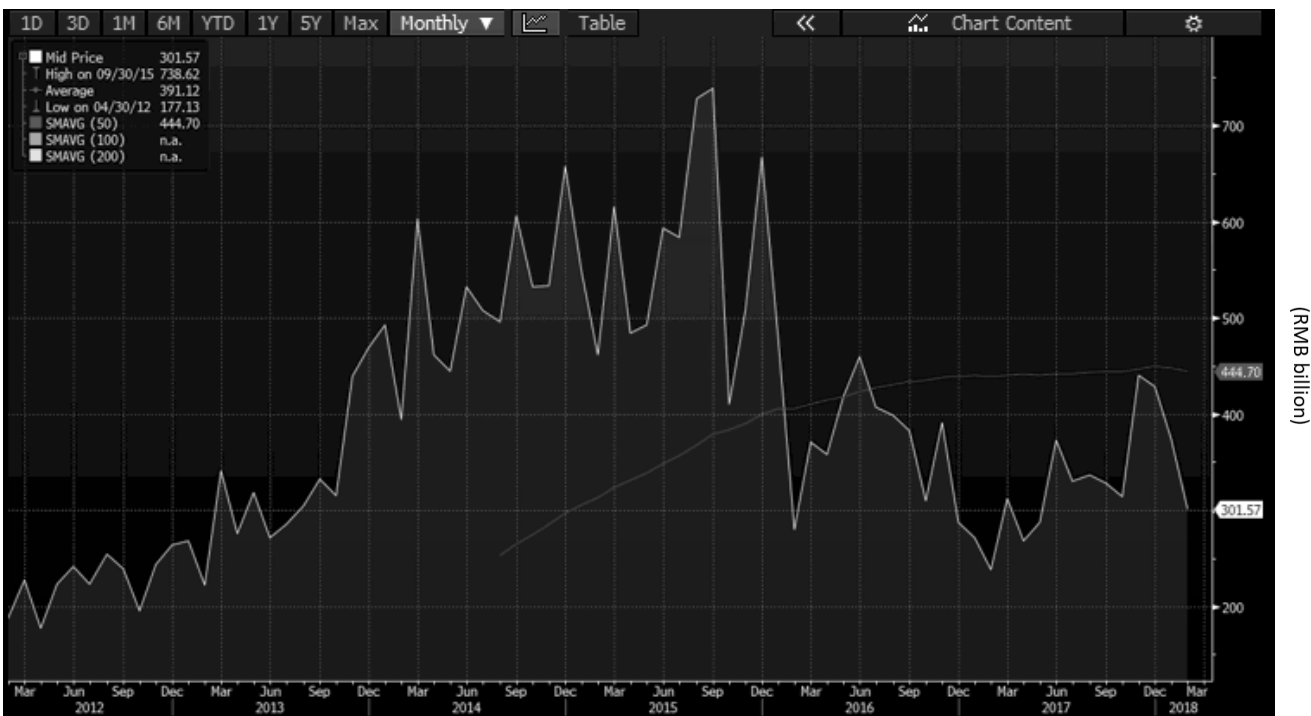
The pace of RMB internationalisation has accelerated since 2009 when the PRC authorities permitted cross-border trade between Hong Kong / Macau and Shanghai/four Guangdong cities, and between ASEAN and Yunnan/Guangxi, to be settled in RMB. In June 2010, the arrangement was expanded to 20 provinces / municipalities on the PRC and to all countries / regions overseas. In 2016, about RMB4,542 billion worth of cross-border trade was settled in Hong Kong using RMB.

RMB deposits in Hong Kong



Source: Bloomberg, as of end February 2018

Remittances for RMB cross-border trade settlement



Source: Bloomberg, as of end February 2018

Onshore versus Offshore RMB Market

Following a series of policies introduced by the PRC authorities, a RMB market outside the PRC has gradually developed and started to expand rapidly since 2009. RMB traded outside the PRC

is often referred as “offshore RMB” with the denotation “CNH”, which distinguishes it from the “onshore RMB” or “CNY”.

Both onshore and offshore RMB are the same currency but are traded in different markets. Since the two RMB markets operate independently where the flow between them is highly restricted, onshore and offshore RMB are traded at different rates and their movement may not be in the same direction. Due to the strong demand for offshore RMB, CNH used to be traded at a premium to onshore RMB, although occasional discount may also be observed. The relatively strength of onshore and offshore RMB may change significantly, and such change may occur within a very short period of time.

Notwithstanding that the offshore RMB market showed a meaningful growth during the past 2 years, it is still at an early stage of the development and is relatively sensitive to negative factors or market uncertainties. For instance, the value of offshore RMB had once dropped by 2% against the US dollars in the last week of September 2011 amidst the heavy selloff of the equities market. In general, the offshore RMB market is more volatile than the onshore one due to its relatively thin liquidity.

There have been talks on the potential convergence of the two RMB markets but that is believed to be driven by political decisions rather than just economics. It is widely expected that the onshore and offshore RMB markets would remain two segregated, but highly related, markets for the next few years.

Recent Measures

More measures to relax the conduct of offshore RMB business were announced in 2010. On 19 July 2010, with respect to the lifting of restrictions on interbank transfer of RMB funds and, as well as granting permission for companies in Hong Kong to exchange foreign currencies for RMB without limit. One month later, the PRC authorities announced the partial opening up of PRC’s interbank bond market for foreign central banks, RMB clearing banks in Hong Kong and Macau and other foreign banks participating in the RMB offshore settlement programme.

The National Twelfth Five-Year Plan adopted in March 2011 explicitly supports the development of Hong Kong as an offshore RMB business centre. In August 2011, PRC Vice-Premier Li Keqiang has announced more new initiatives during his visit, such as allowing investments on the PRC equity market through the RMB Qualified Foreign Institutional Investor scheme and the launch of an exchange-traded fund with Hong Kong stocks as the underlying constituents in the PRC. Also the PRC Government has given approval for the first non-financial PRC firm to issue RMB-denominated bonds in Hong Kong.

The Shanghai-Hong Kong Stock Connect was launched in November 2014. It is a mutual market access programme that allows investment in eligible Shanghai-listed shares through the SEHK and eligible Hong Kong-listed shares through the SSE. The Shenzhen-Hong Kong Stock Connect (which was launched in December 2016) is also a mutual market access programme that allows investment in eligible Shenzhen-listed shares through the SEHK and eligible Hong Kong-listed shares through the SZSE.

RMB Internationalisation is a Long-Term Goal

Given the PRC’s economic size and growing influence, RMB has the potential to become an international currency in the same ranks as US dollars and euro. But the PRC has to first accelerate the development of its financial markets and gradually make RMB fully convertible on

the capital account. Although the internationalisation of RMB will bring benefits such as increasing political influence and reduced exchange rate risks, it also entails risks including rising volatility of RMB exchange rate.

The process of RMB internationalisation is a long and gradual one. It took US dollars many decades to replace the British pound to become a dominant reserve currency; it will also take time for RMB to gain importance in coming years, it will not be in a position to challenge the US dollar's main reserve currency status for some time to come.

THE OFFERING

Dealings in the Units on the SEHK commenced on 14 February 2012.

Units are traded on the SEHK like ordinary stocks and in cash or in-gold creation and redemption are available to investors through Participating Dealers.

Accordingly:

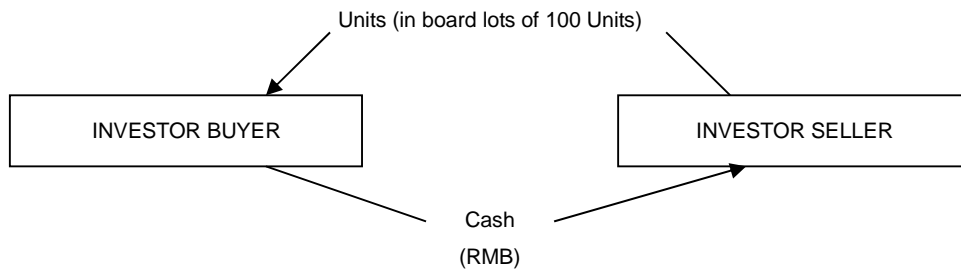
- each Participating Dealer (acting for itself or for you as its client) may apply to the Manager for creation in cash or in-gold;
- each Participating Dealer (acting for itself or for you as its client) may apply to the Manager for redemption in cash or in-gold; and
- all investors (Participating Dealers and you) may buy and sell Units in the secondary market on the SEHK.

Buying and selling of Units on the SEHK

All investors can buy and sell Units in board lots of 100 Units (or multiples thereof) like ordinary listed stocks through an intermediary such as a stockbroker or through any of the share dealing services offered by banks or other financial advisers at any time the SEHK is open for normal trading. Units that are traded on the SEHK will be quoted and settled in RMB.

However, please note that transactions in the secondary market on the SEHK will occur at market prices which may vary throughout the day and may differ from the Net Asset Value per Unit due to market demand and supply, liquidity and scale of trading spread for the Units in the secondary market. As a result, the market price of the Units in the secondary market may be higher or lower than the Net Asset Value per Unit.

The diagram below illustrates buying or selling of Units in the secondary market on the SEHK:



In choosing a stockbroker or a custodian for settlement of trading of the Units on the SEHK, investors are reminded to check whether such stockbroker or custodian has confirmed its readiness for dealing and/or clearing transactions in RMB securities and other relevant information published by the SEHK regarding readiness of its participants for dealing in RMB securities from time to time.

Please refer to the section on “EXCHANGE LISTING AND TRADING (SECONDARY MARKET)” for further information in respect of purchase and sale of Units on the SEHK.

Creations and redemptions through Participating Dealers

Units can be created and redeemed either in cash or in-gold at the Issue Price and Redemption Value respectively through Participating Dealers in a minimum number of 300,000 Units (or whole

multiples thereof or such other multiple of Units as may from time to time be determined by the Manager, approved by the Trustee and notified to Participating Dealers).

Participating Dealers may charge their clients such fee or fees as such Participating Dealers determine for any creations or redemptions on their behalf.

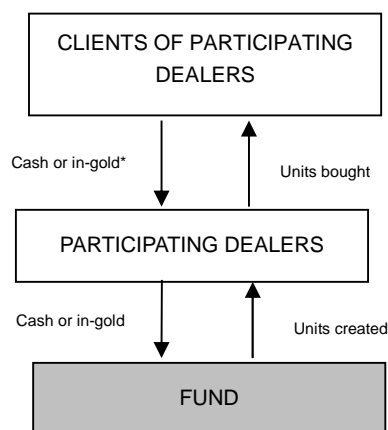
The settlement for both cash and in-gold creation is due 1 Business Day after the Dealing Day of the Creation Application. The settlements for both cash and in-gold redemption are due 2 Business Days after the Dealing Day, that is, delivering back the Units for redemption by the Participating Dealer to the Fund. In any case no extended settlement may usually be granted by the Manager. However, the Manager may, in its discretion, accept extended settlement upon extended settlement requests from the Participating Dealers, generally or in any particular case in accordance with the terms and conditions of the Operating Guidelines.

The current Dealing Deadline will be at 2:00 p.m. (Hong Kong time) on the relevant Dealing Day. The Manager may reject any Creation Application and/or Redemption Application made on a day which is not a Dealing Day and shall reject any Creation Application and/or Redemption Application made after the relevant Dealing Deadline for any particular Dealing Day.

All Units will be registered in the name of HKSCC Nominees Limited on the register of the Fund. The register of the Fund is the evidence of ownership of Units. As clients of the Participating Dealers, your beneficial interests in Units shall be established through your accounts with any Participating Dealers or with any other CCASS participants if you buy the Units on the SEHK.

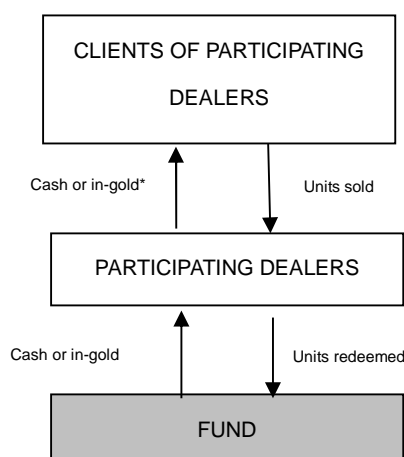
The diagram below illustrates the creation or redemption and the buying or selling of Units through Participating Dealers:

(a) Creating and buying of Units



* Whether or not a Participating Dealer will accept in-gold applications from its clients is at the discretion of the relevant Participating Dealer and subject to the terms of its agreement with its client. The Trustee, the Manager and other service providers to the Fund (except that Participating Dealer) have no responsibility for gold or cash tendered by the client to the relevant Participating Dealer.

(b) Redeeming and selling of Units



* Whether or not a Participating Dealer will effect delivery of gold to its client where an in-gold redemption has been made on behalf of the client is at the discretion of the relevant Participating Dealer and subject to the terms of its agreement with its client. The Trustee, the Manager and other service providers to the Fund (except that Participating Dealer) have no responsibility for the safekeeping or delivery of Bullion, allocated to the Participating Dealer in respect of a redemption of Units, to any client of a Participating Dealer. Neither the Trustee nor the Manager represents or warrants that gold delivered by the Participating Dealer to you as its client is Bullion and neither the Trustee nor the Manager accepts any liability in this regard.

Summary of Offering Methods and Related Fees

<u>Method of Acquisition or Disposal of Units</u>	<u>Minimum Number of Units (multiple of)</u>	<u>Channel</u>	<u>Available to</u>	<u>Consideration, Fees and Charges²</u>
Buying and selling in cash through brokers on the SEHK (secondary market)	Board lot of 100 Units	On the SEHK	Any investor with sufficient RMB	Market price of Units on SEHK Brokerage fees and duties and charges
Cash or in-gold creation and redemption	300,000 ³ (Application Unit)	Through Participating Dealers only	Underlying Clients of the Participating Dealer with sufficient RMB	Cash amount in RMB for cash creation ⁴ Basket(s) and Cash Component for in-gold creation ⁵ Transaction Fee Any fees and charges imposed by the Participating Dealer (payable to the Participating Dealer)

² Please refer to "Fees and Expenses" for further details.

³ Other multiples of Units may from time to time be determined by the Manager, approved by the Trustee and notified to Participating Dealers.

⁴ The cash amount for cash creations is the aggregate Application Amount for Units comprising the Application Unit(s) or for cash redemptions is the aggregate Redemption Value for Units (less any deductions representing an appropriate provision for Duties and Charges and/or Transaction Fee) comprising the Application Unit(s) (as the case may be).

⁵ For in-gold creations or redemptions, the Cash Component is the difference between the Net Asset Value, in aggregate, of the Units comprising the Application Unit(s) and the value of the Bullion included in the Basket(s) to be delivered rounded to the nearest one hundredth of a RMB. This Cash Component may be positive or negative, and where it is negative the Participating Dealer will receive the Cash Component from the Fund for in-gold creation and will pay the Cash Component to the Fund for in-gold redemption.

CREATIONS AND REDEMPTIONS (PRIMARY MARKET)

Investment in the Fund

There are 2 types of investors in the Fund, with 2 corresponding methods of investment in Units and realisation of an investment in Units.

The first type of investor is a Participating Dealer, being a licensed dealer that has entered into a Participation Agreement in respect of the Fund. Only a Participating Dealer can create and redeem Units directly with the Fund either on its own account or for the account of its underlying clients.

The second type of investor is a person, other than a Participating Dealer, who buys and sells the Units on the SEHK.

The section entitled “EXCHANGE LISTING AND TRADING (SECONDARY MARKET)” relates to the buying and selling of Units by the second type of investor. The following section describes the mechanism for creation by Participating Dealers which is governed by the Trust Deed and the Operating Guidelines.

Creation by Participating Dealers

Participating Dealers may apply for Units in the minimum applicable Application Unit size (or whole multiples thereof or such other multiple of Units as may from time to time be determined by the Manager, approved by the Trustee and notified to Participating Dealers) on their own account or for the account of their clients in accordance with the Operating Guidelines and the Trust Deed.

Units may be created by Participating Dealers by way of creations made either in cash or in-gold. A Creation Application, once received by the Manager, cannot be revoked or withdrawn by a Participating Dealer without the Manager’s consent except during a period of suspension of creation and redemption.

Please note that the relevant Participating Dealer may set the application or payment cut-off times for its clients that are earlier than those set out in this Prospectus.

The relevant Participating Dealer may for its own account charge fees and expenses not set out in this Prospectus for providing its services, apply its own conditions for creation of Units in addition to those set out in this Prospectus, reject any application to create through it in exceptional circumstances or impose different minimum investment amount requirements. You should contact the relevant Participating Dealer for further details before submitting an application to the relevant Participating Dealer.

Notwithstanding the above, the initial Participating Dealer has indicated to the Manager that it will generally accept requests received from third parties, subject to normal market conditions, agreement as to fees and completion of client acceptance procedures, to create Units in cash on behalf of such clients. However, whether or not a Participating Dealer will accept in-gold applications from its clients is at the discretion of the relevant Participating Dealer and subject to the terms of its agreement with its client. You should contact the relevant Participating Dealer for further details before submitting an application to the relevant Participating Dealer for it to create Units on your behalf. You should note that although the Manager has a duty to closely monitor the operations of the Fund, neither the Manager nor the Trustee is empowered to compel any Participating Dealer to disclose its fees agreed with specific clients or other proprietary or

confidential information to the Manager or the Trustee, or to accept any such application requests received from third parties. In addition, neither the Trustee nor the Manager can ensure effective arbitrage by Participating Dealer.

There are no preliminary charges payable to the Fund or the Manager on the creation of Units through a Participating Dealer. However, you (as a client of a Participating Dealer) may need to pay certain fees and charges imposed by the relevant Participating Dealer for its handling the application to create for you. You should check with the relevant Participating Dealer what fees and charges it imposes.

The Application Unit sizes for the Fund are set out in the “Key Information” section of the “SUMMARY” section. In general, only applications in Application Unit size (or whole multiples thereof or such other multiple of Units as may from time to time be determined by the Manager, approved by the Trustee and notified to Participating Dealers) will be accepted, unless otherwise agreed by the Manager.

In respect of a cash creation, the Manager shall instruct the Trustee to effect, for the account of the Fund, the creation of Units in Application Unit size in consideration for the Application Amount (as well as Duties and Charges and Transaction Fees) in accordance with the Operating Guidelines and the Trust Deed.

On a Dealing Day, Units can be created by paying in cash in RMB (i) the Application Amount, (ii) Duties and Charges, and (iii) the Transaction Fee.

In respect of an in-gold creation, the Manager shall instruct the Trustee to effect, for the account of the Fund, the creation of Units in Application Unit size in exchange for the Basket and, if applicable, a Cash Component (as well as Duties and Charges and Transaction Fees) in accordance with the Operating Guidelines and the Trust Deed. The Cash Component may be positive or negative (and where it is negative the Participating Dealer will be paid the Cash Component by the Fund and where it is positive the Participating Dealer will pay the Cash Component to the Fund).

Units will be issued at the Issue Price prevailing as at the relevant Dealing Day, provided that the Manager may add to such Issue Price such sum (if any) as represents an appropriate provision for Duties and Charges and Transaction Fees.

The Manager shall, acting in good faith, have the absolute right to reject or suspend an in cash Creation Application including but not limited to if (i) circumstances outside the control of the Manager make it for all practicable purposes impossible to process the Creation Application; (ii) the Manager has suspended the rights of Participating Dealers to create or redeem Units; or (iii) an insolvency event occurs in respect of the Participating Dealer.

The Manager shall have the absolute right to reject or suspend an in-gold Creation Application, including, but not limited to, if (i) the Manager reasonably believes that the acceptance of any Bullion may be unlawful; (ii) the acceptance of any Bullion would otherwise, in the opinion of the Manager, have an adverse effect on the Fund; (iii) circumstances outside the control of the Manager make it for all practicable purposes impossible to process the Creation Application; (iv) the Manager has suspended the rights of Participating Dealers to create or redeem Units; or (v) an insolvency event occurs in respect of the Participating Dealer.

Units are denominated in RMB (unless otherwise determined by the Manager) and no fractions of a Unit shall be created or issued by the Trustee.

Once the Units are created, the Manager shall instruct the Trustee to effect, for the account of the Fund, the issue of Units to a Participating Dealer in accordance with the Operating Guidelines and the Trust Deed.

The creation and issue of Units by a Creation Application shall be effected on the Settlement Day after (i) in respect of in-gold creations, the requisite Bullion comprised in the Basket is credited to the Fund's unallocated account with the Custodian and, if applicable, the Cash Component (as well as any Duties and Charges and Transaction Fees) is credited to the Fund's account with the Trustee or (ii) in respect of a cash creation, the RMB Application Amount (as well as any Duties and Charges and Transaction Fees) are received in the Fund's account with the Trustee, following the Creation Application having been received and accepted in accordance with the Operating Guidelines. However, for valuation purposes only, Units shall be deemed created and issued after the Valuation Point on the Dealing Day on which the relevant Creation Application was received or deemed received and the register will be updated on the Settlement Day (or the Dealing Day immediately following the Settlement Day if the settlement period is extended for creations of Units).

If (i) a Creation Application is received by the Registrar (with a copy to the Manager) on a day which is not a Dealing Day or (ii) after a Dealing Deadline (see the section on "THE OFFERING"), that Creation Application may either be rejected by the Manager or may be treated as having been received at the opening of business on the next following Dealing Day, which shall then be the relevant Dealing Day for the purposes of that Creation Application.

