



ETFS PHYSICAL GOLD ETF

(Stock code: 2830 HK)

Reports and Financial Statements
For the year ended 31 December 2014

ETFS Physical Gold ETF

Reports and Financial Statements
For the year ended 31 December 2014



Contents

	Pages
Management and Administration	1
Manager's Report	2
Trustee's Report	3
Independent Auditor's Report	4-5
Statement of Financial Position	6
Statement of Profit or Loss and Other Comprehensive Income	7
Statement of Changes in Equity	8
Notes to the Financial Statements	9-20
Investment Portfolio (Unaudited)	21
Statement of Movements in Portfolio Holdings (Unaudited)	21
Performance Table (Unaudited)	21

Manager

ETF Securities (HK) Limited
1303, Silver Fortune Plaza
1 Wellington Street
Central
Hong Kong

Directors of the Manager

Chi Lok Cheung
Graham Tuckwell

Trustee and Registrar

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

Service Agent

HK Conversion Agency Services Limited
2nd Floor, Infinitus Plaza
199 Des Voeux Road
Central
Hong Kong

Custodian

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

Listing Agent

Changjiang Corporate Finance (HK) Limited
Suite 1908
19th Floor, Cosco Tower
183 Queen's Road
Central
Hong Kong

Auditor

Deloitte Touche Tohmatsu
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Legal Adviser to the Manager

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

Manager's Report

The ETFS Physical Gold ETF (the “Fund”) is an exchange traded fund listed on The Stock Exchange of Hong Kong Limited (the “SEHK”). The Fund’s investment objective is to provide investment results, before fees and expenses, that closely correspond to the performance of the afternoon session of the twice daily fix of the price of an ounce of gold performed by the London Bullion and Market Association (“LBMA”) (the “London PM Fix”).

We are pleased to present the second report of the Fund for the year ended 31 December 2014.

Fund Performance

As at 31 December 2014, the net asset value (“NAV”) per unit of the Fund was USD 118.950196 and 20,000 units were outstanding. The total net assets attributable to unitholders of the Fund was approximately USD 2,379,004.

Market Commentary

The price of gold ended 2014 virtually unchanged. Gold has retained its allure, particularly for non-US investors as lingering risks continue to threaten the nascent global economic recovery. During 2014, gold’s price resilience was driven by geopolitical uncertainty in Ukraine and Russia driving demand for gold as an insurance asset alongside increasingly more aggressive stimulus policies from central banks adding to the appeal of gold as a store of value, particularly for non-US Dollar holders, countering any adverse sentiment towards gold coming from rising cyclical assets and the stronger US Dollar. Exchange Traded Product (“ETP”) investors were large physical sellers over the period, with assets in gold ETPs falling 15%. The supply of gold redeemed from ETPs has been largely absorbed by consumer demand, particularly from China. Nonetheless, China’s imports of gold through Hong Kong declined sharply from 2013, dropping 36% on the year. The weaker imports are likely a result of 2013 being a stellar year and reduced demand due to anti-corruption activities being put in place. Some sources of demand remain strong gold purchases by central banks. Recycling of jewellery into the gold market remains weak and gold miners have been cutting back on expansion plans, reducing current and potential future supply due to the depressed gold price.

Trustee's Report to the Unitholders of ETFS Physical Gold ETF ("the Fund")

We hereby confirm that, in our opinion, the Manager of the Fund has, in all material respects, managed the Fund in accordance with the provisions of the trust deed dated 5 September 2012 (the "Principal Deed") and supplemental deed dated 1 November 2012 (the "Supplemental Deed") (collectively, the "Trust Deeds") for the year ended 31 December 2014.

For and on behalf of
HSBC Institutional Trust Services (Asia) Limited
30 April 2015

Authorised signatory

Authorised signatory

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF ETFS PHYSICAL GOLD ETF

Report on the Financial Statements

We have audited the accompanying financial statements of ETFS Physical Gold ETF (the "Fund") set out on pages 6 to 20, which comprise the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income and statement of changes in equity for the year then ended 31 December 2014, and a summary of significant accounting policies and other explanatory information.

Trustee's and Manager's Responsibility for the Financial Statements

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

In addition, the Trustee and the Manager are responsible for preparing the financial statements in accordance with the relevant provisions of the Fund's trust deed dated 5 September 2012 (the "Principal Deed") and supplemental deed dated 1 November 2012 (the "Supplemental Deed") (collectively, the "Trust Deeds") and the relevant financial statement disclosure requirements specified in Appendix E of the Code on Unit Trusts and Mutual Funds (the "Code") issued by the Hong Kong Securities and Futures Commission (the "SFC").

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also required to assess whether the financial statements have been prepared in accordance with the relevant disclosure provisions of the Trust Deeds and the relevant financial statement disclosure requirements specified in Appendix E of the Code.

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF ETFS PHYSICAL GOLD ETF - continued

Report on the Financial Statements - continued

Auditor's Responsibility - continued

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustee and the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2014, and of its financial results for the year then ended in accordance with International Financial Reporting Standards.