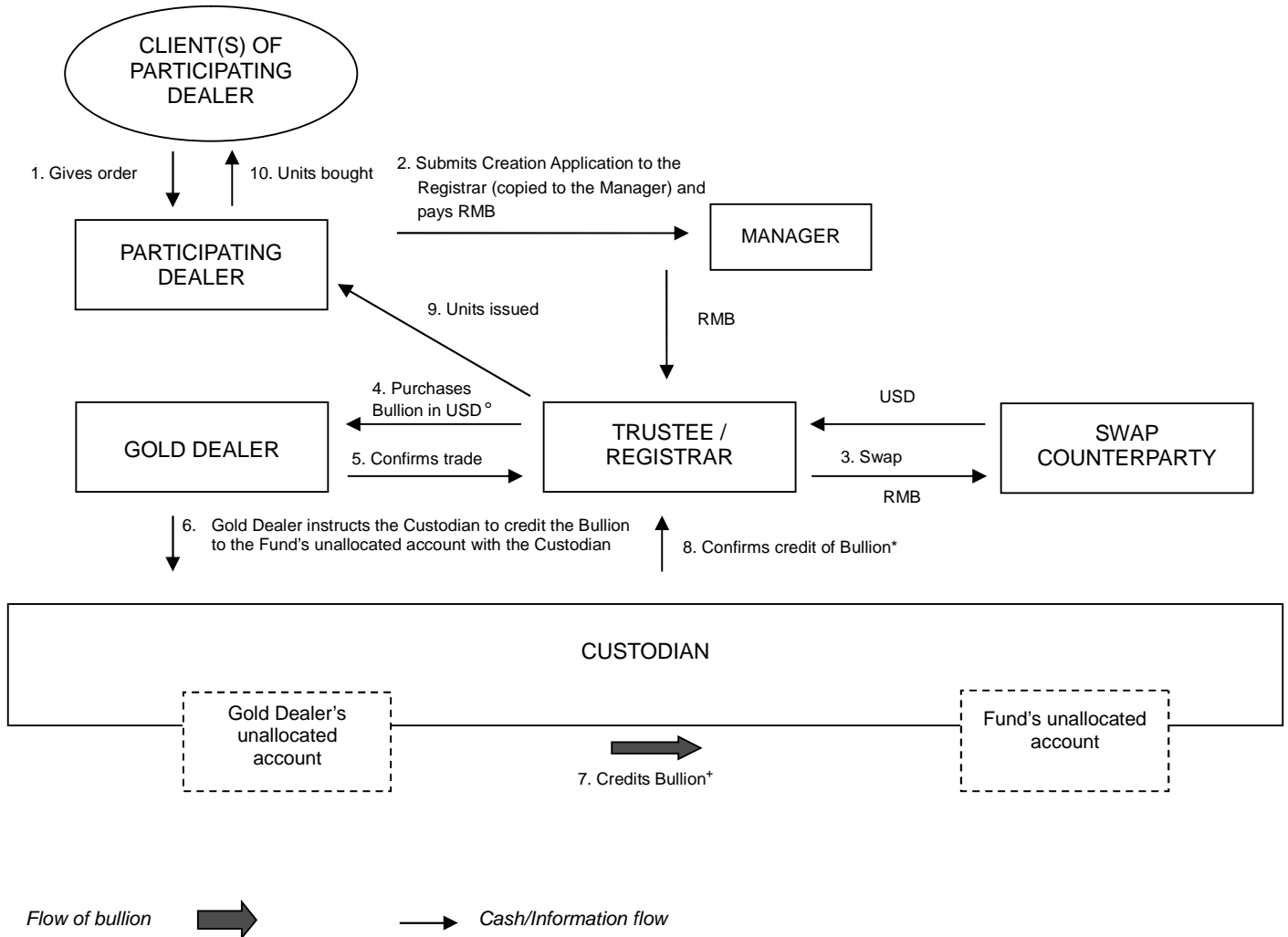
No Units shall be issued to any Participating Dealer unless (a) the Creation Application is in a form and substance satisfactory to, and accompanied by such documents as may be required by, the Trustee and the Manager in accordance with the Operating Guidelines and (b) either (i) in respect of an in-gold creation the Custodian has confirmed receipt of the requisite Bullion and its credit to the Fund's unallocated account provided that the Cash Component (if any) and fees (if any) in cleared funds are received in the Fund's account with the Trustee in accordance with the Operating Guidelines, or (ii) in respect of a cash creation, the requisite cash Application Amount and fees (if any) in cleared funds are received in the Fund's account with the Trustee in accordance with the Operating Guidelines.

The Service Agent and the Trustee may each charge a Transaction Fee in respect of Creation Applications and each may on any day vary the rate of the Transaction Fee it charges (but not as between different Participating Dealers). The Transaction Fee shall be paid by or on behalf of the Participating Dealer applying for such Units. See the section on "FEES AND EXPENSES" for further details.

Any commission, remuneration or other sum payable by the Manager to any agent or other person in respect of the issue or sale of any Unit shall not be added to the Issue Price of such Unit and shall not be paid from the assets of the Trust.

The Trustee shall be entitled to refuse to enter (or allow to be entered) Units in the register if at any time the Trustee is of the opinion that the provisions, in regard to the issue of Units, are being infringed.

The diagram below illustrates in simplified form the cash Creation Application process:

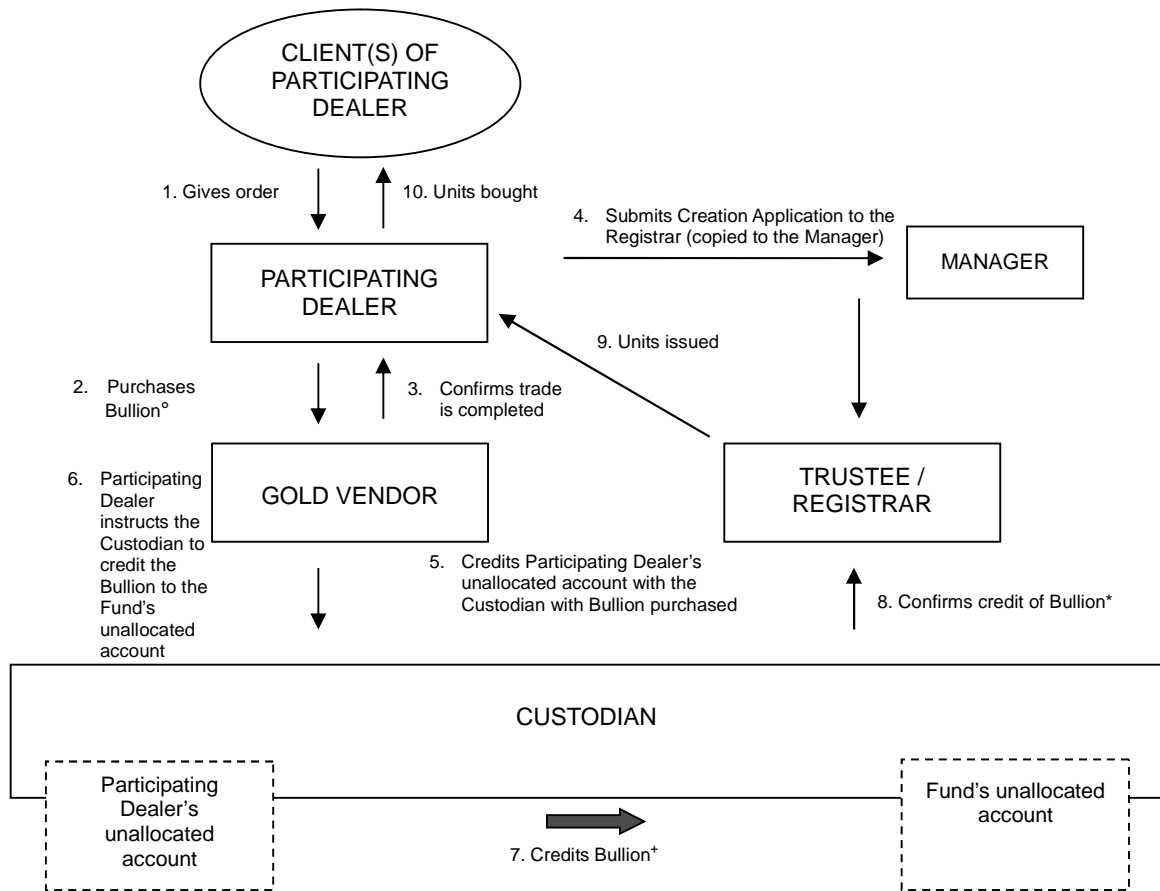


* The Custodian shall be held responsible for the risk for Bullion under custody within its premises on behalf of the Fund. The credit of Bullion between unallocated accounts and the transfer to allocated account within the Custodian shall not change such responsibility. However the transfer of Bullion's title occurs when Bullion is transferred into the Fund's allocated account from the Fund's unallocated account (not shown).

* The Custodian shall send a credit confirmation to the Trustee to confirm that the Bullion has been credited in the Fund's unallocated account with the Custodian.

^o The Fund must purchase Bullion for each Creation Application from a Gold Dealer. The Gold Dealer will sell Bullion to the Fund direct in US dollars.

The diagram below illustrates in simplified form the in-gold Creation Application process:



Flow of Bullion Information flow

⁺ The Custodian shall be held responsible for the risk for Bullion under custody within its premises on behalf of the Fund. The credit of Bullion between unallocated accounts and the transfer to allocated accounts within the Custodian shall not change such responsibility. However transfer of Bullion's title occurs when Bullion is transferred into the Fund's allocated account from the Fund's unallocated account (not shown).

^{*} The Custodian shall send a delivery confirmation to the Trustee to confirm that the Bullion has been credited in the Fund's unallocated account with the Custodian.

^o Where the Participating Dealer does not have sufficient Bullion credited to its accounts with the Custodian, it will purchase Bullion in the market and the gold vendor will arrange for the credit of Bullion to the Participating Dealer's accounts with the Custodian. Any delivery of Bullion to the Custodian is at the Participating Dealer's risk and cost. The Fund only acquires an interest and risk in the Bullion on the credit of Bullion from the Participating Dealer's unallocated account to the Fund's unallocated account with the Custodian.

Evidence of Unitholding

Units will be deposited, cleared and settled by the CCASS. Units will only be held in registered entry form and no Unit certificates will be issued. HKSCC Nominees Limited is the registered owner (i.e. the sole Unitholder of record) of all outstanding Units deposited with the CCASS and HKSCC Nominees Limited will hold such Units for persons admitted by HKSCC as a participant of CCASS and to whose account any Units are for the time being allocated in accordance with the General Rules of CCASS. Furthermore, the Trustee and the Manager acknowledge that under the General Rules of CCASS, neither HKSCC Nominees Limited nor HKSCC has any proprietary interest in the Units. Investors owning Units in CCASS are beneficial owners as shown on the records of the CCASS participants or the relevant Participating Dealer(s) (as the case may be).

Restrictions on Unitholders

The Manager has power to impose such restrictions as it may think necessary for the purpose of ensuring that no Units are acquired or held which would result in such holding being:

- (a) a breach of the law or requirements of any country or governmental authority or any stock exchange on which the Units are listed in circumstances which, in the Manager's opinion, might result in the Fund being adversely affected which the Fund might not otherwise have suffered; or
- (b) in the circumstances which, in the Manager's opinion, may result in the Fund incurring any tax liability or suffering any other pecuniary disadvantage which the Fund might not otherwise have incurred or suffered; or
- (c) held by a US person.

Upon notice that any Units are so held, the Manager may require such Unitholders to redeem or transfer such Units in accordance with the Trust Deed. A person who becomes aware that he is holding or owning Units in breach of any of the above restrictions is required either to redeem his Units in accordance with the Trust Deed or to transfer his Units to a person whose holding would be permissible under this Prospectus and the Trust Deed in a manner that would result in such Unitholder no longer being in breach of the restrictions above.

Cancellation of Creation Application orders

The Trustee shall cancel Creation Application orders if the Fund has not received (i) in respect of a cash creation, the RMB Application Amount (ii) in respect of an in-gold creation, Bullion comprised in the Basket and, if applicable, the Cash Component (in both cases as well as any Duties and Charges and Transaction Fee) relating to the Creation Application, by the relevant deadline in accordance with the Operating Guidelines provided that the Manager may at its discretion extend the settlement period on such terms and conditions as the Manager may determine in accordance with the Operating Guidelines.

Upon the cancellation of any orders as provided for above or if a Participating Dealer otherwise withdraws a Creation Application other than in certain circumstances contemplated in the Trust Deed, any Bullion and/or cash received by or on behalf of the Trustee in connection with a Creation Application shall, in the case of Bullion, be credited to the Participating Dealer's unallocated account with the Custodian (at the Participating Dealer's risk and cost) and in the case of cash, be repaid to the Participating Dealer's bank account (without interest); and the relevant

Units shall be deemed for all purposes never to have been created and the applicant therefore shall have no right or claim against the Manager or the Trustee in respect of such cancellation provided that:

- (a) the Transaction Fee in respect of such Creation Application shall remain due and payable (notwithstanding that the Creation Application shall be deemed to never have been made) and once paid shall be retained by the Trustee and the Service Agent;
- (b) the Trustee may charge the Participating Dealer for the account of the Trustee or the Registrar an application cancellation fee (see the section on "FEES AND EXPENSES" for further details);
- (c) no previous valuations of the Trust Fund shall be re-opened or invalidated as a result of the cancellation of such Units; and
- (d) the Manager may at its discretion require the Participating Dealer to pay to the Trustee, for the account of the Fund, in respect of each Unit so cancelled, the Cancellation Compensation, being the amount (if any) by which the Issue Price of each such Unit exceeds the Redemption Value which would have applied in relation to each such Unit if a Participating Dealer, had, on the date on which such Units are cancelled, made a Redemption Application in accordance with the provision of the Trust Deed together with such other amount as the Manager reasonably determines as representing any charges, duties, expenses and losses incurred by the Fund as a result of any such cancellation.

Redemption by Participating Dealers

A Participating Dealer may redeem Units in Application Unit size on any Dealing Day on their own account or for the account of their clients in accordance with the Operating Guidelines and the Trust Deed, by submitting a Redemption Application to the Registrar (with a copy to the Manager).

Please note that the relevant Participating Dealer may set redemption cut-off times for its clients who are seeking to effect redemptions through the Participating Dealer that are earlier than those set out in this Prospectus.

The relevant Participating Dealer may for its own account charge fees and expenses not set out in this Prospectus for providing its services, apply its own conditions in addition to those set out in this Prospectus, reject any applications to redeem through it in exceptional circumstances or impose different minimum redemption size requirements. You should contact the relevant Participating Dealer for further details before submitting a redemption application to the relevant Participating Dealer.

Notwithstanding the above, the initial Participating Dealer has indicated to the Manager that it will generally accept requests received from third parties, subject to normal market conditions, agreement as to fees and completion of client acceptance procedures, to redeem Units in cash or in-gold on behalf of such clients. However, whether or not a Participating Dealer will accept in-gold applications from its clients is at the discretion of the relevant Participating Dealer and subject to the terms of its agreement with its client. You should contact the relevant Participating Dealer for further details before submitting an application to the relevant Participating Dealer for it to redeem Units on your behalf. You should note that although the Manager has a duty to closely monitor the operations of the Fund, neither the Manager nor the Trustee is empowered to compel any Participating Dealer to disclose its fees agreed with specific clients or other proprietary or confidential information to the Manager or the Trustee, or to accept any such application requests

received from third parties. In addition, neither the Trustee nor the Manager can ensure effective arbitrage by Participating Dealers.

There are no redemption charges payable to the Fund or the Manager on the redemption of Units by a Participating Dealer. However you (as a client of a Participating Dealer) may need to pay certain fees and charges imposed by the relevant Participating Dealer for its handling of any redemption made for you. You should check with the relevant Participating Dealer what fees and charges it imposes.

The Application Unit sizes for the Fund are set out in the “Key Information” section of the “SUMMARY” section. In general, only applications in Application Unit size (or whole multiples thereof or such other multiple of Units as may from time to time be determined by the Manager, approved by the Trustee and notified to Participating Dealers) will be accepted, unless otherwise agreed with the Manager and the Trustee.

The Manager shall, on receipt of an effective cash Redemption Application from a Participating Dealer, instruct the Trustee to effect the payment in cash of the redemption proceeds in accordance with the Operating Guidelines.

The Manager shall, on receipt of an effective in-gold Redemption Application from a Participating Dealer, instruct the Trustee to effect the redemption of the relevant Units and shall instruct the Trustee as to the amount of Bullion to be applied and included in the Basket to meet the Redemption Application. The Trustee shall then instruct the Custodian to deliver the relevant Bullion to the Participating Dealer’s unallocated account with the Custodian and the Cash Component in accordance with the Operating Guidelines and the Trust Deed. The Cash Component may be positive or negative (and where it is positive, the Participating Dealer will receive the Cash Component from the Fund and where it is negative, the Participating Dealer will pay the Cash Component to the Fund).

To be effective, a Redemption Application must:

- (a) be given by a Participating Dealer in accordance with the Operating Guidelines and comply with the requirements of the Trust Deed;
- (b) specify the number of Units which are the subject of the Redemption Application; and
- (c) include the certifications required in the Operating Guidelines (if any) in respect of redemptions of Units, together with such certifications and opinions of counsel (if any) as each of the Trustee and the Manager may separately consider necessary to ensure compliance with applicable securities, commodities and other laws in relation to the redemption of Units which are the subject of the Redemption Application.

A Redemption Application once received by the Manager cannot be revoked or withdrawn without the Manager’s consent except during a period of suspension of creations and redemptions. The Trustee may charge the Participating Dealer for the account of the Trustee or the Registrar an application cancellation fee in relation to each accepted Redemption Application that is revoked or cancelled. For valuation purposes only, Units shall be deemed to have been redeemed and cancelled after the Valuation Point as at the Dealing Day on which the Redemption Application was received.

The Redemption Value of Units tendered for redemption and cancellation shall be the Net Asset Value per Unit rounded to the nearest 4 decimal places (0.00005 or above being rounded up).

The Trustee and the Manager may deduct from the redemption proceeds such sum (if any) as the Manager may consider represents an appropriate provision for Duties and Charges and/or the Transaction Fee.

Any accepted Redemption Application will, depending on whether it is in-gold or in cash, be effected by the credit of Bullion and/or the payment of a RMB cash amount (if any) in accordance with the Operating Guidelines and the Trust Deed, on the Settlement Day provided that (i) such documentation as may be required by the Trustee (or the Registrar) has been received; (ii) where any bank account is specified by a Participating Dealer for the receipt of the cash amount (if any) in connection with the Redemption Application, it shall be subject to such verification as may be required by and to the satisfaction of the Trustee; and (iii) the full amount of any amount payable by the Participating Dealer including any Duties and Charges and the Transaction Fee have been either deducted or otherwise paid in full. All transfers of Bullion in settlement of a Redemption Application will be by way of credit from the Fund's unallocated account to the Participating Dealer's unallocated account with the Custodian. Each cash payment of redemption proceeds will be paid to the Participating Dealer's bank account.

The interval between the receipt of a properly documented Redemption Application and payment of redemption proceeds will normally be 3 Business Days after the relevant Dealing Day and payment of redemption proceeds may not exceed one calendar month provided that there is no delay in submitting all duly completed redemption documentation and the determination of the Net Asset Value is not suspended.

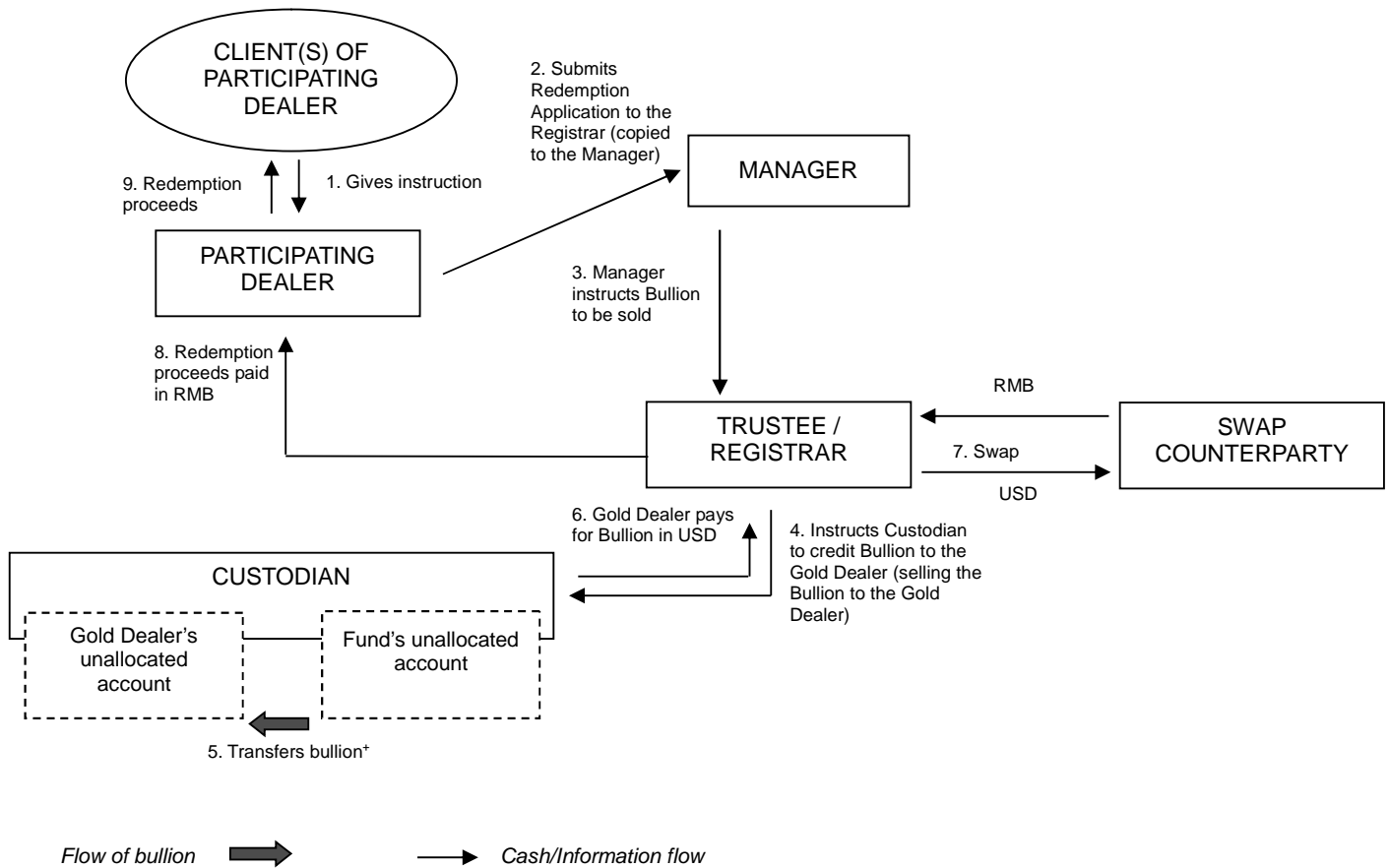
If (i) a Redemption Application is received by the Registrar (with a copy to the Manager) on a day which is not a Dealing Day or (ii) after the relevant Dealing Deadline (see the section on "THE OFFERING"), that Redemption Application may either be rejected by the Manager or may be treated as having been received at the opening of business on the next following Dealing Day, which shall then be the relevant Dealing Day for the purposes of that Redemption Application.

Where a Participating Dealer cannot deliver enough Units for a Redemption Application, the Manager may in its discretion extend the settlement period upon receipt of an extension settlement request on such terms and conditions (including as to the payment of an Extension Fee to the Trustee) as the Manager may in its discretion determine in accordance with the Operating Guidelines.

Where, in extraordinary circumstance, the remittance or payment of RMB funds necessary for the redemption of Units cannot, in the opinion of the Manager in consultation with the Trustee, be carried out due to legal, regulatory or other circumstances beyond the control of the Trustee and the Manager, redemption proceeds in respect of redemptions may be paid in US dollars or Hong Kong dollars. In such event, the Manger shall notify the SFC and publish a notice of such change on the Fund's website at www.hangsenginvestment.com.

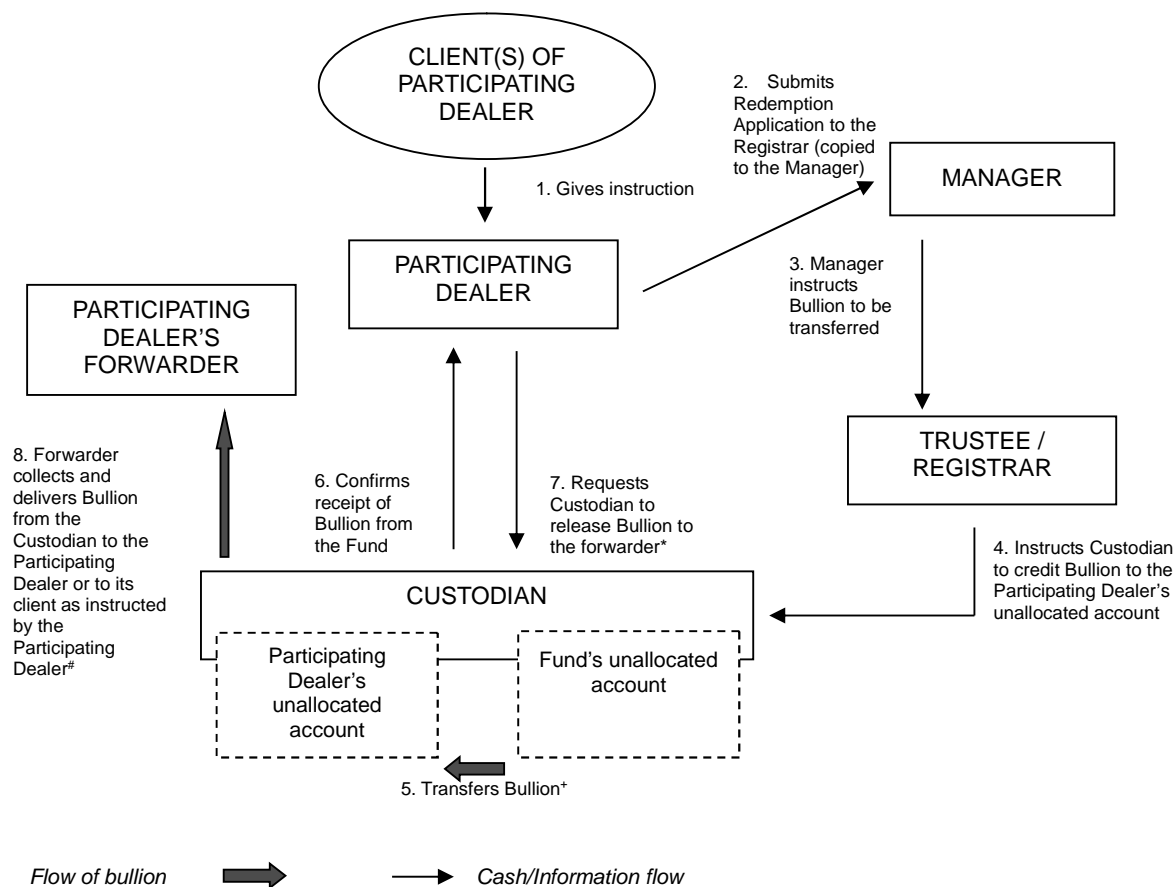
The Service Agent and the Trustee may each charge fees in respect of Redemption Applications and each may on any day vary the rate of the fees it charges (but not as between different Participating Dealers). The Transaction Fee shall be paid by or on behalf of the Participating Dealer submitting the Redemption Application(s) (and may be set off and deducted against any amount due to the Participating Dealer in respect of such Redemption Application(s)). See the section on "FEES AND EXPENSES" for further details.

The diagram below illustrates in simplified form the cash Redemption Application process for paying RMB:



* The Custodian shall be held responsible for the risk for Bullion under custody within its premises on behalf of the Fund. The credit of Bullion between unallocated accounts and the transfer from allocated accounts within the Custodian shall not change such responsibilities. The transfer of Bullion's title occurs when Bullion is transferred from the Fund's allocated account to the Fund's unallocated account (not shown). After process 5, any interest in the Bullion is transferred from the Fund to the Gold Dealer.

The diagram below illustrates in simplified form the in-gold Redemption Application process for delivering Bullion:



* The Custodian shall be held responsible for the risk for Bullion under custody within its premises on behalf of the Fund. The credit of Bullion between unallocated accounts and the transfer from allocated accounts within the Custodian shall not change such responsibilities. The transfer of Bullion's title occurs when Bullion is transferred from the Fund's allocated account to the Fund's unallocated account (not shown). After process 5, the ownership of the Bullion is transferred from the Fund to the Participating Dealer.

* Process 7 and 8 assume that the Participating Dealer has agreed with its client to pay settlement proceeds by way of delivery of Bullion to the client. (Alternatively the Participating Dealer may agree with its client to sell the Bullion and pay the settlement proceeds by cash.) The timing of process 8 onwards shall be depended on the agreed delivery date between the Participating Dealer and its clients.

After process 8 the risk is transferred from the Custodian to the forwarder (as an agent for the Participating Dealer), the Participating Dealer and/or its client or clients.

Cancellation of Redemption Application orders

No Bullion shall be credited to any Participating Dealer's unallocated account with the Custodian and, unless agreed by the Manager, no cash shall be paid in respect of any Redemption Application unless Units, which are the subject of the Redemption Application, have been delivered for redemption by the relevant deadline in accordance with the Operating Guidelines provided that the Manager may in its discretion extend the settlement period on such terms and conditions as the Manager may determine in accordance with the Operating Guidelines. In the event that Units, which are the subject of a Redemption Application, are not delivered for redemption in accordance with the foregoing:

- (a) the Transaction Fee in respect of such Redemption Application shall remain due and payable (notwithstanding that the Redemption Application shall be deemed never to have been made) and once paid, shall be retained by the Trustee and/or the Service Agent;
- (b) the Trustee may charge the Participating Dealer for the account of the Trustee or the Registrar an application cancellation fee (see the section on "FEES AND EXPENSES" for further details);
- (c) no previous valuations of the Fund shall be re-opened or invalidated as a result of the cancellation of such redemption of Units; and
- (d) the Manager may at its discretion require the Participating Dealer to pay to the Trustee, for the account of the Fund, in respect of each Unit so cancelled, Cancellation Compensation, being the amount (if any) by which the Redemption Value of each such Unit is less than the Issue Price which would have applied in relation to each such Unit if the Participating Dealer had, on the actual date when the Manager is able to repurchase any replacement investments made a Creation Application in accordance with the provisions of the Trust Deed together with such other amount as the Manager reasonably determines as representing any charges, duties, expenses and losses incurred by the Fund as a result of such cancellation.

Suspension of Creations and Redemptions

Units may not be created or redeemed during any period when the right to create or to redeem is suspended by the Manager.

The Manager may, at its discretion, at any time after giving notice to the Trustee (and where practicable, after consultation with Participating Dealers) suspend the right of Participating Dealers to create or to redeem Units and/or delay the payment of any moneys and/or delivery of Bullion in respect of any Creation Application or Redemption Application during:

- (a) any period when the London bullion market is closed; or
- (b) any period when dealings on the London bullion market are restricted or suspended; or
- (c) any period when, in the opinion of the Manager, settlement is disrupted; or
- (d) the existence of any state of affairs as a result of which delivery or purchase of gold or disposal of gold for the time being comprised in the Fund cannot, in the opinion of the Manager, be effected normally or without prejudicing the interests of Unitholders; or

- (e) any period when the LBMA Gold Price AM is not published or available; or
- (f) any period during which the Custodian cannot operate the secure vault facility at which the Fund's Bullion is held; or
- (g) any period when there is, in the opinion of the Manager, disruption in trading and settlement of RMB held outside the PRC;
- (h) any breakdown in the means normally employed in determining the Net Asset Value of the Fund or when for any other reason the value of gold or other property for the time being comprised in the Fund cannot in the opinion of the Manager, reasonably, promptly and fairly be ascertained; or
- (i) any period during which dealings or settlement in the Units on the SEHK are restricted or suspended.

A suspension shall remain in force until the earlier of (i) declaration by the Manager that the suspension is at an end; or (ii) the Business Day following the first Business Day on which (1) the condition giving rise to the suspension shall have ceased to exist and (2) no other condition under which suspension is authorised shall exist.

The Manager shall notify the SFC and publish a notice of suspension following the suspension, and at least once a month during the period of suspension, on the Fund's website at www.hangsenginvestment.com or in such other publications as it decides.

The Manager shall consider any Creation Application or any Redemption Application received during the period of suspension (that has not been otherwise withdrawn) as having been received immediately following the termination of the suspension. The period for settlement of any creation or redemption may be extended by a period equal to the length of the period of suspension. Any outstanding settlement should be completed as soon as reasonably practicable after the termination of such suspension.

A Participating Dealer may, at any time after a suspension has been declared and before termination of such suspension, withdraw any Creation Application or Redemption Application by giving notice in writing to the Manager and the Manager shall instruct the Trustee to repay any cash amount (after deduction of all relevant costs without interest) and shall give instructions to the Custodian for the transfer back of any Bullion to the Participating Dealer's account as appropriate.

Distribution Policy

The Manager does not intend to have the Fund pay or make any distributions or dividends.

EXCHANGE LISTING AND TRADING (SECONDARY MARKET)

Dealings on the SEHK in Units began on 14 February 2012.

Units are neither listed nor dealt in on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Prospectus. Application may be made in the future for a listing of Units on one or more other stock exchanges.

Units are traded on the SEHK in RMB and in board lots of 100 Units.

The purpose of the listing of the Units on the SEHK is to enable investors to buy and sell Units on the secondary market, normally via a broker/dealer in smaller quantities than would be possible if they were to create and/or redeem Units in the primary market.

The market price of a Unit listed or traded on the SEHK may not reflect the Net Asset Value per Unit. Any transactions in the Units on the SEHK will be subject to the customary brokerage commissions associated with trading and settlement through the SEHK. There can be no guarantee that once the Units are listed on the SEHK they will remain listed.

It is the Manager's expectation that at least one Market Maker will maintain a market for the Units. Broadly, the obligations of a Market Maker will include quoting bid and offer prices on the SEHK with the intention of providing liquidity.

Units may be purchased from and sold through the Market Maker. However, there is no guarantee or assurance as to the price at which a market will be made. In maintaining a market for Units, the Market Makers may make or lose money based on the differences between the prices at which they buy and sell Units, which may depend on the difference between the purchase and sale prices of Bullion which they can buy. Market Makers may retain any profits made by them for their own benefit and they are not liable to account to the Trust in respect of their profits.

If any investors wish to buy or sell Units on the secondary market, they should contact their brokers. In choosing a stockbroker or a custodian for trading of the Units on the SEHK, investors are reminded to check that such stockbrokers or custodians are eligible for dealing in RMB securities from time to time. If an investor intends to pay the related brokerage, SFC transaction levy and the SEHK trading fee by an RMB cheque, it will need to have an RMB bank account.

The Units are accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Units on the SEHK. Settlement of transactions concluded on the SEHK between participants of the SEHK is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

If trading of the Units on the SEHK is suspended or trading generally on the SEHK is suspended, then there will be no secondary market dealing for the Units. In such case the Manager will publish an announcement in accordance with the relevant SEHK rules.

DETERMINATION OF NET ASSET VALUE

Calculation of Net Asset Value

The Net Asset Value of the Fund will be determined by the Trustee as at each Valuation Point by valuing the assets of the Fund and deducting the liabilities of the Fund, in accordance with the terms of the Trust Deed.

The Fund will generally hold only Bullion and certain cash to meet its expenses. Set out below is a summary of how assets held by the Fund are valued:

- (a) any Bullion which is deliverable or delivered to the Fund shall be measured in fine weight of troy ounces and shall be valued based upon the LBMA Gold Price AM;
- (b) securities (including ETFs) that are quoted, listed, traded or dealt in on any market shall unless the Manager determines that some other method is more appropriate, be valued by reference to the price appearing to the Manager to be the official closing price, or if unavailable, the last traded price on the market as the Manager may consider in the circumstances to provide fair criterion, provided that (i) if a security is quoted or listed on more than one market, the Manager shall adopt the price quoted on the market which in its opinion provides the principal market for such security; (ii) if prices on that market are not available at the relevant time, the value of the securities shall be certified by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager; (iii) interest accrued on any interest-bearing securities shall be taken into account, unless such interest is included in the quoted or listed price; and (iv) the Manager and the Trustee shall be entitled to use and rely on electronic price feeds from such source or sources as they may from time to time determine, notwithstanding that the prices so used are not the official closing prices or last traded prices as the case may be;
- (c) cash and deposits shall be valued at their face value (together with accrued interest) unless, in the opinion of the Manager, any adjustment should be made to reflect the value thereof;
- (d) notwithstanding the foregoing, the Manager (after consultation with the Trustee) may adjust the value of any investment if, having regard to relevant circumstances, the Manager considers that such adjustment is required to fairly reflect the value of the investment;
- (e) currency conversion shall be performed by the Trustee at such foreign exchange rate or rates as it, with the prior agreement of the Manager, determines appropriate; and
- (f) the value of the foreign exchange swap and the unfunded asset swap shall be determined to be the mark to market value of such swap provided by the relevant calculation agent under the swap subject to the right of the Trustee (or such independent calculation agent or valuer appointed by the Trustee) to recalculate the same and of the Manager, with the approval of the Trustee, to adjust such value where it considers that such adjustment is required to reflect fair value. Upon the Manager's request, the relevant calculation agent of the unfunded asset swap will provide the valuation model and the supporting information to the Trustee and/or Manager for verification of the quoted swap value. In any event, the Trustee and/or the Manager shall also check at least weekly the valuation of the foreign exchange swap and the unfunded asset swap provided by the relevant calculation agent.

Investors are encouraged to review the specific provisions of the Trust Deed in relation to valuation

of assets.

Suspension of Calculation of Net Asset Value

The Manager may, after giving notice to the Trustee, declare a suspension of the determination of the Net Asset Value of the Fund for the whole or any part of any period during which:

- (a) there exists any state of affairs prohibiting the normal disposal of the Fund's holdings of Bullion or other assets; or
- (b) there is a breakdown in any of the means normally employed in determining the Net Asset Value of the Fund or the Net Asset Value per Unit, or when for any other reason the value of Bullion or other asset in the Fund cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained; or
- (c) circumstances exist as a result of which, in the opinion of the Manager, it is not reasonably practicable to realise Bullion or other assets held or contracted for the account of the Fund or it is not possible to do so without seriously prejudicing the interest of Unitholders; or
- (d) the remittance, payment or repatriation of funds which will or may be involved in the realisation of, or in the payment for, the Bullion or other assets of the Fund or the creation or redemption of Units is delayed or cannot, in the opinion of the Manager, be carried out promptly or at normal rates of exchange; or
- (e) the right to redeem or create Units is suspended.

Any suspension shall take effect upon its declaration and thereafter there shall be no determination of the Net Asset Value of the Fund until the suspension is terminated on the earlier of (i) the Manager declaring the suspension at an end, or (ii) the first Business Day on which (1) the condition giving rise to the suspension shall have ceased to exist and (2) no other condition under which suspension is authorised exists.

The Manager shall notify the SFC and publish a notice of suspension following the suspension, and at least once a month during the suspension, on the Fund's website at www.hangsenginvestment.com or in such other publications as the Manager decides.

No Units will be issued or redeemed during any period of suspension of the determination of the Net Asset Value.

Issue Price and Redemption Value of Units

Creations and redemptions by Participating Dealers are dealt with on a forward pricing basis. In other words, the Issue Price and the Redemption Value are each based on the Net Asset Value calculated as at the Valuation Point at end of each Dealing Day.

The Issue Price per Unit on any Dealing Day shall be the Net Asset Value of the Fund divided by the total number of Units in issue rounded to the nearest 4 decimal places (0.00005 or above being rounded up).

The Redemption Value per Unit on a Dealing Day shall be the Net Asset Value of the Fund divided by the total number of Units in issue rounded to the nearest 4 decimal places (0.00005 or above being rounded up).

The benefit of any rounding adjustment will be retained by the Fund.

The Issue Price and the Redemption Value (or the latest Net Asset Value of the Units) will be available on the Fund's website at www.hangsenginvestment.com or published in such publications as the Manager decides.

Neither the Issue Price nor the Redemption Value takes into account Duties and Charges, Transaction Fee or other fees payable by the Participating Dealer.

FEES AND EXPENSES

There are different levels of fees and expenses applicable to investing in the Fund as set out in the following table, as at the date of this Prospectus.

(a) Fees and expenses payable by Participating Dealers on creations and redemptions of Units	Amount
Transaction Fee	RMB12,500 ⁶ per Application
Application cancellation fee	RMB8,500 ⁷ per Application
Extension Fee	RMB8,500 ⁸ per Application
Stamp duty	Nil
All other Duties and Charges incurred by the Trustee or the Manager in connection with the creation or redemption	As applicable
(b) Fees and expenses payable by investors	Amount
<i>(i) Fees payable by clients of the Participating Dealers in respect of cash or in-gold applications for creation and redemptions to the Participating Dealer</i>	
Fees and charges imposed by the Participating Dealer	Such amounts as determined by the relevant Participating Dealer ⁹
<i>(ii) Fees payable by all investors in respect of dealings in the Units on SEHK</i>	
Brokerage	Market rates
SFC Transaction levy	0.0027% ¹⁰
SEHK trading fee	0.005% ¹¹
Stamp duty	Nil
(c) Fees and expenses payable by the Fund	(See further disclosure below)

⁶ RMB12,500 is payable to the Trustee for in-gold Creation or Redemption Application. A further HK\$1,000 is payable to the Service Agent for each book-entry deposit or withdrawal.

⁷ The Trustee may charge the Participating Dealer for the account of the Trustee or the Registrar an application cancellation fee in respect of a cancelled Creation Application or Redemption Application.

⁸ An Extension Fee is payable to the Trustee on each occasion the Manager grants the Participating Dealer's request for extended settlement in respect of a Creation Application or a Redemption Application.

⁹ The Participating Dealer may increase or waive the level of its fees in its discretion. Information regarding these fees and charges is available upon request.

¹⁰ The SFC transaction levy of 0.0027% of the trading price of the Units is payable by each of the buyer and the seller.

¹¹ The SEHK trading fee of 0.005% of the trading price of the Units is payable by each of the buyer and the seller.

No money should be paid to any person in Hong Kong which is not licensed or registered to carry on Type 1 regulated activity under Part V of the Securities and Futures Ordinance or which is not otherwise permitted to receive such money without being so licensed or registered.

Fees and Expenses Payable by the Fund

Manager's Fee

The Manager is entitled to receive a management fee of up to 1.0% per annum of the Net Asset Value of the Fund. The current management fee is 0.15% per annum of the Net Asset Value of the Fund and is accrued daily and calculated as at each Dealing Day and payable monthly in arrears. This fee is payable out of the Trust Fund.

Trustee's and Registrar's Fee

The Trustee is entitled to receive a trustee and registrar fee of up to 1.0% per annum of the Net Asset Value of the Fund. The current trustee and registrar fee is 0.12% per annum of the Net Asset Value of the Fund (subject to a minimum of RMB30,000 per month in the first 18 months and RMB65,000 per month thereafter) accrued daily and calculated as at each Dealing Day and payable monthly in arrears. The Trustee is also entitled to receive a service fee of RMB21,000 per annum accrued daily and payable quarterly in arrears as well as an ad hoc valuation fee of RMB3,500 per calculation of Net Asset Value other than at the Valuation Point on a regular Dealing Day. These fees are payable out of the Trust Fund.

The Trustee shall also be entitled to be reimbursed out of the Trust Fund all out-of-pocket expenses incurred.

Custodian's Fee

The Custodian is entitled to receive a custody fee from the Fund, currently at the rate of up to 0.10% per annum of the Net Asset Value of the Fund accrued daily and calculated as at each Dealing Day and payable monthly in arrears. This fee is payable out of the Trust Fund. In addition the Custodian is entitled to receive certain handling and packaging fees payable out of the Trust Fund where applicable.

Service Agent's Fee

The Trustee, on behalf of the Fund, will pay from the Fund all other fees chargeable by the Service Agent in connection with the Service Agent's role.

The monthly reconciliation fee of HK\$5,000 is payable by the Manager to the Service Agent out of the Trust Fund.

Swap Counterparty's Fee

The Swap Counterparty is entitled to receive spread income from its swap transactions with the Fund. This is an indirect cost to the Fund as it is built into the value of the swaps. No other fees will be payable by the Fund under the terms of the swaps.

Promotional Expenses

The Fund will not be responsible for any promotional expenses including those incurred by any marketing agents and any fees imposed by such marketing agents on their customers investing in the Fund will not be paid (either in whole or in part) out of the Trust Fund.

Other Expenses

The Fund will bear all operating costs relating to the administration of the Trust including but not limited to stamp and other duties, governmental charges, brokerages, commissions, exchange costs and commissions, bank charges, insurance and other costs and expenses payable in

respect of the acquisition, holding and realization of any gold (including Bullion) or any monies, deposit or loan, charges and expenses of its legal counsel, auditors and other professionals, LBMA consultancy or other fees (including licensing fees in respect of the LBMA Gold Price AM, if any), the costs in connection with maintaining a listing of the Units on the SEHK and maintaining the Trust's and the Fund's authorisation under the Securities and Futures Ordinance, any disbursements or out-of-pocket expenses properly incurred on behalf of the Trust and the Fund by any of its service providers, the expenses incurred in convening meetings of Unitholders, printing and distributing offering documents, notices, annual and interim financial reports, accounts and other circulars relating to the Trust and the Fund and the expenses of publishing Unit prices.

Establishment Costs

The costs of establishing the Trust including the Fund and the preparation of this Prospectus, inception fees, the costs of seeking and obtaining the listing and authorisation by the SFC and all initial legal and printing costs will be borne by the Fund. These costs are estimated to be no greater than RMB1M. These costs, if charged to the Fund, will be amortised over the first financial year of the Fund.

Increase in Fees

The fees payable to the Manager and the Trustee may be increased on one month's notice to Unitholders, subject to the maximum rates set out in the Trust Deed.

RISK FACTORS

An investment in the Fund carries various risks. Each of these may affect the Net Asset Value, yield, total return and trading price of the Units. Prospective investors should carefully evaluate the merits and risks of an investment in the Fund in the context of their overall financial circumstances, investment objective, knowledge and experience as an investor before making an investment decision. Prospective investors should note that the decision whether or not to invest remains with them. If prospective investors have any doubt as to whether or not the Fund is suitable for them, they should consult their investment adviser and obtain independent professional advice.

There can be no assurance that the investment objective of the Fund will be achieved. Prospective investors should not invest in the Fund unless they fully understand and are willing to take the various risks associated with the underlying investments of the Fund and have the financial resources necessary to bear the substantial, or even total, loss of the capital invested.

In addition, prospective investors should avoid excessive investment in any single type of investment (in terms of its proportion in the overall investment portfolio) including any proposed investment in the Fund so as to avoid having the investment portfolio being over-exposed to any particular investment risk.

The risk factors set forth below are general risks associated with investments in the Fund and prospective investors should consider the information included in this Prospectus before investing in the Fund. While such risk factors are believed by the Manager to be relevant and presently applicable to the Fund, prospective investors should however not solely rely upon these risk factors for any investment in the Fund. There may be various other risks or considerations arising from the then prevailing political, economic, social and other conditions applicable to a particular investor in its circumstances which may also need to be taken into account before making any decision to invest in the Fund.

Risk Factors Relating to Gold

The investment objective of the Fund is to provide investment results denominated in RMB that, before fees and expenses, closely correspond to the performance of the LBMA Gold Price AM. Since the LBMA Gold Price AM is a price for gold, investment in the Fund will be subject to the following risk factors relating to gold:

LBMA Gold Price AM Risk. The value of the Units will be affected by movements in the US dollar price of gold since the LBMA Gold Price AM is quoted in US dollars. Because the Units are denominated in RMB, changes in the exchange rate as between RMB and US dollars will also affect the Net Asset Value. Notwithstanding that the Manager will, by entering into the foreign exchange swap and unfunded asset swap transactions described in this Prospectus, seek to minimise the Fund's foreign exchange risk, there can be no assurance that changes in the rates of foreign exchange between RMB and US dollars may not adversely affect the Fund. To the extent that a Unitholder values its Units in another currency that value will be affected by changes in the exchange rate between RMB and that other currency. There can be no assurance that gold will maintain its value in either RMB or US dollars terms over time. In particular gold price may fluctuate widely and is affected by numerous factors beyond the Manager's or the Trustee's control, including:

- (a) global or regional political, economic or financial events and situations;

- (b) investors' expectations with respect to the future rates of inflation and movements in world equity, financial and property markets;
- (c) global gold supply and demand, which is influenced by such factors as mine production and net forward selling activities by gold producers, central bank purchases and sales, jewellery demand and the supply of recycled jewellery, net investment demand and industrial demand, net of recycling; and
- (d) investment and trading activities of hedge funds, commodity funds and other speculators.

Competition from Other Methods of Investing in Gold Risk. The Fund competes with other financial vehicles, including traditional debt and equity securities issued by companies in the gold industry, other exchange traded funds and other securities backed by or linked to gold, direct investments in gold and investment vehicles similar to the Fund. Market and financial conditions, and other conditions beyond the Manager's and Trustee's control, may make it more attractive to invest in other financial vehicles or to invest in gold directly, which could limit the market for the Units and reduce the liquidity of the Units on the SEHK.

Crises may Motivate Large Scale Sales of Gold Risk. The possibility of large scale distress sales of gold in times of crisis may have a short term negative impact on the price of gold and adversely affect an investment in the Units. For example, the 1998 Asian financial crisis resulted in significant sales of gold by individuals which depressed the price of gold. Crises in the future may impair gold's price performance which would, in turn, adversely affect an investment in the Units.

Substantial Sales of Gold by the Official Sector Risk. The official sector consists of central banks, other governmental agencies and multi-lateral institutions that buy, sell and hold gold as part of their reserve assets. The official sector holds a significant amount of gold, most of which is static, meaning that it is held in vaults and is not bought, sold, leased or swapped or otherwise mobilized in the open market. A number of central banks have sold portions of their gold over the past 10 years, with the result that the official sector, taken as a whole, has been a net supplier to the open market. Since 1999, most sales have been made in a coordinated manner under the terms of the Central Bank Gold Agreement, under which 15 of the world's major central banks (including the European Central Bank) agreed to limit the level of their gold sales and lending to the market. Although the Central Bank Gold Agreement was renewed for two five-year terms (expiring 26 September 2019), it is possible that it may not be extended further beyond 2019. In the event that future economic, political or social conditions or pressures require members of the official sector to liquidate their gold assets all at once or in an uncoordinated manner, the demand for gold might not be sufficient to accommodate the sudden increase in the supply of gold to the market. Consequently, the price of gold could decline significantly, which would adversely affect an investment in the Units.

Fixing Process for LBMA Gold Prices Risk. The LBMA Gold Price AM was launched on 20 March 2015 to replace the defunct fix for gold. Neither the Manager nor the Trustee has any control or supervision over the fixing or the price so fixed. The LBMA Gold Prices are calculated by IBA, which is a private company based in London, authorised and regulated by the United Kingdom Financial Conduct Authority. In addition, the LBMA Gold Prices are owned by Precious Metals Limited (a wholly owned subsidiary of the LBMA). Whilst most of the member firms of the LBMA will hold licences from the United Kingdom Financial Conduct Authority in respect of specific regulated activities they may undertake in the course of their various businesses, the LBMA itself is not subject to the oversight or supervision of any financial regulator. The LBMA

Gold Prices have been regulated by the United Kingdom Financial Conduct Authority since 1 April 2015.

Future Changes to the LBMA Gold Prices Risk. The LBMA Gold Price AM was launched on 20 March 2015 and may develop further over time for example to include additional auction participants or by way of a change to the tolerance within which orders will be matched to set the LBMA Gold Price AM. Any such future changes, to the extent they have a material impact on the LBMA Gold Price AM, could adversely impact the Net Asset Value of the Fund.

Other Risks Relating to the LBMA Gold Price AM. The calculations of the LBMA Gold Price AM by which the Fund's holdings of gold will be valued, is not an exact process. Rather, these are based upon a procedure of matching orders from participants in the auction process and their customers to sell the gold with orders from participants in the auction process and their customers to buy gold at particular prices. The LBMA Gold Price AM does not therefore purport to represent every single buyer or seller of gold in the market, nor does it purport to set a definitive price for gold at which all orders for sale or purchase will take place on that particular day or time. All orders placed into the auction process by the participants will be executed on the basis of the LBMA Gold Price AM (provided that orders may be cancelled, increased or decreased whilst the auction is in progress).

Further, if the LBMA Gold Price AM is discontinued, the Manager will, in consultation with the Trustee, seek the SFC's prior approval to replace the LBMA Gold Price AM with another benchmark that has similar objectives to the LBMA Gold Price AM as applicable. If the Manager and the Trustee do not agree within a reasonable period on a suitable replacement benchmark acceptable to the SFC, the Manager may, in its discretion, terminate the Fund. Upon the Fund being terminated, the amount distributed in accordance with the Trust Deed may be less than the capital invested by the Unitholder and the investors may suffer losses.

Regulatory actions/investigations and lawsuits with respect to the previous London gold fix may impact market confidence in the LBMA Gold Prices. The London Gold Market Fixing Limited's decision to discontinue the previous fixing for gold as the pricing benchmark for gold comes after increased attention has been directed to the use of various financial benchmarks and indices as price setting mechanisms for market transactions, including the previous London gold fix. The historical methods of setting the price of gold have been the subject of litigation and regulatory investigations which remain pending. Within the last two years, electronic auction methodologies have replaced the historical non-electronic auction methods of setting the price of gold. However, if there is a perception that the price of gold is susceptible to intentional disruption, or if the LBMA Gold Price AM is not received with confidence by the markets, the behavior of investors and traders in gold may reflect the lack of confidence and it may have a negative effect on the price of gold and, consequently, the value of the Units.

Auction Processes for LBMA Gold Prices Risk. While the auction processes used to establish the LBMA Gold Price AM is expected to be a transparent and auditable process in accordance with applicable benchmark regulations, there is no guarantee that the participants in the auctions may not be biased or influenced for their own purposes when participating in the auction or the auction may not be manipulated and therefore the price fixed may not reflect the fair value. Further, the operation of the auction process which determines the LBMA Gold Price AM is dependent on the continued operation of IBA and LBMA and their applicable systems. Neither the Manager nor the Trustee has any control or supervision over the auction processes of the LBMA Gold Price AM or the operation and systems of IBA and LBMA.

RMB Related Risk Factors

The Fund is denominated in RMB although the LBMA Gold Price AM is quoted in US dollars. Accordingly the Fund will be subject to the following risk factors relating to RMB:

RMB Foreign Exchange/Hedging Risk. The Net Asset Value of the Fund and of Units is denominated in RMB based on the prevailing offshore RMB exchange rate against US dollars and the investment performance of the Fund is also measured in RMB. However, the LBMA Gold Price AM and its performance are quoted in US dollars. Because the denomination of the Fund is different from the denomination of the assets which it holds, the Fund is therefore exposed to a foreign exchange risk. While the Manager will seek to reduce the effect of foreign exchange fluctuations between US dollars and RMB so that the Net Asset Value of the Fund in RMB will rise and fall by the same approximate percentages as the increases and decreases in the LBMA Gold Price AM which is denominated in US dollars, there can be no guarantee that all such foreign exchange risk can be fully eliminated (for example because the hedging strategy may be inadequate or due to the costs of hedging such fluctuations). Investors whose assets and liabilities are predominantly in Hong Kong dollars or in currencies other than RMB (being the currency in which the Units are denominated) should take into account the potential risk of loss arising from fluctuations in value between the such currencies and RMB. There is no guarantee that RMB will appreciate or depreciate in value against Hong Kong dollars or any other currency. If RMB appreciates in value, an investor may enjoy a gain in RMB terms but suffer a loss when converting funds from RMB back into Hong Kong dollars (or any other currency), and vice versa if RMB depreciates.

PRC Foreign Exchange Restrictions Risk. It should be noted that the RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies and repatriation restrictions imposed by the PRC government. Since 1994, the conversion of RMB into US dollar has been based on rates set by the PBOC, which are set daily based on the previous day's PRC interbank foreign exchange market rate. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of RMB to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. In addition, a market maker system was introduced to the interbank spot foreign exchange market. In July 2008, the PRC announced that its exchange rate regime was further transformed into a managed floating mechanism based on market supply and demand. Given the domestic and overseas economic developments, the PBOC decided to further improve the RMB exchange rate regime in June 2010 to enhance the flexibility of the RMB exchange rate. In April 2012, the PBOC decided to take a further step to increase the flexibility of the RMB exchange rate by expanding the daily trading band from +/- 0.5% to +/-1%. Effective 11 August 2015 the RMB central parity is fixed against the US dollars by reference to the closing rate of the inter-bank foreign exchange market on the previous day (rather than the previous morning's official setting). However it should be noted that the PRC government's policies on exchange control and repatriation restrictions are subject to change, and any such change may adversely impact the Fund. There can be no assurance that the RMB exchange rate will not fluctuate widely against the US dollar or any other foreign currency in the future.

Foreign exchange transactions under the capital account, including principal payments in respect of foreign currency-denominated obligations, currently continue to be subject to significant foreign exchange controls and require the approval of the SAFE. On the other hand, the existing PRC foreign exchange regulations have significantly reduced government foreign exchange controls for transactions under the current account, including trade and service related foreign exchange transactions and payment of dividends. Nevertheless, the Manager cannot predict whether the PRC government will continue its existing foreign exchange policy or when the PRC government will allow free conversion of the RMB to foreign currency.

Future Movements in RMB Exchange Rates Risk. The exchange rate of RMB ceased to be pegged to US dollars on 21 July 2005, resulting in a more flexible RMB exchange rate system. The China Foreign Exchange Trading System, authorised by the PBOC, promulgates the central parity rate of RMB against US dollars, Euro, Yen, pound sterling and Hong Kong dollar at 9:15 a.m. on each business day, which will be the daily central parity rate for transactions on the Inter-bank Spot Foreign Exchange Market and OTC transactions of banks. The exchange rate of RMB against the above-mentioned currencies fluctuates within a range above or below such central parity rate. Effective 11 August 2015, the PBOC changed the central parity system for the US dollars to a more market based system by which the central parity is set by reference to the closing rate of the inter-bank foreign exchange market on the previous day. As the exchange rates are based primarily on market forces, the exchange rates for RMB against other currencies, including US dollars and Hong Kong dollars, are susceptible to movements based on external factors. There can be no assurance that such exchange rates will not fluctuate widely against US dollars, Hong Kong dollars or any other foreign currency in the future. From 1994 to July 2005, the exchange rate for RMB against US dollar and the Hong Kong dollar was relatively stable. Since July 2005, the appreciation of RMB has begun to accelerate. Although the PRC government has constantly reiterated its intention to maintain the stability of RMB, it may introduce measures (such as a reduction in the rate of export tax refund) to address the concerns of the PRC's trading partners. Therefore, the possibility that the appreciation of RMB will be further accelerated cannot be excluded. On the other hand, there can be no assurance that RMB will not be subject to devaluation.

Offshore RMB (“CNH”) Market Risk. The onshore RMB (“CNY”) is the only official currency of the PRC and is used in all financial transactions between individuals, state and corporations in the PRC. Hong Kong is the first jurisdiction to allow accumulation of RMB deposits outside the PRC. Since June 2010, the offshore RMB (“CNH”) is traded officially, regulated jointly by the Hong Kong Monetary Authority and the PBOC. While both CNY and CNH represent RMB, they are traded in different and separated markets. The two RMB markets operate independently where the flow between them is highly restricted. Though the CNH is a proxy's of the CNY, they do not necessarily have the same exchange rate and their movement may not be in the same direction. This is because these currencies act in separate jurisdictions, which leads to separate supply and demand conditions for each, and therefore separate but related currency markets.

However, the current size of RMB-denominated financial assets outside the PRC is limited. As at 30 June 2016, the total amount of RMB (CNH) deposits held by institutions authorised to engage in RMB banking business in Hong Kong amounted to approximately RMB712 billion. In addition, participating authorised institutions are also required by the Hong Kong Monetary Authority to maintain a total amount of RMB (in the form of cash and its settlement account balance with the Renminbi Clearing Bank) of no less than 25% of their RMB deposits, which further limits the availability of RMB that participating authorised institutions can utilise for conversion services for their customers. RMB business participating banks do not have direct RMB liquidity support from PBOC. The Renminbi Clearing Bank only has access to onshore liquidity support from PBOC (subject to annual and quarterly quotas imposed by PBOC) to square open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement and for individual customers. The Renminbi Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source RMB from the offshore market to square such open positions. Although it is expected that the offshore RMB market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the relevant

settlement agreements between Hong Kong banks and the PBOC will not be terminated or amended in the future which will have the effect of restricting availability of RMB offshore. The limited availability of RMB outside the PRC may affect the ability of investors to acquire Units or sell Units of the Fund, hence affecting the liquidity and trading price of the Units on the SEHK. To the extent the Manager is required to source RMB in the offshore market, there is no assurance that it will be able to source such RMB on satisfactory terms, if at all.

Offshore RMB (“CNH”) Remittance Risk. RMB is not freely convertible at present. The PRC government continues to regulate conversion between RMB and foreign currencies despite the significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. Participating banks in Hong Kong have been permitted to engage in the settlement of RMB trade transactions under a pilot scheme introduced in July 2009. This represents a current account activity. The pilot scheme was extended in June 2010 to cover 20 provinces and municipalities in the PRC and to make RMB trade and other current account item settlement available in all countries worldwide. On 25 February 2011, MOFCOM promulgated the Circular on Issues concerning Foreign Investment Management (商務部關於外商投資管理工作有關問題的通知) (the "MOFCOM Circular"). The MOFCOM Circular states that if a foreign investor intends to make investments in the PRC (whether by way of establishing a new enterprise, increasing the registered capital of an existing enterprise, acquiring an onshore enterprise or providing loan facilities) with RMB that it has generated from cross-border trade settlement or that is lawfully obtained by it outside the PRC, MOFCOM's prior written consent is required. While the MOFCOM Circular expressly sets out the requirement of obtaining MOFCOM's written prior-consent for remittance of RMB back in the PRC by a foreign investor, the foreign investor may also be required to obtain approvals from other PRC regulatory authorities, such as the PBOC and SAFE, for transactions under capital account items. As the PBOC and SAFE have not promulgated any specific PRC regulation on the remittance of RMB into the PRC for settlement of capital account items, foreign investors may only remit offshore RMB into the PRC for capital account purposes such as shareholders' loan or capital contribution upon obtaining specific approvals from the relevant authorities on a case-by-case basis. There is no assurance that the PRC government will continue to gradually liberalise the control over cross-border RMB remittances in the future, that the pilot scheme introduced in July 2009 (as extended in June 2010) will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of RMB into or outside the PRC. Such an event could have a severe adverse effect on the operations of the Fund, including limiting the ability of the Fund to redeem and pay the Redemption Value in RMB and the ability of Participating Dealers to create or redeem in cash and so to settle in RMB to their underlying clients. In addition, such restrictions could cause Units to trade on the SEHK at a significant discount to the Net Asset Value per Unit.

RMB Related Swap Risk. The Fund will enter into a foreign exchange swap in respect of RMB to facilitate investment in Bullion sold in US dollars, and together with an unfunded asset swap to manage and hedge the foreign exchange rate changes between US dollars and RMB. Both swaps are derivatives. A derivative is a financial contract or instrument the value of which depends on, or is derived from, the value of an underlying asset such as a currency. Derivatives have a high degree of price variability and are subject to occasional rapid and substantial changes. Compared to conventional investments such as securities, derivatives can be more sensitive to changes in interest rates or to sudden fluctuations in market prices. In addition, many derivatives, including the swaps entered by the Fund, are not traded on exchanges. As a result, where the Fund engages in transactions involving derivatives, it is subject to the risk of the inability or refusal to perform with respect to such contracts on the part of any counterparties with which that Fund trades and as such may also expose the Fund to additional liquidity risks. If the Swap Counterparty with which the Fund effects transactions cease making markets or quoting prices, the Fund might

be unable to initiate a transaction or effect an offset transaction with respect to an open position, which might adversely affect its performance. This risk is also affected by the fact that over-the-counter derivatives markets are generally not regulated by government authorities and participants in these markets are not required to make continuous markets in the contracts they trade

The use of the swaps may expose the Fund to several additional risks, including:

- (a) credit risks (the exposure to the possibility of loss resulting from the Swap Counterparty's failure to meet its financial obligations under either or both of the swaps);
- (b) market risk (adverse movements in the price of a financial asset);
- (c) legal risks (the characterisation of a transaction or a party's legal capacity to enter into it could render the financial contract unenforceable, and the insolvency or bankruptcy of the Swap Counterparty could pre-empt otherwise enforceable contract rights);
- (d) operations risk (inadequate controls, deficient procedures, human error, system failure or fraud);
- (e) documentation risk (exposure to losses resulting from inadequate documentation of the Swap);
- (f) systemic risk (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system affecting the operations of the Swap Counterparty);
- (h) concentration risk (exposure to losses from the concentration of closely related risks such as exposure under both swaps to a particular entity, such as the Swap Counterparty);
- (j) settlement risk (the risk faced when the Fund may have performed its obligations under the swap but has not yet received value from the Swap Counterparty and vice versa); and
- (j) replacement risk (the risk faced if the Manager has to find an alternative or successor Swap Counterparty for any reason) which could include (i) the need to enter swaps on less favourable terms to those presently enjoyed by the Fund, (ii) inferior credit worthiness of the new Swap Counterparty, and (iii) higher fees charged by the new Swap Counterparty and related costs.

In the event of any of the above situations, the ability of the Fund to achieve its investment objective may be impaired.

RMB Trading and Settlement of Units Risk. The trading and settlement of RMB-denominated securities are recent developments in Hong Kong and there is no assurance that there will not be problem with the systems or that other logistical problems will not arise. Although end-to-end simulation trading and clearing of listed RMB products testing sessions and payment pilot runs for participants of the SEHK were held by the SEHK in March, September and October 2011, some stockbrokers may not have participated in such testing sessions and pilot runs and for those who have, not all of them may be able to successfully complete such testing sessions and pilot runs, there is no assurance of their readiness for dealing in RMB denominated securities. Investors should note that not all stockbrokers may be ready and able to carry out trading and settlement of

Units of the Fund and thus they may not be able to deal in the Units through some stockbrokers.

Non-RMB or Late Settlement Redemption Risk. Where, in extraordinary circumstances, the remittance or payment of RMB funds on the redemption of Units cannot, in the opinion of the Manager in consultation with the Trustee, be carried out normally due to legal or regulatory circumstances beyond the control of the Trustee and the Manager, redemption proceeds may be delayed or, if necessary in exceptional circumstances, be paid in US dollars or Hong Kong dollars instead of in RMB (at an exchange rate determined by the Manager after consultation with the Trustee). As such, there is a risk that investors may not be able to receive, through Participating Dealers, settlement upon a redemption of Units in RMB (and may receive US dollars or Hong Kong dollars) or may receive settlement in RMB on a delayed basis.

Custodian Related Risk Factors

The custody of Bullion for the Fund is different to custody arrangements typical in mutual funds/unit trusts which invest in equities and bonds. As such the attention of investors is drawn to the following risk factors which relate to the custody arrangements relevant to the Fund:

Custody outside Hong Kong Risk. The Fund's Bullion will be held by the Custodian at its secure London vault premises and, where needed, at the vaults of Sub-Custodians. Access to the Fund's Bullion could be restricted by natural events, such as flooding, or human actions, such as terrorist attack. These "force majeure" type events cannot be predicted and are outside the control of the Manager and the Trustee.

Custodian Insolvency Risk. Although the owners of gold do not have a proprietary interest in unallocated gold held by the Custodian, if the Custodian becomes insolvent, the Fund's gold (to the extent that it has been allocated) should belong to the Fund. Accordingly even if the Custodian's assets may not be adequate to satisfy the claims of its creditors in the event of insolvency, the Fund's allocated assets should be segregated from the Custodian's own assets or those of its clients and recoverable although the Fund may incur expenses in connection with asserting its claims. There is a risk of delay and costs incurred in identifying any Bullion held in an allocated account. In addition, whilst the Trustee shall undertake periodic visits to the Custodian at least once a year connected to the Fund, the Fund will rely upon the Custodian properly allocating the Bullion. With regard to unallocated gold and/or if allocation had not been done or had been done incorrectly, the Fund may rank as an unsecured creditor in respect of such unallocated gold in the event of the Custodian's insolvency.

Loss, Damage or Theft Risk. There is a risk that part or all of the Fund's Bullion held by the Custodian could be lost, damaged or stolen and such Bullion may not be insured. Any of these events and other unforeseeable events may adversely affect the operations of the Fund and, consequently, an investment in the Units.

Inadequate Sources of Recovery Risk. Unitholders' recourse against the Fund, the Trustee, the Manager and the Custodian under Hong Kong law may be limited. The Fund itself does not insure its gold. The Custodian will at its discretion maintain insurance with regard to its business on such terms and conditions as it considers appropriate. Any Bullion transferred to the Custodian (or to a third party holding to the Custodian's order) must be in the form of bars which comply with the Good Delivery Rules for Gold and Silver Bars published by the LBMA or in such other form as may be agreed between the Trustee and the Custodian. This means that any insurance cover may not pay the actual value of any Bullion lost or destroyed. Accordingly the Trustee and the Manager do not have the ability to dictate the existence, nature or amount of coverage of the Custodian's insurance. It is therefore possible that the Custodian may not maintain adequate insurance with respect to the Bullion held by the Custodian on behalf of or credited to the account

of the Fund. Consequently, a loss may be suffered with respect to the Fund's Bullion which is not covered by insurance.

Although the Trustee, as trustee of the Fund, has overall responsibility for custody of the Fund's assets, all Bullion will be safekept by the Custodian and the liability of the Custodian is limited under the Custody Agreement between the Trustee and the Custodian which establishes the Fund's custody arrangements. The Custodian will use reasonable care in the performance of its duties under the Custodian Agreement and assumes responsibility for the safety of, and loss and damage of, the Bullion properly delivered to, and held in custody by it. However where the Custodian acts in accordance with the Custody Agreement then the Custodian is only liable for any loss or damage suffered by the Fund as a direct result of any negligence, fraud or willful default on the Custodian's part in the performance of its duties, and in which case the Custodian's liability will not exceed the aggregate market value of the (unallocated bullion account and the allocated bullion account) Account Balance at the time of such negligence, fraud or willful default. The Custodian is not liable for any consequential loss, or loss of profit or goodwill, suffered by the Fund whether or not resulting from any negligence, fraud or willful default on the Custodian's part. As a result, the recourse of the Trustee, the Manager and the Unitholders under Hong Kong law is limited under the terms of the Custody Agreement. Under each Participating Dealer's unallocated bullion account agreement (between the Custodian and a Participating Dealer), the Custodian is not contractually or otherwise liable for any losses suffered by any Participating Dealer or Unitholder that are not the direct result of its own gross negligence, fraud or willful default in the performance of its duties under such agreement, and in no event will its liability exceed the market value of the balance in the Participating Dealer's unallocated account at the time such gross negligence, fraud or willful default is discovered by the Custodian.

In addition, the Custodian will not be liable for any delay in performance or any non-performance of any of its obligations under the allocated bullion accounts agreement, the unallocated bullion accounts agreement or the Participating Dealer's unallocated bullion accounts agreement by reason of any cause beyond its reasonable control, including acts of God, war or terrorism. As a result, the recourse of the Trustee or a Unitholder, under English law, is limited. Furthermore, under English common law, the Custodian or any Sub-Custodian will not be liable for any delay in the performance or any non-performance of its custodial obligations by reason of any cause beyond its reasonable control.

Gold may be held by one or more Sub-Custodians appointed by the Custodian until it is transported to the Custodian's London vault premises (as soon as reasonably practicable). Under the allocated bullion accounts agreement, the Custodian is not liable for the acts or omissions or insolvency of its Sub-Custodians except to the extent directly resulting from the Custodian's fraud, negligence or bad faith in the appointment of that Sub-Custodian. The Custodian and the LBMA market-making members that provide bullion vaulting and clearing services to third parties have entered into an agreement to be bound by certain rules that will govern the operation of bullion clearing by members. If at any time the Custodian is in a bilateral dispute with a Sub-Custodian who is also a LBMA market-making member over an issue which is subject to the rules and such dispute cannot be resolved, then the Custodian and such LBMA market-making member shall submit their grievances to another mutually agreed member not involved in the dispute to seek a resolution. In the absence of a resolution, the dispute will be passed to the directors of the LPMCL for consideration. If the directors are unable to resolve such dispute then the dispute shall be submitted for final resolution by arbitration under the Rules of the London Court of International Arbitration. The LBMA's rules may be subject to change outside the control of the Fund. Under English law, the Trustee would not have a supportable breach of contract claim against a Sub-Custodian for losses relating to the safekeeping of Bullion. If the Fund's Bullion is lost or damaged while in the custody of a Sub-Custodian, the Fund may not be able to recover damages

from the Trustee, the Custodian or the Sub-Custodian.

The obligations of the Custodian under the allocated bullion accounts agreement, the unallocated bullion account agreement and the Participating Dealer unallocated bullion account agreement are governed by English law. The Custodian may enter into arrangements with Sub-Custodians, which arrangements may also be governed by English law. The Fund is a Hong Kong unit trust. A Hong Kong court may have difficulty interpreting English law, the LBMA rules or the customs and practices in the London custody market. It may be difficult or impossible for the Fund to sue a Sub-Custodian in Hong Kong. In addition, it may be difficult, time consuming and/or expensive for the Fund to enforce in a foreign court a judgment rendered by a Hong Kong court.

If the Fund's Bullion is lost, damaged, stolen or destroyed under circumstances rendering a party liable to the Fund, the responsible party may not have the financial resources sufficient to satisfy the Fund's claim. For example, as to a particular event of loss, the only source of recovery for the Fund might be limited to the Custodian or one or more Sub-Custodians or, to the extent identifiable, other responsible third parties (e.g., a thief or terrorist), any of which may not have the financial resources (including liability insurance coverage) to satisfy a valid claim of the Fund.

Neither the Unitholders nor any Participating Dealer has a right under the Custody Agreement to assert a claim of the Trustee against the Custodian or any Sub-Custodian; claims under the Custody Agreements may only be asserted by the Trustee on behalf of the Fund.

Gold Allocated May Not Be Bullion Risk. Neither the Trustee nor the Custodian independently confirms the fineness of the gold allocated to the Fund in connection with the creation of a Basket, however the Bullion allocated by the Custodian for the Fund must be in the form of bars which comply with The Good Delivery Rules for Gold and Silver Bars published by the LBMA or in such other form agreed between the Trustee and Custodian. The bullion allocated to the Fund by the Custodian may be different from the reported fineness or weight required by the LBMA's standards for gold bars delivered in settlement of a gold trade, or the London Good Delivery Standards, the standards required by the Fund. However, under the Custody Agreement the Custodian has agreed with the Trustee that the Trustee has the right to request the Custodian to replace any gold bar which does not comply with the Good Delivery Rules for Gold and Silver Bars published by the LBMA. Nevertheless Units may have been issued against such gold, and if the Custodian fails to satisfy its obligation to credit the Fund the amount of any deficiency, the Fund may suffer a loss.

Sub-Custodian Risk. Under the allocated bullion account agreement, the Custodian has agreed that it will hold all of the Fund's gold in its own London vault premises except when the gold has been allocated in a vault other than the Custodian's London vault premises, and in such cases the Custodian has agreed that it will use commercially reasonable efforts to transport the gold to the Custodian's London vault, at the Custodian's cost and risk as soon as reasonably practicable. Nevertheless, there will be periods of time when some portion of the Fund's gold will be held by one or more Sub-Custodians appointed by the Custodian.

The Sub-Custodians which the Custodian currently uses are the Bank of England, Brinks Limited, Via Mat International, G4S and LPMCL clearing members that provide bullion vaulting and clearing services to third parties – some of which use, for example, Brinks Limited and Via Mat International. The Custodian is required under the allocated bullion accounts agreement to use reasonable care in selecting and appointing its Sub-Custodians but the Custodian is not liable for the acts or omissions or insolvency of its Sub-Custodians except to the extent directly resulting from the Custodian's fraud, negligence or bad faith in the appointment of that Sub-Custodian. These Sub-Custodians may in turn appoint further sub-custodians, but the Custodian is not responsible for the appointment of these further sub-custodians. Furthermore, the Trustee may have no right

to visit the premises of any Sub-Custodian for the purposes of examining the Fund's gold or any records maintained by the Sub-Custodian.

In addition, the ability of the Trustee to monitor the performance of the Custodian may be limited because under the Custody Agreement the Trustee has only limited rights to visit the premises of the Custodian for the purpose of examining the Fund's Bullion and certain related records maintained by the Custodian.

Unallocated Account Risk. Gold which is part of a deposit for a creation order or part of redemption proceeds will be held for a time in the Fund's unallocated account and, previously or subsequently in, the Participating Dealer unallocated account of the creating or redeeming Participating Dealer. During those times, the Fund and the Participating Dealer, as the case may be, will have no proprietary rights to any specific bars of gold held by the Custodian and will each be an unsecured creditor of the Custodian with respect to the amount of gold held in such unallocated accounts. In addition, if the Custodian fails to allocate the Fund's gold in a timely manner, in the proper amounts or otherwise in accordance with the terms of the unallocated bullion account agreement, or if the Custodian fails to so segregate gold held by it on behalf of the Fund, unallocated gold will not be segregated from the Custodian's assets, and the Fund will be an unsecured creditor of the Custodian with respect to the amount so held in the event of the insolvency of the Custodian. In the event the Custodian becomes insolvent, the Custodian's assets might not be adequate to satisfy a claim by the Fund or the Participating Dealer for the amount of gold held in their respective unallocated gold accounts.

In the case of the insolvency of the Custodian, a liquidator may seek to freeze access to the gold held in all of the accounts held by the Custodian, including the Fund allocated account. Although the Fund would be able to claim ownership of properly allocated gold, the Fund could incur expenses in connection with asserting such claims, and the assertion of such a claim by the liquidator could delay creations and redemptions of Units.

Bullion Allocated on Creation of Units Risk. Neither the Trustee nor the Manager independently confirms the fineness, weight or conformity with London Good Delivery of the Bullion delivered to the Custodian in the Fund's unallocated and allocated accounts, in connection with the creation of Units. The gold allocated to the Fund within the Custodian's secure vault, may be different from the reported fineness or weight required for Bullion. In such circumstance, the Custodian has agreed with the Trustee that the Trustee has the right to request the Custodian to replace any gold bar which does not comply with the Good Delivery Rules for Gold and Silver Bars published by the LBMA. However should the Custodian fail to do so the Fund may suffer a loss.

Failure to Appoint Replacement Custodian Risk. The Custody Agreement does not have any expiry date; however, the Trustee or the Custodian may terminate the Custody Agreement pursuant to the relevant provisions therein. If the Custody Agreement is terminated and the Custodian ceases to act as a custodian but no replacement custodian acceptable to the SFC is appointed upon such cessation, the Fund will be unable to maintain its SFC authorisation. Furthermore, under the Trust Deed, the Trustee or the Manager may terminate the Fund if the Custodian ceases to be able to provide custody services in respect of the Fund and no replacement provider of a secure vault is found (within sixty Business Days of the date of cessation) which is acceptable to both the Manager and the Trustee.

Investment Related Risk Factors

In addition to the risk factors relating specifically to gold and to RMB, the following risk factors also

apply to the Fund:

Redemption in the Absence of a Participating Dealer Risk. At the date of this Prospectus, the Manager has entered into one Participation Agreement with a single Participating Dealer. This enables the Participating Dealer to request the creation of new Units and/or require the redemption of existing Units. If the existing Participating Dealer was to withdraw at any time and no additional Participating Dealer had entered into a Participation Agreement with the Manager, no new Units could be created and a Unitholder who was not also a Participating Dealer would not be able to request the redemption of Units held by it.

Limited Operating History and Management Experience Risk. The Manager has had experience in establishing and operating numerous equities unit trusts (but not commodities exchange traded funds) in particular physical exchange traded funds.

Gold Dealing Risks. For any redemptions by investors through Participating Dealers in cash if a Participating Dealer by agreement with its investor client sells any Bullion it receives from the Fund, it will be relying on the credit of the counterparty to that Bullion sale transaction. If any counterparty fails to settle such trade, the Participating Dealer's obligation to pay the gross proceeds of sale received from the sale of such Bullion to its investor client may under the terms of its agreement with the redeeming investor client be reduced by the amount of the deficiency in payment received from the counterparty. The Fund has no liability for agreements to create or redeem between investors who are clients of Participating Dealers and the Participating Dealers.

Trust and Fund Expenses Risk. Each outstanding Unit represents a fractional, undivided interest in the Bullion and other assets held by the Fund. The Fund does not generate any income and as the Fund needs to sell Bullion and/or assets to pay for its ongoing expenses. Whenever Bullion is sold for that purpose the amount of Bullion represented by each Unit will gradually decline over time. This is also true with respect to Units that are issued in exchange for additional deposits of Bullion into the Fund, as the amount of Bullion required to create Units proportionately reflects the amount of Bullion represented by the Units outstanding at the time of creation. Assuming a constant LBMA Gold Price AM, the Net Asset Value per Unit is expected to continue to gradually decline relative to the price of Bullion as the amount of Bullion represented by the Units gradually declines. Investors should be aware that the gradual decline in the amount of Bullion represented by the Units will occur regardless of whether the trading price of the Units rises or falls in response to changes in the price of Bullion.

Sale of the Fund's Gold to Pay Expenses Risk. The Manager may sell Bullion or other assets held by the Fund to pay the Fund's expenses on an as needed basis irrespective of then current gold prices. The Fund is not actively managed and no attempt will be made to buy or sell gold to protect against or to take advantage of fluctuations in the price of gold. Consequently, the Fund's gold may be sold at a time when the gold price is low, resulting in a negative effect on the value of the Units.

Termination Timing Risk. If the Fund is terminated under the provisions of the Trust Deed, for example where the Manager goes into liquidation, such termination could occur at a time which is disadvantageous to Unitholders, such as when gold prices are lower than the LBMA Gold Price AM at the time when Unitholders purchased their Units. In such a case, when the Fund's Bullion is sold as part of the Fund's liquidation, the resulting proceeds distributed to Unitholders will be less than if gold prices were higher at the time of sale.

Failure to Achieve Investment Objective Risk. There can be no assurance that the investment objective can be achieved. It is possible that an investor may lose a proportion or all of its

investment in the Fund where the investment objective is not achieved and/or where the LBMA Gold Price AM declines. As a result, each investor should carefully consider the costs of investing in the Fund.

Gold Market Risk. The Net Asset Value of the Fund is expected to change with changes in the market value of the Bullion it holds. The price of Units may go down as well as up. There can be no assurance that the Fund will achieve its investment objective or that an investor will achieve profits or avoid losses, significant or otherwise. The capital return of the Fund is based on the capital appreciation of the Bullion which it holds and the hedging return from the Fund's swaps, less expenses incurred. The Fund's return may fluctuate in response to changes in such capital appreciation (if any). Furthermore, the Fund will experience volatility and decline in a manner that corresponds with the LBMA Gold Price AM. Investors in the Fund are exposed to, amongst others, similar risks that investors who invest directly in gold would face although the nature of the transactions and the rights of investors differ.

Passive Investment Management Risk. The Fund is not actively managed. Accordingly, the Fund may be affected by a decline in the LBMA Gold Price AM. The Fund invests in gold 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. Investors should note that the lack of discretion on the part of the Manager to adapt to market changes due to the inherent investment nature of the Fund will mean that falls in the LBMA Gold Price AM are expected to result in corresponding falls in the value of the Units.

Business Climate Risk. In the current economic environment, global markets are experiencing very high level of volatility. Such volatility may have an adverse effect on the LBMA Gold Price AM's, and therefore the Fund's, performance. Investors may lose money by investing in the Fund.

Management Risk. Because there can be no guarantee that the Fund's performance will fully replicate the movement of the LBMA Gold Price AM, it is subject to management risk. This is the risk that the Fund's investment strategy, the implementation of which is subject to some constraints, may not produce the intended results and that the tracking error may accordingly be higher than predicted.

Commodities Risk. The investments of the Fund, i.e. Bullion, are subject to risks inherent in all commodities (including settlement and counterparty risks). The value of holdings of gold may fall as well as rise. The global markets are currently experiencing very high levels of volatility and instability, resulting in higher levels of risk than is customary (including settlement and counterparty risks).

Tracking Error Risk. The Net Asset Value of the Fund may not correlate exactly with the LBMA Gold Price AM. Factors such as the fees and expenses of the Fund, costs associated with the Fund's ongoing operations, the frequency of dealings and the size of the net RMB proceeds received by the Fund, US dollars and RMB foreign exchange hedging, movement in RMB to US dollars exchange rate, the market conditions at the relevant time, the rounding of Bullion prices and changes to the regulatory policies may affect the Manager's ability to achieve close correlation with the LBMA Gold Price AM. The Manager will monitor and seek to manage such risk in minimising tracking error. Although the Manager will cause the Fund to enter into the foreign exchange swap and the unfunded asset swap, these factors, most of which are beyond the control of the Manager, may cause the Fund's performance to deviate from the LBMA Gold Price AM. Investors should note that the tracking error may be higher than the Manager's anticipation due to factors beyond the control of the Manager, especially in the event of extreme market fluctuations.

In the event that the actual tracking error is significantly higher than the Manager's anticipation, the performance of the Fund may be adversely affected.

Concentration Risk. The Fund is concentrated in a particular commodity, i.e. gold. As such, the Fund may be adversely affected by the performance of industries, sectors, or events that are related to gold and to its production and sale. As such the Fund will be subject to price volatility. The Fund may also be more susceptible to the effects of any single economic, market, political or regulatory occurrence.

Non-diversification Risk. The Fund may likely be more volatile than a broad-based fund, such as a global equity fund, as it is susceptible to fluctuations in the price of gold resulting from supply and demand of a single commodity, i.e. gold.

Counterparty Risk. With regard to transactions with the Manager and/or the Trustee on account of the Fund in relation to the Fund's assets, the Fund is exposed to the risk that a counterparty may not settle a transaction in accordance with its agreement such as the Operating Guidelines (including, for example, where a Gold Dealer seller or a Participating Dealer fails to deliver or instruct a credit or allocation of Bullion due to a credit or liquidity problem of the Gold Dealer seller or a Participating Dealer, or due to the insolvency, fraud or regulatory sanction of the Gold Dealer seller or a Participating Dealer, as appropriate) or the relevant swap agreement, thus causing the Fund to suffer a loss. In particular, in the event of an insolvency or default by the Swap Counterparty, the Fund may be exposed to RMB/US dollars foreign exchange risk on an unhedged basis. Given that the swaps are to be rolled over on a daily basis, the Manager does not anticipate that any loss to the Fund arising from such default or insolvency would exceed 10% of the Net Asset Value of the Fund. Please also refer to the risk factor "RMB Related Swap Risk" above.

Deposits of cash with a custodian, bank or financial institution ("custodian or depository") or of gold with the Custodian will also carry counterparty risk as the custodian or depository or Custodian may be unable to perform their respective obligations due to credit-related and other events like insolvency of or default of them. In these circumstances the Fund may be required to unwind certain transactions and may encounter delays of some years and difficulties with respect to court procedures in seeking recovery of the Fund's Bullion. With regard to the Custodian, no more than 430 ounces of Bullion are expected to be held in the Fund's unallocated account at the close of business (London time) on each Business Day. Unless it fails to fulfill its obligations to so allocate, most of the Fund's Bullion should be allocated and so should be protected in the event of the insolvency of the Custodian (although there may still be delays in obtaining delivery of the Fund's Bullion in these circumstances). However, in respect of the Fund's unallocated accounts with the Custodian, the Fund would, in the event of the insolvency of the Custodian, rank as an unsecured creditor.

Trading Risk. While the creation/redemption feature of the Fund is designed to make it likely that Units will trade on the SEHK close to their Net Asset Value, disruptions to creations and redemptions may result in trading prices that differ significantly from the Net Asset Value. The secondary market prices of Units will fluctuate in accordance with changes in the Net Asset Value and supply and demand on the SEHK. The Manager cannot predict whether Units will trade below, at, or above their Net Asset Value. Since, however, Units must be created and redeemed at Net Asset Value, large discounts or premiums to the Net Asset Value of Units are theoretically not likely to be sustained over the long term. However, if the Manager suspends creations and/or redemptions of Units of the Fund, the Manager expects larger discounts or premiums to the Net Asset Value.

No Market in the Units Risk. Although the Units are to be listed on the SEHK and one or more Market Makers have been appointed, investors should be aware that there may be no liquid trading market for the Units or that such Market Maker(s) may cease to fulfil that role. Further, there can be no assurance that Units will experience trading or pricing patterns similar to those of exchange traded funds which are traded on the SEHK and which are based upon indices.

Liquidity Risk. A investor buying Units in small numbers may not necessarily be able to find other buyers should that investor wish to sell. To address this risk, one or more Market Makers have been appointed. There are also a number of limitations on the conversion of RMB. These factors may affect the amount of RMB available for investors to invest in Units on the SEHK and accordingly adversely affect the market demand for the Units. In turn this may affect the liquidity and trading price of the Units in the secondary market. Therefore, Unitholders may not be able to sell their Units in the secondary market in as timely a manner as some other equity products denominated in Hong Kong dollars listed in Hong Kong, and the trading price may not fully reflect the intrinsic value of the Units.

Indemnity Risk. Under the Trust Deed, the Trustee and the Manager have the right to be indemnified.

In the absence of fraud, willful default or negligence by the Manager or the Trustee respectively, neither of them shall incur any liability by reason of any error or law or any matter or thing done or suffered or omitted to be done in good faith under the Trust Deed. Nothing in any of the provisions of the Trust Deed shall exempt the Trustee or the Manager (as the case may be) from or indemnify it against any liability for breach of trust or any liability which by virtue of any rule of law would otherwise attach to it in respect of any negligence, fraud, default, breach of duty or trust of which either the Trustee or the Manager (as the case may be) may be liable in relation to its duties.

Each of the Trustee and the Manager shall be entitled to an indemnity against any action, costs, claims, damages, expenses or demands (other than those arising out of any liability or obligation to the Unitholders imposed on the Trustee or Manager pursuant to the laws of Hong Kong) to which it may be subject as Trustee or Manager (as the case may be) and to have recourse to the assets of the Fund in respect of such action, costs, claims, damages, expenses or demands which have been made or arose out of or, where such action, costs, claims, damages, expenses or demands relate to the Fund as a whole or any part of the Fund or the Trust.

In the event that the Manager enters into any agreement, arrangement, dealing or transaction of any kind with any third party (including, without limitation, third party brokers) for and on behalf of the Fund to which the Trustee is not a party, the Manager is required by the Trust Deed to ensure that in any such agreement, arrangement, dealing or transaction the liability of the Trustee to the third-party cannot exceed at any time the net amount that the Trustee is entitled and able to draw from the assets subject to the Fund, to indemnify itself as trustee for its obligations to the third party under that dealing or transaction, so that if the net amount that the Trustee is entitled to draw from the assets subject to the Fund to indemnify itself as trustee for its obligations to the third party is reduced to zero, or the property subject to the Fund is exhausted, all liability of the Trustee to the third party under that contract, agreement or instrument shall be extinguished.

Any reliance by the Trustee or the Manager on the right of indemnity would reduce the assets of the Fund and the value of the Units.

Market Trading Related Risk Factors

Because the Fund is an exchange traded fund listed on the SEHK, the Fund is subject to the following risk factors relating to market trading:

Liquidity Risk. Although Units are listed for trading on the SEHK, there can be no assurance that an active trading market for such Units will develop or be maintained. In addition, if the Bullion which comprises the Fund's assets has limited trading, or if the spreads are wide, this may adversely affect the price of the Units and the ability of an investor to dispose of its Units at the desired price. If a Unitholder needs to sell its Units at a time when no active market for them exists, the price it receives for its Units (assuming it is able to sell them) is likely to be lower than the price received if an active market did exist.

Suspension of Trading Risk. Investors and potential investors will not be able to buy, nor will investors be able to sell, Units on the SEHK during any period in which trading of the Units is suspended. The SEHK may suspend the trading of Units whenever the SEHK determines that it is appropriate in the interests of a fair and orderly market to protect investors. The creation and redemption of Units may also be suspended if the trading of Units is suspended.

Effect of Redemptions Risk. If a Participating Dealer agrees with its clients to make significant redemptions on their behalf and to pay such clients RMB (or any other currencies) but makes an in-gold Redemption Application, it may not be possible for that Participating Dealer to liquidate the Bullion in a timely manner or the Participating Dealer may be able to do so only at prices which the Participating Dealer believes does not reflect the true value of such Bullion, possibly resulting in an adverse effect on the return to the Participating Dealer's clients.

In addition, the Manager may also in certain circumstances suspend the determination of the Net Asset Value of the Fund for the whole or any part of any period. Please see the section headed "DETERMINATION OF NET ASSET VALUE" for further details.

Units May Trade Other Than at Net Asset Value Risk. Units may trade on the SEHK at prices above (at a premium) or below (at a discount) the most recent Net Asset Value. The Net Asset Value per Unit of the Fund is calculated at the end of each Business Day and fluctuates with changes in the market value of the Fund's holdings. The trading prices of the Units will be a function of supply and demand amongst investors wishing to buy and sell Units and the bid-offer spread that Market Makers are willing to quote for Units, which fluctuate continuously throughout the trading hours based on market supply and demand rather than Net Asset Value. The trading price of the Units may deviate significantly from Net Asset Value particularly during periods of market volatility or when there is any suspension of creations or redemptions. Any of these factors may lead to the Units trading at a premium or discount to the Net Asset Value. On the basis that Units can be created and redeemed in Application Units at Net Asset Value, large discounts or premiums to Net Asset Value are theoretically not likely to be sustained over the long term. While the creation/redemption feature is designed to make it likely that the Units will normally trade at prices close to the Fund's next calculated Net Asset Value, trading prices are not expected to correlate exactly with the Net Asset Value of the Fund due to reasons relating to timing as well as market supply and demand factors. In addition, disruptions to creations and redemptions or the existence of extreme market volatility may result in trading prices that differ significantly from Net Asset Value. In particular, if an investor purchases Units at a time when the market price is at a premium to Net Asset Value or sells when the market price is at a discount to Net Asset Value, then the investor may sustain losses.

Cost of Trading Units in the Secondary Market Risk. Buying or selling Units involves various types of costs that apply to all securities transactions. When trading Units through a broker investors will incur a brokerage commission or other charges imposed by the broker. In addition,

investors will also incur the cost of the trading spread, being the difference between what investors are willing to pay for the Units (bid price) and the price they are willing to sell Units (ask price). Frequent trading may detract significantly from investment results and an investment in Units may not be advisable particularly for investors who anticipate regularly making small investments.

No Right to Control the Funds Operation Risk. Investors will have no right to control the daily operations, including investment and realisation decisions, of the Fund or of the Trust.

Secondary Market Trading Risk. Units may trade on the SEHK when the Fund does not accept Creation Applications and Redemption Applications from Participating Dealers. On such days, Units may trade in the secondary market with more significant premiums or discounts than might be experienced on days when the Fund accepts Creation Applications and Redemption Applications.

Reliance on the Manager Risk. The Fund is managed by the Manager and the performance of the Fund is largely dependent on the services and skills of its officers and employees. In the case of loss of service of the Manager or any of its key personnel, as well as any significant interruption of the Manager's business operations or in the extreme case the insolvency of the Manager, the Trustee may not find successor managers quickly and the new appointment may not be on equivalent terms or of similar quality. Therefore, the occurrence of those events could cause a deterioration in the Fund's performance and investors may lose money in those circumstances.

Reliance on Market Makers Risk. Investors should note that liquidity in the market for the Units may be adversely affected if there is no Market Maker for the Fund. The Manager will seek to mitigate this risk by ensuring at least one Market Maker for the Fund gives not less than three months' notice prior to terminating market making under the relevant market making agreement. However, investors should note that Units of the Fund are traded and settled in RMB. There may be less interest by potential market makers making a market in Units denominated in RMB. Furthermore, any disruption to the availability of RMB may adversely affect the capability of market makers in providing liquidity for the Units.

Reliance on Participating Dealers Risk. The creation and redemption of Units may only be effected through Participating Dealers. Although each Participating Dealer shall be required to indicate to the Manager that it will generally create and redeem for its clients (as outlined in the section entitled "Creation by Participating Dealers"), whether or not a Participating Dealer agrees with its clients to create or redeem Units for them has to be agreed between the relevant client and that Participating Dealer. A Participating Dealer may charge a fee for providing this service. Participating Dealers will not be able to create or redeem Units during any period when, amongst other things, dealings on the SEHK are restricted or suspended, settlement or clearing of securities through the CCASS is disrupted or the LBMA Gold Price AM is not published. In addition, Participating Dealers will not be able to issue or redeem Units if some other event occurs that impedes the calculation of the Net Asset Value of the Fund. Since the number of Participating Dealers at any given time will be limited, and there may even be only one Participating Dealer at any given time, investors will not be able to create or redeem Units freely.

Different Trading and Opening Hours of the SEHK and London Gold Market Risk. The Trading hours of the SEHK, on which the Units are to be listed, do not match the gold fixing hours of the London bullion market because Hong Kong is in a different time zone to the United Kingdom. The London bullion market is an "over-the-counter" (OTC) principal to principal market where trading can occur throughout the day. However twice daily during London trading hours there is a fix which provides reference gold prices for the day's trading. One of the fixes, in the morning

(London time), is the LBMA Gold Price AM. The morning session of the fix starts at 10.30 am (London time) and the afternoon session of the fix starts at 3.00 p.m. (London time). The Fund will seek to track the LBMA Gold Price AM. This means that the reference price for Unitholders will be the price determined in London the previous Business Day and this price will not be updated during the trading hours of the SEHK. The lack of real time valuation of Bullion could mean that Units may trade at a premium or discount to Net Asset Value or that the Net Asset Value per Unit may not reflect movements in the OTC market price for Bullion.

Regulatory and Other Risk Factors

The Fund is regulated. However certain regulatory and other risks still apply to the Fund:

Reliance on the same Group. Although separate legal entities and operationally independent, each of the Trustee, the Registrar, the Manager, the Listing Agent, the Custodian, one of the Participating Dealers, one of the Market Makers, the Gold Dealer and the Swap Counterparty are presently part of the same financial group, being subsidiaries of HSBC Holdings plc (i.e. the Group). Whilst each of these entities is regulated to engage in its activities and in the provision of services in respect of the Fund, in the event of a financial catastrophe or the insolvency of any member of the Group, there may be adverse implications for the business of the Group as a whole or other members of the Group which could affect the provision of services to the Fund. In such event the Net Asset Value of the Fund may be adversely affected and its operation disrupted.

In addition, it should be noted that given that the Trustee, the Registrar, the Manager, the Listing Agent, the Custodian, one of the Participating Dealers, one of the Market Makers, the Gold Dealer and the Swap Counterparty are all members of the Group, conflicts of interest in respect of the Fund may arise from time to time amongst any of them. In particular, for example the Manager and the Trustee may be in dispute with the Custodian or the Participating Dealer concerning the fineness of gold. The Manger will vigorously manage any such conflict in the best interest of investors. The attention of investors is drawn to the section headed "Conflicts of Interest and Soft Dollars".

Withdrawal of SFC Authorisation Risk. Each of the Trust and the Fund has been authorised as a collective investment scheme by the SFC under Section 104 of the Securities and Futures Ordinance. Authorisation by the SFC of the Fund does not imply official approval or endorsement of the LBMA Gold Price AM. The SFC reserves the right to withdraw the authorisation of the Fund or impose such conditions as it considers appropriate. There can be no assurance that the Fund will continue to meet the conditions necessary to maintain the SFC authorisation. If any such conditions cannot be met, the Fund will be unable to maintain its SFC authorisation. If the Manager does not wish the Fund (including if the SFC no longer considers the LBMA Gold Price AM to be an acceptable benchmark) to continue to be authorised by the SFC, the Manager will give Unitholders at least 3 months' notice of the intention to seek SFC's withdrawal of such authorisation. In addition, any authorisation granted by the SFC may be subject to certain waivers which may be withdrawn or varied by the SFC. If as a result of such withdrawal or variation of waivers it becomes illegal, impractical or inadvisable to continue the Trust or the Fund, the Trust or the Fund, as the case may be, will be terminated.

Legal and Regulatory Risk. The Fund must comply with regulatory constraints or changes in the laws affecting it or its investment restrictions which might require a change in the Fund's investment policy and objective. Furthermore, such change in the laws may have an impact on the market sentiment which may in turn affect the LBMA Gold Price AM and as a result the performance of the Fund. It is impossible to predict whether such an impact caused by any change of law will be positive or negative for the Fund. In the worst case scenario, a Unitholder may lose a

material part of its investment in the Fund.

Units may be Delisted from the SEHK Risk. The SEHK imposes certain requirements for the continued listing of securities, including the Units, on the SEHK. Investors cannot be assured that the Fund will continue to meet the requirements necessary to maintain the listing of Units on the SEHK or that the SEHK will not change the listing requirements. If the Units are delisted from the SEHK, Unitholders will have the option to redeem their Units. Where the Fund remains authorised by the SFC, the procedures set out in the Code will be observed by the Manager including as to notices to Unitholders, withdrawal of authorisation and termination, as may be relevant. Should the SFC deauthorise the Fund for any reason it is likely that Units may be required to be delisted.

Taxation Risk. Investing in the Fund may have tax implications for a Unitholder depending on the particular circumstances of each Unitholder. Prospective investors should consult their own tax advisers and counsel with respect to the possible tax consequences to them of an investment in the Units. Such tax consequences may differ in respect of different investors.

Valuation and Accounting Risk. The Manager intends to adopt Hong Kong Financial Reporting Standards ("HKFRS") in drawing up the annual accounts of the Trust and the Fund. However, you should note that the calculation of the Net Asset Value will not necessarily be in compliance with generally accepted accounting principles, that is, HKFRS. Although the LBMA Gold Price AM will be used for determining the net asset value to be reported in the annual financial reports in accordance with HKFRS, the most common differences are asset prices, the treatment of dividends and deferred tax. Accordingly, you should note that the Net Asset Value as described in this Prospectus may not necessarily be the same as the net asset value to be reported in the annual financial reports as the Manager may make necessary adjustments in the annual financial reports to comply with HKFRS. Any such adjustments will be disclosed in the annual financial reports, including a reconciliation.

Termination of the Fund Risk. The Fund may be terminated early under certain circumstances, including but not limited to if (i) the aggregate Net Asset Value of all the Units is less than RMB150 million or (ii) any law is passed or amended or regulatory directive or order is imposed which renders it illegal or in the opinion of the Manager, impracticable or inadvisable to continue the Fund or (iii) within a reasonable time and using commercially reasonable endeavours, the Manager is unable to find a person acceptable to act as the new trustee after deciding to remove the Trustee in accordance with the Trust Deed or (iv) the LBMA Gold Price AM is no longer available for benchmarking or if the Units are no longer listed on the SEHK or any other Recognised Stock Exchange or (v) at any time, the Fund ceases to have any Participating Dealer or (vi) the Custodian ceases to be able to provide custody services in respect of the Fund and no replacement provider of a secure vault is found (within sixty Business Days of the date of cessation) which is acceptable to both the Manager and the Trustee. Upon the Fund being terminated, the Trustee will distribute the net cash proceeds (if any) derived from the realisation of the investments comprised in the Fund to the Unitholders in accordance with the Trust Deed. Any such amount distributed may be more or less than the capital invested by the Unitholder.

LIQUIDITY RISK MANAGEMENT

Liquidity Risk Management Process

Liquidity risk management process is in place for the Manager to manage and monitor liquidity profile of the Fund in a prudent manner under both normal and adverse market situations.

When managing the Fund, in addition to risk factors such as market risk, credit risk, exchange rate risk, interest rate risk, etc., the portfolio management team of the Manager considers the liquidity of the Fund's investments and the corresponding impact on the liquidity profile of the Fund, as well as the Fund's potential liquidity requirement, in a manner which shall facilitate the Fund to meet its redemption obligations.

An investment liquidity risk monitoring framework is employed by the Manager to assess and manage liquidity risk of the Fund. Ongoing liquidity risk assessments and monitoring are performed, taking into account the potential liquidity requirements of the Fund and the market liquidity under normal and stressed circumstances.

In assessing the potential liquidity requirements of the Fund, the Manager considers the historical and expected redemption patterns of the Fund to the extent practicable and how concentration of holding of Units of the Fund (if any) might impact the redemption profile and hence the level of liquidity risk of the Fund.

Mechanism is in place for the Manager to assess, review and decide on the actions which may be required at short notice to meet liquidity demands of the Fund under unexpected stressed conditions.

Independent control monitoring is put in place by the Manager to ensure the ongoing implementation of the liquidity risk management process for the Fund. Liquidity risk management for the Fund is also subject to oversight by an internal committee of the Manager.

Liquidity Risk Management Tools

The following liquidity risk management tools are in place for the Manager to manage the liquidity risk of the Fund and to ensure that Unitholders are treated fairly:

Suspension of Creations and Redemptions

Under certain circumstances, the Manager may, at its discretion, after giving notice to the Trustee (and where applicable, after consultation with Participating Dealers) suspend the right of Participating Dealers to create or to redeem Units and/or delay the payment of any moneys and/or delivery of Bullion in respect of any Creation Application or Redemption Application. Units may not be created or redeemed during any period when the right to create or to redeem is suspended by the Manager. For details of such circumstances and the relevant notification arrangement by the Manager etc, please refer to the sub-section headed "**Suspension of Creations and Redemptions**" under "**CREATIONS AND REDEMPTIONS (PRIMARY MARKET)**" of this Prospectus.

Suspension of Calculation of Net Asset Value

There are circumstances in which the Net Asset Value of the Fund may not be ascertained or it is not reasonably practicable to realise any investments of the Fund. In such cases, the Manager may, after giving notice to the Trustee, declare a suspension of the determination of the Net Asset Value of the Fund. No Units will be issued or redeemed during such a period of suspension.

For details of such circumstances, please refer to the sub-section headed “**Suspension of Calculation of Net Asset Value**” under “**DETERMINATION OF NET ASSET VALUE**” of this Prospectus.

Borrowings

There may be circumstances in which sufficient cash is not readily available for payment of redemption proceeds of the Fund, e.g. redemption payment is due to be settled before proceeds from disposal of underlying investments of the Fund is received. Borrowing can be used as a liquidity risk management tool for the Fund to meet redemption obligations, subject to the restrictions as set out in the sub-section headed “**Borrowing Restriction**” under “**SCHEDULE: INVESTMENT RESTRICTIONS AND BORROWING RESTRICTION**” of this Prospectus.

Impact of the Use of the Liquidity Risk Management Tools on the Fund and Investors

The liquidity risk management tools aim to protect the interests of Unitholders under circumstances as stated above and determined by the Manager from time to time. Investors should pay attention to the impact of the use of liquidity risk management tools on the Fund and the investors:

- *Suspension of Creations and Redemptions:*
 - (1) Units may not be created or redeemed during such period of suspension. A notice of suspension following the suspension shall be published by the Manager. For the arrangement regarding any Creation Application or Redemption Application received during the period of suspension, please refer to the sub-section headed “**Suspension of Creations and Redemptions**” under “**CREATIONS AND REDEMPTIONS (PRIMARY MARKET)**” of this Prospectus.
 - (2) If the Manager suspends creations and/or redemptions of Units of the Fund, the Manager expects larger discounts or premiums to the Net Asset Value.
- *Suspension of Calculation of Net Asset Value:* Any suspension shall take effect upon its declaration and thereafter there shall be no determination of the Net Asset Value of the Fund until the suspension is terminated. No Units will be issued or redeemed during any period of suspension of the determination of the Net Asset Value.
- *Borrowings:* While borrowings may provide liquidity for the Fund, it will increase its operating expenses and hence would affect the performance of the Fund.

KEY OPERATORS OF THE FUND

The Manager and Listing Agent

The Manager and Listing Agent of the Fund is Hang Seng Investment Management Limited which is a wholly-owned subsidiary of Hang Seng Bank Limited, a member of the Group, and the investment arm of its parent.

The Manager was incorporated in Hong Kong with limited liability in April 1993 and is licensed by the SFC to conduct type 1 (dealing in securities), type 4 (advising in securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance with CE number ABT330.

Under the Trust Deed, the assets forming part of the Fund are invested, at the discretion of the Manager, in accordance with the Trust Deed. The Manager is responsible for placing purchase and sale orders for the account of the Fund and providing continuous monitoring of the assets of the Fund.

Without limiting the other powers mentioned in this Prospectus, the Manager may purchase and sell Bullion for the account of the Fund, implement hedging strategies to minimise the Fund's RMB/US dollars foreign exchange risk and, subject to the provisions of the Trust Deed, enter into such contracts including sale and purchase agreements and broker and trading agreements in accordance with the Trust Deed, as it deems appropriate in the performance of its role as Manager.

The Manager serves, among others, as manager of 4 other exchange traded funds whose units are listed on the SEHK, namely Hang Seng Index ETF, Hang Seng China Enterprises Index ETF, Hang Seng FTSE China 50 Index ETF and Hang Seng China A Industry Top Index ETF.

The directors of the Manager are as follows:

- Chan Shuk Pui, Ivy
- Kwan Wing Han, Margaret
- Lee Pui Shan
- Lee Sai Kit
- Leung Cheuk Yee, Eunice
- Ngan Man Kit
- Leung Wing Lok
- Yip Kay Chun, Katie
- Sridhar Chandrasekharan

The Trustee and Registrar

The Trustee of the Trust is HSBC Institutional Trust Services (Asia) Limited, which is a registered trust company in Hong Kong. The Trustee is an indirect wholly-owned subsidiary of HSBC Holdings plc, a public company incorporated in England and therefore a member of the Group.

The Trustee in no way acts as guarantor or offeror of the Units or any underlying investment. The Trustee has no responsibility or authority to make investment decisions in relation to the Fund or to any sub-fund under the Trust which is the sole responsibility of the Manager. Furthermore, the Trustee is not involved directly or indirectly with the sponsorship or investment management of the Fund or the Trust.

Under the Trust Deed, the Trustee is responsible for the safekeeping of the assets of the Trust. The Trustee may, however, appoint any person or persons (including a Connected Person) to be custodian of the assets of the Trust or to otherwise act as its agent. The Trustee is required to exercise reasonable care and diligence in the selection, appointment and ongoing monitoring of such persons and, must satisfy itself that such persons remain suitably qualified and competent to provide the relevant service to the Trust and/or the Fund. Provided that the Trustee has discharged such obligations, the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any custodian (including the Custodian). The Trustee shall also not be liable for any act, omission, insolvency, liquidation or bankruptcy of: (i) any depositary, clearing system; or (ii) any lender or nominee of any lender in whose name all or any of the Fund's assets are registered for the purposes of any charge or pledge in securing any borrowing for the account of the Fund. The Trustee shall not appoint any custodian in respect of a market or markets which the Trustee has determined by notice to the Manager to be emerging markets.

The Trustee will remain as the trustee of the Trust until the Trustee retires or is removed by the Manager. The circumstances under which the Trustee may be removed are set out in the Trust Deed. Any change in the trustee of the Trust is subject to the SFC's prior approval, and Unitholders will be duly notified of any such changes in accordance with the requirements prescribed by the SFC.

The Trustee will not participate in transactions or activities or make any payments denominated in US dollars, which, if carried out by a US person, would be subject to sanctions by The Office of Foreign Assets Control ("OFAC") of the US Department of the Treasury. The Group has adopted a policy of compliance with the sanctions issued by OFAC.

The Trustee will also act as the Registrar of the Fund under the terms of the Trust Deed. The Registrar provides services in respect of the register of Unitholders. In addition to the amount paid by the Manager out of the Management Fee, the Trustee will be entitled to other fees described in the section headed "FEES AND EXPENSES".

The Trustee is not responsible for the preparation of this Prospectus and therefore accepts no responsibility for any information contained in this Prospectus other than information relating to itself.

Indemnities of the Trustee and Manager

The Trustee and the Manager benefit from various indemnities in the Trust Deed. Except as provided under the Trust Deed, the Trustee and the Manager shall be entitled to be indemnified out of, and have recourse to, the Fund, in respect of any liabilities, costs, claims or demands arising directly or indirectly from the proper performance relating to the Fund. Nothing in any of the provisions of the Trust Deed shall in any case exempt either the Trustee or the Manager (as the case may be) from or indemnify them against any liability to Unitholders imposed under the laws of Hong Kong or for breach of trust through fraud or negligence for which they may be liable in relation to their duties, and neither the Trustee nor the Manager may be indemnified against such liability by Unitholders or at Unitholders' expense.

The Custodian

HSBC Bank plc acts as the Custodian and is responsible for safekeeping for the Fund's Bullion deposited with it by the Fund in connection with creations. HSBC Bank plc is a direct wholly owned subsidiary of HSBC Holdings plc incorporated in English and Wales whose registered office is at 8 Canada Square, London E14 5HQ.

HSBC Bank plc is authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and the Financial Conduct Authority in the UK. HSBC Bank plc had total assets of £810.19 billion as at 30 June 2014.

The appointment of the Custodian has been made under the Custody Agreement entered into between HSBC Bank USA, N.A. and the Trustee, as novated by a novation agreement with effect from 16 February 2015 between the Custodian, the Trustee and HSBC Bank USA, N.A..

The Custodian facilitates the transfer of gold into and out of the Fund through the unallocated gold accounts it maintains for the Participating Dealers and the Fund and the allocated gold accounts it maintains for the Fund. The Custodian is responsible for allocating specific Bullion to the allocated account of the Fund. The Custodian provides the Trustee with regular reports detailing the Bullion transfers into and out of the unallocated account and the allocated account and identifying the Bullion held in the allocated account. Any Bullion allocated to the Fund must be in the form of bars which comply with the Rules.

The Custodian's credit ratings for long term debt is "Aa3" from Moody's, "AA-" from Standard & Poor's and "AA-" from FITCH-AMR.

Any replacement or substitute Custodian in respect of the Fund shall be as agreed by the Trustee and the Manager and shall be an entity or a financial institution acceptable to the SFC and shall only be appointed following approval by the SFC. The Custodian shall not cease to act as a custodian except upon the appointment of a new custodian acceptable to the SFC; and the cessation of the Custodian's appointment shall only take effect at the same time as the new custodian takes up office.

The Custodian is not responsible for the preparation of this Prospectus and accepts no responsibility for the information in it other than in respect of itself.

The Service Agent

HK Conversion Agency Services Limited acts as Service Agent under the terms of the Service Agreement entered into among the Manager, the Trustee, the Registrar, the Participating Dealers, the Service Agent and HKSCC. The Service Agent performs, through HKSCC, certain of its services in connection with the creation and redemption of Units in the Trust by Participating Dealers.

The Auditor

The Manager has appointed KPMG to act as the auditor of the Trust (the "Auditor"). The Auditor is independent of the Manager and the Trustee.

The Participating Dealers

A Participating Dealer may act for its own account or for the account of its clients in making cash and in-gold creation and redemption applications. Each Participating Dealer must (i) be acceptable to the Manager, (ii) have an unallocated account with the Custodian, (iii) be licensed by the SFC for Type 1 (dealing in securities) regulated activity pursuant to the Securities and Futures Ordinance, and (iv) be a participant of CCASS. The current Participating Dealer is, and future Participating Dealers may be, members of the Group. The latest list of the Participating Dealers is available at www.hangsenginvestment.com.

Prior to initiating any in-gold creation or in-gold redemption order, a Participating Dealer must have entered into an agreement with the Custodian to establish a Participating Dealer's unallocated account in London, or a Participating Dealer's unallocated bullion accounts agreement. Gold held in a Participating Dealer's unallocated account is not segregated from the Custodian's assets, as a consequence of which a Participating Dealer will have no proprietary interest in any specific Bullion held by the Custodian. Credits to its Participating Dealer's unallocated account are therefore at risk of the Custodian's insolvency.

The Market Maker

A Market Maker is a broker or dealer permitted by the SEHK to make a market for the Units in the secondary market and whose obligations include quoting bid prices to potential sellers and offer prices to potential buyers when there is a wide spread between the prevailing bid prices and offer prices for the Units on the SEHK. Market Makers facilitate the efficient trading of Units by providing liquidity in the secondary market when it is required, in accordance with the market making requirements of the SEHK.

Subject to applicable regulatory requirements, the Manager intends to ensure that there is at least one Market Maker for the Fund. If the SEHK withdraws its permit to the existing Market Maker(s), the Manager will endeavour to ensure that there is at least one other Market Maker to facilitate the efficient trading of Units. The Manager will seek to ensure that at least one Market Maker is required to give not less than three months' prior notice to terminate market making under the relevant market making agreement. The latest list of market makers is available at www.hkex.com.hk and www.hangsenginvestment.com. Please refer to the section headed "Websites Information" under the "GENERAL INFORMATION" section for the warning and the disclaimer regarding information contained in such website.

The Gold Dealer

The Gold Dealer in respect of the Fund is Hang Seng Bank Limited, a principal member of the Group. The Gold Dealer will buy and sell Bullion to the Fund and must maintain an account with the Custodian. The Gold Dealer is a fully licensed bank supervised by the Hong Kong Monetary Authority and is a registered institution under the Securities and Futures Ordinance for type 1 (dealing in securities), type 4 (advising on securities), type 7 (providing automated trading services) and type 9 (asset management) regulated activities.

The Swap Counterparty

In respect of each Swap Counterparty of the Fund, the selection criteria adopted by the Manager is, at a minimum, as follows: (1) it must have a paid-up capital of the equivalent of at least HK\$150 million; (2) it or its guarantor must be a substantial financial institution (as defined under the Code) subject to an on-going prudential supervision or otherwise be acceptable to the SFC; and (3) it must have a long-term debt credit rating of at least "A" from Standard & Poor's or an equivalent rating given by other reputable rating agency. The Manager may also impose such other selection criteria as it considers appropriate. The Swap Counterparty will at all times act independently of the Manager. However, the current Swap Counterparty is, and future Swap Counterparties may be, members of the Group.

Business Contingency Plan regarding the Swap Counterparty

The Manager has put in place business contingency plans whenever there is a credit event (as

described below) of the Swap Counterparty of the relevant swap agreement, or whenever the Manager shall assess that the risk of the occurrence of such event is materially high. The following is an overview of such contingency plans. Investors should note that the Manager's contingency plans are subject to changes by the Manager from time to time as the circumstances may justify. In any case, the Manager will ensure that the interests of the Unitholders will not be adversely affected. The Manager will issue an announcement through any of the following, namely, the website of the SEHK, the Fund's website, a newspaper in Hong Kong, or any other media as the Manager thinks fit, in respect of any change(s) to the business contingency plans as soon as practicable, which may, in some cases, be after the relevant change(s) has/have been implemented.

Should a bankruptcy event that affects the Swap Counterparty of the relevant swap agreement occur, the Fund may lose an amount equal to the value of the relevant swap agreement.

The Manager will trigger the business contingency plan under the following events:

- (a) event of default affecting the Swap Counterparty of the relevant swap agreement;
- (b) downgrading of the relevant Swap Counterparty's credit rating granted by at least two credit rating agencies among Moody's, Standard & Poor's and FITCH-AMR's to a level which is strictly below "A-" for Standard & Poor's, "A-" for FITCH-AMR's and "A3" for Moody's;
- (c) the spread of 5 years credit default swap in respect of the relevant Swap Counterparty is traded or quoted on the relevant market at 5% or above;
- (d) any other event (including, without limitation, license suspension, significant litigation linked to the activities of the relevant Swap Counterparty in the derivatives business, reputation, etc.) which would materially affect the relevant Swap Counterparty's fitness and properness to act as the counterparty of the Fund under the relevant swap agreement, or any material risk of occurrence of such event; or
- (e) if, in the actual knowledge of the Manager, the relevant Swap Counterparty ceases to be a substantial financial institution (as defined under the Code).

Upon the occurrence of any of the above situations, the Manager would then opt for one of the following remedial actions:

- (a) The Manager may decide to replace the Swap Counterparty and select, as soon as possible and on a best effort basis, a new counterparty and will enter into a new swap agreements with similar terms as the relevant swap agreements with such newly selected counterparty. The new counterparty would be selected using criteria including, but not limited to, execution prices, total direct and indirect transaction costs, probability and promptness of execution and delivery (if applicable), as well as other specific criteria which may be relevant. In such cases, the Manager will arrange for the Fund to enter into the new swap agreement with the new counterparty as soon as possible. The new counterparty must satisfy all applicable regulatory requirements. Alternatively, the Manager may also propose a restructuring of the Fund by using other instruments similar to the swap agreements, in the case where no suitable new counterparty is available. Such restructuring would then be subject to review and approval by the SFC. This Prospectus would then be amended accordingly for the purpose of providing up-dated information to the Unitholders.

- (b) The Manager may also consider asking the Swap Counterparty to reset the relevant swap agreements.
- (c) If the view of the Manager is that, in the best interest of the relevant Unitholders, it is not advisable to terminate the Fund, then the Manager may use other investment approaches such as borrowing in US dollars and lending in RMB to meet the Fund's investment objective.
- (d) Eventually, if there is no new counterparty acceptable to the Manager and if, as a result, the Manager is of the view that the Fund is not able to achieve its investment objective, the Manager may decide to terminate the Fund.

Conflicts of Interest and Soft Dollars

The Manager and the Trustee may, from time to time, act as manager, sub-investment manager, investment adviser, trustee or custodian or in such other capacity in connection with any collective investment scheme separate and distinct from the Fund and retain any profit or benefit made in connection therewith.

In addition:

- (a) The Manager or any Connected Person may purchase and sell investments for the account of the Fund as agent for the Trustee.
- (b) The Trustee, the Manager and any of their Connected Persons may contract or enter into any financial, banking or other transaction with one another or with any Unitholder.
- (c) The Trustee or the Manager or any Connected Person may become the owner of Units and hold, dispose or otherwise deal with them with the same rights which it would have had if it had not been the Trustee or the Manager or the Connected Person.
- (d) The Trustee, the Manager and any of their Connected Persons may buy, hold and deal in gold for their own account or for the account of their other customers (including Participating Dealers acting for themselves or for their clients) notwithstanding that gold may be held as part of the Fund.
- (e) Any arrangements for the borrowing or deposit of any monies for the account of the Fund may be made with any of the Trustee, the Manager, any investment adviser or any Connected Person of any of them being a banker or other financial institution provided that such person shall charge or pay (as the case may be) interest or fees at a rate or amount no higher (in the case of a borrowing) or lower (in the case of a deposit) than the prevailing rates or amounts for transactions of a similar size and duration, in the same currency and with institutions of similar standing.
- (f) The Manager or any Connected Person of it may enter into transactions with the Fund as principal. Such transactions shall only be made with the prior written approval of the Trustee except where such transactions are Creation Applications, Redemption Applications, the sale or purchase of Bullion to the Fund or investment in ETFs managed by the Manager or any Connected Person of it at the prevailing net asset value of the ETF provided always that any fee or commission paid by the Fund is no greater than that which is payable at the prevailing market rate for a transaction of that size and nature and that

such transactions are transacted at arm's length.

- (g) Neither the Trustee nor the Manager nor any Connected Person shall be liable to account to each other or to the Fund or to the Unitholders for any profits or benefits made or derived from or in connection with any such transaction mentioned above.

It is, therefore, possible that any of the Trustee, the Manager or their Connected Persons may, in the course of business, have potential conflicts of interest with the Fund. Each will, at all times, have regard in such event to its obligations to the Fund and the Unitholders and will endeavour to ensure that such conflicts are resolved fairly.

None of the Manager, their delegates nor any Connected Person of any of them shall, retain any cash commission rebates or other payment or benefit received from a third party not being the Fund or the Manager arising (either directly or indirectly) out of the sale or purchase of Bullion for the Fund, and any such rebates or payments or benefits which are received shall be credited to the account of the Fund. The foregoing provision does not apply to any fees payable to the Manager, the Listing Agent, the Gold Dealer, the Swap Counterparty, the Trustee, the Registrar, the Custodian, the Participating Dealer and the Initial Market Maker as provided in this Prospectus.

The services of the Trustee provided to the Fund are not deemed to be exclusive and the Trustee shall be free to render similar services to others so long as its services hereunder are not impaired thereby and to retain for its own use and benefit all fees and other moneys payable thereby and the Trustee shall not be deemed to be affected with notice of or to be under any duty to disclose to the Fund any fact or thing which comes to the notice of the Trustee in the course of the Trustee rendering similar services to others or in the course of its business in any other capacity or in any manner whatsoever otherwise than in the course of carrying out its duties under the Trust Deed.

Conflicts of interest may also arise due to the widespread business operations of the Trustee, the Manager, the Registrar, the Custodian, the Swap Counterparty, the Gold Dealer and the Service Agent and their respective holding companies, subsidiaries and affiliates. The foregoing parties may effect transactions where those conflicts arise and shall not, subject to the terms of the Trust Deed, be liable to account for any profit, commission or other remuneration arising.

All transactions carried out by or on behalf of the Fund will be on arm's length terms. In transacting with the Swap Counterparty (if a connected person of the Manager), the Manager shall also ensure (i) it will use due care in the selection of the Swap Counterparty and ensure it is suitably qualified in the circumstance, (ii) transaction execution must be consistent with applicable best execution standards, (iii) fees payable to the Swap Counterparty in respect of a transaction must not be greater than that which the Manager reasonably estimates would be payable as a market rate for a similar transaction, (iv) the Manager will monitor the performance of the Swap Counterparty under any swap with the Fund, and (v) the fees payable to the Swap Counterparty will be disclosed in the Fund's annual financial reports.

The Manager will take all reasonable steps to identify, prevent, manage and monitor any actual or potential conflicts of interest, including conducting all transactions in good faith at arm's length and in the best interest of the Fund on normal commercial terms.

GENERAL INFORMATION

The Trust

The Trust is an umbrella unit trust established by the Trust Deed made between the Manager and the Trustee. The Trust is governed by Hong Kong law. Under the Trust, the Manager and the Trustee may from time to time establish sub-funds, the first of which is the Fund.

Reports and Accounts

The financial year-end of the Trust and the Fund is 31 December every year, commencing the year ending 31 December 2012. Audited annual financial reports are to be prepared (according to HKIFRS) and published on the Fund's website within 4 months of each financial year-end. Unaudited interim financial reports are also to be prepared up to the last Dealing Day in June of each year and published on the Fund's website within 2 months of such date. On or before the publication of the audited annual financial reports and unaudited interim financial reports within the relevant timeframe, notice will be given to Unitholders to notify them where the audited annual financial reports and unaudited interim financial reports, in printed and electronic forms, can be obtained within the relevant timeframe. Unitholders will be given at least one month's prior notice of any change to the mode of delivery of the audited annual financial reports and half-yearly unaudited interim financial reports.

Both English and Chinese versions of the audited annual financial reports and the unaudited interim financial reports of the Fund will be available. Printed copies of the audited annual financial reports and unaudited interim financial reports may be requested from the Manager by contacting it, as described below under "Notices".

The financial reports provide details of the assets of the Fund and the Manager's statement on transactions during the period under review. The financial reports shall also provide a comparison of the Fund's performance and the actual performance of the LBMA Gold Price AM over the relevant period and such other information as is required under the Code.

Trust Deed

The Trust is governed by the Trust Deed. All Unitholders are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the Trust Deed. In the event of any conflict between any of the provisions of this Prospectus and those of the Trust Deed or Participation Agreement, the provisions of the Trust Deed shall prevail. The Trust Deed contains provisions, amongst others, for the indemnification of the Trustee and the Manager out of the assets of the Trust and their relief from liability in certain circumstances (summarised above in "Indemnities of the Trustee and Manager"). Unitholders and intending applicants should consult the terms of the Trust Deed.

Modification of Trust Deed

The Trustee and the Manager may agree to modify the Trust Deed by supplemental deed provided that in the opinion of the Trustee and the Manager such modification (i) does not materially prejudice the interests of Unitholders, does not operate to release to any material extent the Trustee or the Manager from any responsibility to the Unitholders and (with the exception of the costs incurred in connection with the relevant supplemental deed) does not increase the costs and charges payable out of the assets of the Trust or (ii) is necessary in order to make possible compliance with any fiscal, statutory or official requirement (whether or not having the force of law)

or (iii) is made to correct a manifest error. No notice of such amendments will be given by the Manager unless required by the Code and requested by the SFC (the period of notice to be applied (if any) before the changes to take effect and such period being as requested by the SFC). In all other cases modifications, alterations and additions require the sanction of an extraordinary resolution of the Unitholders affected. The SFC must also give its prior approval to all amendments to the Trust Deed.

Meetings of Unitholders

Proxies may be appointed. A Unitholder who is the holder of two or more Units may appoint more than one proxy to represent him and vote on his behalf at any meeting of the Unitholders. If a clearing house (or its nominee(s)), being a corporation, is a Unitholder, it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Unitholders provided that, if more than one person is so authorised, the authorisation shall specify the number and class of Units in respect of which each such representative is so authorised. Each person so authorised shall be deemed to have been duly authorised without further evidence of the facts and shall be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person were the registered Unitholder of the Units held by the clearing house (or its nominee(s)), including the right to vote individually on a show of hands or on a poll.

Transfer of Units

To the extent any Units are not deposited in CCASS, subject to the Manager's consent, such Units may be transferred by using the standard transfer form issued by SEHK or by an instrument in writing in common form signed by (or, in the case of a body corporate, signed on behalf of or sealed by) the transferor and the transferee. The transferor will be deemed to remain the Unitholder of the Units transferred until the name of the transferee is entered in the register of Unitholders in respect of the Units being transferred. HKSCC Nominees Limited will be the sole Unitholder of all Units deposited in CCASS. HKSCC Nominees Limited will hold such Units for the persons admitted by HKSCC as a participant of CCASS and to whose account any Units are for the time being allocated in accordance with the General Rules of CCASS.

Voting Rights

Unitholders' meetings may be convened by the Manager, by the Trustee or by Unitholders representing one-tenth or more of the current Units in issue. These meetings may be used to modify the terms of the Trust Deed, including increasing the maximum fees payable to the service providers, removing the Manager or the Trustee or terminating the Trust or the Fund at any time. Such amendments to the Trust Deed must be considered by Unitholders of at least 25% of the Units in issue and passed by a 75% majority of the votes cast. Unitholders will be given not less than 21 days' notice of such meeting.

Termination

The Trust may be terminated by the Trustee if: (i) the Manager goes into liquidation or a receiver is appointed and not discharged within 60 days or (ii) in the opinion of the Trustee, the Manager is incapable of performing its duties satisfactorily or (iii) the Manager has failed to perform its duties satisfactorily or has, in the opinion of the Trustee, done something calculated to bring the Trust into disrepute or that is harmful to the interests of Unitholders or (iv) a law is passed that renders it illegal, or in the opinion of the Trustee, impracticable or inadvisable to continue the Trust or (v) the Trustee is unable to find an acceptable person to replace the Manager within 60 days after the removal of the Manager, or the person nominated shall fail to be approved by extraordinary

resolution or (vi) 30 days after the Trustee notifies the Manager of its intention to retire, no new person willing to act as trustee has been identified or (vii) if the relevant custodian(s) cease(s) to be able to provide custody services and no replacement provider of a secure vault is found (within 60 Business Days of the date of cessation) which is acceptable to both the Trustee and the Manager.

The Manager may terminate the Trust if: (i) after one year from the date of the Trust Deed, the aggregate Net Asset Value of all the Units in each fund is less than RMB150 million; (ii) any law or regulation is passed or amended or any regulatory directive or order is imposed that affects the Trust and which renders the Trust illegal or in the good faith opinion of the Manager, makes it impracticable or inadvisable to continue the Trust; or (iii) within a reasonable time and using commercially reasonable endeavours, the Manager is unable to find a person acceptable to act as the new trustee after deciding to remove the Trustee in accordance with the Trust Deed.

The Manager may terminate the Fund if: (i) the aggregate Net Asset Value of all the Units is less than RMB150 million or (ii) any law is passed or amended or regulatory directive or order is imposed which renders it illegal or in the opinion of the Manager, impracticable or inadvisable to continue the Fund or (iii) within a reasonable time and using commercially reasonable endeavours, the Manager is unable to find a person acceptable to act as the new trustee after deciding to remove the Trustee in accordance with the Trust Deed or (iv) the LBMA Gold Price AM (or any suitable replacement) is no longer available or if the Units of the Trust are no longer listed on the SEHK or (v) at any time, the Fund ceases to have any Participating Dealer or (vi) if the Custodian ceases to be able to provide custody services in respect of the Fund's Bullion and no replacement provider of a secure vault is found (within 60 days of the date of cessation) which is acceptable to both the Trustee and the Manager. Further, the Unitholders may at any time authorised termination of the Fund by extraordinary resolution.

Unless previously terminated as described above or under another provision in the Trust Deed, the Trust shall in any event terminate at the expiry of 80 years from the date of the Trust Deed.

Notice of the termination of the Fund or the Trust will be given to the Unitholders after the SFC has approved release of the notice. The notice will contain the reasons for the termination, the consequences to Unitholders of terminating the Fund or the Trust and the alternatives available to them, and any other information required by the SFC. Such notice will, to the extent possible, be given not less than one month prior to the date of termination of the Fund or the Trust, as applicable.

Inspection of Documents

Copies of the following documents are available for inspection free of charge at the offices of the Manager and copies thereof may be obtained from the Manager for a reasonable fee per set of copy documents:

- (a) Trust Deed;
- (b) Service Agreement;
- (c) Participation Agreement(s);
- (d) Custody Agreement; and
- (e) The most recent audited annual financial report of the Fund and the most recent unaudited

interim financial report of the Fund.

Part XV of the Securities and Futures Ordinance

Part XV of the Securities and Futures Ordinance sets out the Hong Kong disclosure of interests' regime applicable to Hong Kong listed companies. The regime does not apply to unit trusts that are listed on the SEHK like the Fund. Consequently, Unitholders are not obliged to disclose their interest in the Fund.

Anti-Money Laundering Regulations

As part of the Manager's, the Trustee's, the Registrar's and the Participating Dealer's responsibility for the prevention of money laundering and to comply with all applicable laws to which the Manager, the Trustee, the Registrar, the Fund, the Trust or the relevant Participating Dealer is subject, the Manager, the Registrar, the Trustee or the relevant Participating Dealer may require a detailed verification of an investor's identity and the source of payment of any applications for Units. Depending on the circumstances of each application, a detailed verification might not be required where:

- (a) the investor makes the payment from an account held in the investor's name at a recognised financial institution; or
- (b) the application is made through a recognised intermediary.

These exceptions apply only if the financial institution or intermediary is within a country recognised by the Trustee and the Manager as having sufficient anti-money laundering regulations.

Each of the Manager, the Trustee, the Registrar and the relevant Participating Dealer reserves the right to request such information as is necessary to verify the identity of an applicant and the source of payment. In the event of delay or failure by the applicant to produce any information required for verification purposes, each of the Manager, the Trustee, the Registrar and the relevant Participating Dealer, as applicable, may refuse to accept the relevant application and the application monies relating thereto. None of the Manager, the Trustee, the Registrar or the relevant Participating Dealer shall be liable to the applicant for any loss caused as a result of any delay or refusal to process applications or effect payment of realisation proceeds (as the case may be) and claims for payment of interest due to such delay or refusal are not accepted.

Information available on the Internet

The Manager will publish important news and information with respect to the Fund, both in the English and in the Chinese languages, on the Fund's website at www.hangsenginvestment.com including:

- (a) this Prospectus (including the Product Key Facts Statement) as revised from time to time;
- (b) the latest audited annual and unaudited interim financial reports;
- (c) any notices for material modifications, alterations or additions to this Prospectus or the Trust Deed;
- (d) any public announcements made by the Manager or the Trustee in respect of the Fund,

including information with regard to the estimated Net Asset Value, notices of the suspension of the calculation of the Net Asset Value, suspension of creation and redemption of Units, changes in fees and the suspension and resumption of trading of Units on the SEHK; and

- (e) the identity of the Swap Counterparty, the Participating Dealers, the Gold Dealers and the Market Makers.

Information on the near real time estimated Net Asset Value (based on the mid point of the bid/ask spread of gold prices), will be disclosed on the Fund's website www.hangsenginvestment.com. The estimated Net Asset Value is calculated by a third party data vendor (which collates gold prices quoted by gold market makers from around the world throughout the day) and is not based on the LBMA Gold Price AM.

The Fund's website provides a hyperlink to SEHK's website www.hkex.com.hk, where information on the bid/ask price, queuing display, the previous day's closing Net Asset Value and composition of a Basket will be available.

It is your responsibility to consider such information. Please refer to the section headed "Website Information" for the warning and the disclaimer regarding information contained in such website.

Notices

All notices and communications to the Manager and Trustee should be made in writing and sent to the following addresses:

Manager

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

Trustee

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

Taxation

The following summary is of a general nature, for information purposes only, and is not intended to be an exhaustive list of all of the tax considerations that may be relevant to a decision to purchase, own, redeem or otherwise dispose of Units. This summary does not constitute legal or tax advice and does not purport to deal with the tax consequences applicable to all categories of investors. Prospective investors should consult their own professional advisers as to the implications of their subscribing for, purchasing, holding, redeeming or disposing of Units under the laws and practice of Hong Kong and the laws and practice of other relevant jurisdictions. The information below is based on the law and practice in force in the relevant jurisdictions at the date of this Prospectus (save as otherwise specified). The relevant laws, rules and practice relating to tax are subject to change and amendment (and such changes and amendments may be made on a retrospective basis). As such, there can be no guarantee that the summary provided below will continue to be applicable after the date of this Prospectus/the date on which the advice regarding the law and practice in force in the relevant jurisdictions was received. Furthermore, tax laws can be subject to different interpretations and no assurance can be given that relevant tax authorities will not take a contrary position to the tax treatments described below.

Hong Kong Taxation

The Fund

Profits Tax: As the Fund has been authorised as a collective investment scheme by the SFC under Section 104 of the Securities and Futures Ordinance, profits of the Fund arising from the sale or disposal of bullion, net investment income received by or accruing to the Fund and other profits of the Fund are exempt from Hong Kong profits tax.

Stamp Duty: No Hong Kong stamp duty is payable by the Fund on a creation or redemption of Units. The payment of cash or the delivery of Bullion to and from the Fund by a Participating Dealer is not subject to any Hong Kong stamp duty payable by the Fund.

The Unitholders

Profits Tax: Hong Kong profits tax is not payable by a Unitholder (other than where the Unitholder is carrying on a trade, profession or business in Hong Kong) on any gains or profits made on the sale, redemption or other disposal of the Units.

Stamp Duty: No Hong Kong stamp duty is payable by an investor in relation to an issue of Units to him or her or the redemption of Units by him or her or on the sale and purchase of Units by him or her in the secondary market.

Participating Dealers pay no Hong Kong ad valorem stamp duty when the Fund issues or redeems Units.

Automatic Exchange of Financial Account Information

The Inland Revenue (Amendment) (No.3) Ordinance 2016 (the “Amendment Ordinance”), which is the legislative framework for the implementation of Automatic Exchange of Financial Account Information (the “AEOI”) in Hong Kong, came into force on 30 June 2016.

The AEOI is a new system that involves the transmission of financial account information from

Hong Kong to an overseas tax jurisdiction with which Hong Kong has entered into an AEOI agreement¹². Under the Amendment Ordinance, reporting financial institutions in Hong Kong are required to apply due diligence procedures to identify the tax residency of the account holders and controlling persons for the purpose of AEOI¹³ and collect the specified information. The financial institution is required to report to the Inland Revenue Department (“IRD”) the required information collected in respect of the reportable accounts on an annual basis. IRD will then transmit the information to the tax administration of the relevant jurisdiction of which the account holder is tax resident¹⁴. Under the Amendment Ordinance, information that may be reported to the IRD includes details of account holders, including but not limited to their name, date of birth, place of birth (if any), address, jurisdiction of tax residence, tax identification number (if any), account number, account balance/value, distribution income and sales/redemption proceeds.

The Fund, as a reporting financial institution, is required to, amongst other things:

- (i) conduct due diligence on its financial accounts to identify whether any such accounts are considered as “Reportable Accounts” for AEOI purpose; and
- (ii) report to the IRD the required information on such Reportable Accounts.

By investing and/or continuing to invest in the Fund, Unitholders acknowledge that:

- (i) the IRD may automatically exchange information of the Unitholders (and information on controlling persons including beneficial owners, beneficiaries, direct or indirect shareholders or other persons associated with such Unitholders that are passive non-financial entities) as outlined above with relevant tax authorities in other jurisdictions;
- (ii) Unitholders may be required to provide additional information and/or documentation for AEOI purpose; and
- (iii) in the event that an Unitholder fails to provide the requested information and/or documentation, irrespective of whether or not that actually leads to non-compliance on the part of the Fund and/or the Manager, the Manager reserves the right to take remedial actions including, without limitation, to require the Unitholder to transfer the Unitholder’s Units or, failing such transfer, redeem such Units in accordance with the Trust Deed, and to the extent permitted by applicable laws and regulations.

Unitholders and prospective investors should consult their professional advisers and obtain independent professional advice on the implications of AEOI on their current and/or proposed investment in the Fund.

The United States of America - Foreign Account Tax Compliance Act (FATCA)

Sections 1471 through 1474 of the U.S. Internal Revenue Code (“FATCA”) impose a 30% withholding tax on certain payments to a foreign financial institution (“FFI”) if that FFI is not compliant with FATCA. The Fund is a FFI and thus, subject to FATCA. The Fund intends to comply

¹² FAQ1 of the Frequently Asked Questions regarding the Automatic Exchange of Financial Account Information available at the website of the Inland Revenue Department (Last revision date: 12 July 2018) http://www.ird.gov.hk/eng/faq/dta_aeoi.htm

¹³ FAQ6 of the Frequently Asked Questions regarding the Automatic Exchange of Financial Account Information available at the website of the Inland Revenue Department (Last revision date: 12 July 2018) http://www.ird.gov.hk/eng/faq/dta_aeoi.htm

¹⁴ FAQ3 of the Frequently Asked Questions regarding the Automatic Exchange of Financial Account Information available at the website of the Inland Revenue Department (Last revision date: 12 July 2018) http://www.ird.gov.hk/eng/faq/dta_aeoi.htm

with FATCA by qualifying as a Deemed-Compliant FFI.

This withholding tax applies to payments to the Fund that constitute interest, dividends and other types of income from U.S. sources (such as dividends paid by a U.S. corporation) and beginning on 1 January 2019, this withholding tax is extended to the proceeds received from the sale or disposition of assets that give rise to U.S. source dividend or interest payments.

These FATCA withholding taxes may be imposed on payments to the Fund unless (i) the Fund becomes FATCA compliant pursuant to the provisions of FATCA and the relevant regulations, notices and announcements issued thereunder, or (ii) the Fund is subject to an appropriate Intergovernmental Agreement to improve international tax compliance and to implement FATCA ("IGA"). The Fund intends to comply with FATCA so that no FATCA withholding is imposed on any payments to the Fund.

Hong Kong and the U.S. have entered into an IGA for the implementation of FATCA, adopting "Model 2" IGA arrangements. Under these "Model 2" IGA arrangements, FFIs in Hong Kong (such as the Fund) will be required to register with the U.S. Internal Revenue Service ("IRS") and comply with the terms of FFI Agreement. Otherwise, they will be subject to a 30% withholding tax on relevant US-sourced payments to them.

In order to comply with its FATCA obligations, the Fund is required to obtain certain information from its Unitholders so as to ascertain their U.S. tax status, including the appropriate U.S. IRS withholding statement on Form W-8 or W-9. If the Unitholder is a specified U.S. person, U.S. owned non-U.S. entity, non-participating FFI ("NPPFI") or does not provide the requisite documentation, the Fund may need to report information on these Unitholders to the appropriate tax authority, as far as legally permitted.

If a Unitholder either fails to provide the Fund, its agents or authorised representatives with any correct, complete and accurate information that may be required for the Fund to comply with FATCA or is a NPPFI, to the extent that it is required to comply with the terms of the IGA, the Unitholder may be subject to withholding on amounts otherwise distributable to the Unitholder, may be compelled to sell its interest in the Fund or, in certain situations, the Unitholder's interest in the Fund may be sold involuntarily (provided that the Manager or the Trustee shall observe relevant legal requirements and shall act in good faith and on reasonable grounds). The Fund may at its discretion enter into any supplemental agreement without the consent of Unitholders to provide for any measures that the Fund deem appropriate or necessary to comply with FATCA.

Other countries are in the process of adopting tax legislation concerning the reporting of information. The Fund also intends to comply with such other similar tax legislation that may apply to the Fund, although the exact parameters of such requirements are not yet fully known. As a result, the Fund may need to seek information about the tax status of Unitholders under such other country's laws and each Unitholder for disclosure to the relevant governmental authority.

The disclosure in this sub-section is based on advice received by the Fund regarding the law and practice in force in the U.S. as at 15 November 2018. Unitholders/Investors should consult their own tax advisors regarding the FATCA requirements with respect to their own situation. In particular, investors who invest in the Fund through intermediaries should confirm the FATCA compliance status of those intermediaries to ensure that they do not suffer FATCA withholding tax on their investment returns.

Although the Fund will attempt to satisfy any obligations imposed on it to avoid the imposition of the FATCA withholding tax, no assurance can be given that the Fund will be

able to satisfy these obligations. If the Fund becomes subject to a withholding tax as a result of the FATCA regime, the value of the Units held by Unitholders may suffer material losses.

Website Information

The offer of the Units is made solely on the basis of information contained in this Prospectus. All references in this Prospectus to other websites and sources where further information may be obtained are merely intended to assist you to access further information relating to the subject matter indicated and such information does not form part of this Prospectus. None of the Listing Agent, the Manager or the Trustee accepts any responsibility for ensuring that the information contained in such other websites and sources, if available, is accurate, complete and/or up-to-date, and no liability is accepted by the Listing Agent, the Manager and the Trustee in relation to any person's use of or reliance on the information contained in these other websites and sources save, in respect of the Manager, the Fund's websites www.hangsenginvestment.com (which has not been reviewed by the SFC and may contain information of funds which are not authorised by the SFC). The information and materials included in these websites have not been reviewed by the SFC or any regulatory body. You should exercise an appropriate degree of caution when assessing the value of such information.

SCHEDULE:

INVESTMENT RESTRICTIONS AND BORROWING RESTRICTION

Investment Restrictions

If any of the restrictions or limitations set out in this Schedule is breached, the Manager will make it a priority objective to take all necessary steps within a reasonable period to remedy such breach, taking into account the interests of the Unitholders.

The Trustee will take reasonable care to ensure compliance with the investment and borrowing limitations set out in the constitutive documents and the conditions under which the Fund was authorised.

The investment restrictions applicable to the Fund (unless expressly waived by the SFC) that are included in the Trust Deed are summarised below:

- (a) the Fund may only invest in Bullion;
- (b) the Fund may not enter into futures contracts or any financial derivative instruments (other than foreign exchange swaps and the unfunded asset swaps as described in this Prospectus);
- (c) the Fund may not hold securities or invest in collective investment schemes save that up to 10% of Net Asset Value may be invested and held in physical ETFs whose primary investment objective is to track the performance of a gold benchmark; and
- (d) the Fund may only hold Bullion meeting the standards of London Good Delivery of minimum fineness of 99.5% gold.

In addition, the Fund is subject to the following additional restrictions. The Manager shall not for the account of the Fund:

- (a) invest in any type of real estate (including buildings) or interests in real estate (including options or rights, shares in real estate companies and interests in real estate investment trusts (REITs));
- (b) make short sales;
- (c) grant or write or create in favour of any person any option;
- (d) acquire any asset which involves the assumption of any liability which is unlimited;
- (e) invest in any type of debt or loan securities (but which shall not prohibit the holding or investment of uninvested cash in any of the ways or instruments permitted under the Trust Deed);
- (f) lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person without the prior written consent of the Trustee; and
- (g) lend its Bullion.

Borrowing Restriction

The Manager may borrow up to 10% of the Net Asset Value of the Fund to meet redemptions and other expenses of the Fund.