Report on matters under the relevant disclosure provisions of the Trust Deeds and the relevant financial statement disclosure requirements specified in Appendix E of the Code issued by the SFC

In our opinion, the financial statements of the Fund have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deeds and the relevant financial statement disclosure requirements specified in Appendix E of the Code issued by the SFC.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 April 2015

Statement of Financial Position as at 31 December 2014

	Notes	31 December 2014 USD	31 December 2013 USD
Assets			
Gold bullion (at fair value)	5, 8	2,378,888	2,392,664
Precious metal ETFs (at fair value)	6, 8	116	118
Receivable from broker		838	832
Total Assets		<u>2,379,842</u>	<u>2,393,614</u>
Liability			
Provision for management fee	13	<u>838</u>	<u>832</u>
Total Liability		<u>838</u>	<u>832</u>
Total Equity		<u>2,379,004</u>	<u>2,392,782</u>
Net asset value per Unit based on 20,000 (2013: 20,000) Units outstanding	7	<u>118.950196</u>	<u>119.639118</u>

The financial statements on pages 6 to 20 were approved by and authorised for issue by the Manager and Trustee on 30 April 2015.

For and on behalf of the Manager,
ETF Securities (HK) Limited

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

The notes on pages 9 to 20 form part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2014

		Year Ended 31 December 2014 USD	From 5 September 2012 (Date of Establishment) to 31 December 2013 USD
	Notes		
Realised loss from gold bullion	5	(3,461)	(111,381)
Net unrealised loss from gold bullion	5	(507)	(1,016,607)
Net unrealised loss from precious metal ETFs through profit or loss	6	(2)	(16)
Net investment losses		<u>(3,970)</u>	<u>(1,128,004)</u>
Management fee	13	<u>(9,808)</u>	<u>(13,442)</u>
Total operating expenses		<u>(9,808)</u>	<u>(13,442)</u>
Loss and total comprehensive expense for the year/period		<u>(13,778)</u>	<u>(1,141,446)</u>

The notes on pages 9 to 20 form part of these financial statements.

Statement of Changes in Equity for the year ended 31 December 2014

	Notes	Year Ended 31 December 2014 USD	From 5 September 2012 (Date of Establishment) to 31 December 2013 USD
Balance at the beginning of the year/period		<u>2,392,782</u>	<u>-</u>
Net movement in equity attributable to unitholders			
- Loss and total comprehensive expense for the year/period		<u>(13,778)</u>	<u>(1,141,446)</u>
Net movement in equity from transactions with unitholders			
- Creation of units	15	-	6,847,639
- Redemption of units	15	<u>-</u>	<u>(3,313,411)</u>
		<u>-</u>	<u>3,534,228</u>
Balance at the end of the year/period	7	<u>2,379,004</u>	<u>2,392,782</u>

The notes on pages 9 to 20 form part of these financial statements.

1. General

ETFS Physical Gold ETF (the “Fund”) is a unit trust constituted by the trust deed dated 5 September 2012 (the “Principal Deed”) and supplemental deed dated 1 November 2012 (the “Supplemental Deed”) (collectively, the “Trust Deeds”) between ETF Securities (HK) Limited as manager (the “Manager”) and HSBC Institutional Trust Services (Asia) Limited as trustee (the “Trustee”). The Trust Deeds is governed by the laws of Hong Kong. The Fund is an exchange traded fund managed by the Manager and authorised as a collective investment scheme by the Securities and Futures Commission of Hong Kong (the “SFC”) under section 104 of the Securities and Futures Ordinance. The Fund has been listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 28 November 2012.

The investment objective of the Fund is to provide investment results, before fees and expenses, that closely correspond to the performance of the afternoon session of the twice daily fix of the price of an ounce of gold (the “London PM Fix”) published by the London Bullion Market Association (the “LBMA”). In order to achieve the investment objective, the Fund primarily acquires and holds physical gold bullion.

Subject to its investment and borrowing restrictions, the Fund may hold interests in precious metal ETFs acceptable to the Manager. Such precious metal ETFs’ investment objectives shall be to reflect the performance of the price of gold bullion. Such precious metal ETFs will initially include those managed by the ETF Securities group in the US and listed on the New York Stock Exchange and will not comprise more than 10% of the Fund’s net asset value at any time. They will all be physically backed by gold bullion and will not include short or leveraged ETFs.

Except as stated above, the Fund will not invest in other types of investments - including, but not limited to derivative futures contracts, options, swaps, warrants and other financial instruments, local currency and foreign currency exchange contracts, and other securities. The Fund will not lend its bullion nor engage in any kind of stock lending activities or repurchase transactions.

The functional currency of the financial statements is United State dollars (“USD”), which is also the presentation currency.

2. Application of New and Revised International Financial Reporting Standards (“IFRSs”)*Amendments to IFRSs and the new interpretation that are mandatorily effective for the current year*

In the current year, the Fund has applied a number of amendments to IFRSs and a new interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2014.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The Fund has applied the amendments to IAS 32 Offsetting Financial Assets and Liabilities for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specially, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”. These amendments did not impact the financial statements of the Fund.

2. Application of New and Revised International Financial Reporting Standards (“IFRSs”) (Continued)

New and revised IFRSs in issue but not yet effective

The Fund has not early applied the following revised IFRSs that have been issued but are not yet effective which are relevant to the Fund:

Amendments to IFRSs	Annual improvements to IFRSs 2010-2012 cycle ¹
Amendments to IFRSs	Annual improvements to IFRSs 2011-2013 cycle ²
Amendments to IFRSs	Annual improvements to IFRSs 2012-2014 cycle ⁴
IFRS 9	Financial instruments ³

¹ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

² Effective for annual periods beginning on or after 1 July 2014.

³ Effective for annual periods beginning on or after 1 January 2018.

⁴ Effective for annual periods beginning on or after 1 January 2016.

The Manager and Trustee of the Fund anticipate that the application of these new and revised IFRSs will have no material impact on the financial statements.

3. Significant Accounting Policies

The financial statements have been prepared in accordance with IFRSs on the historical cost basis except for the gold bullion, precious metal ETFs and the receivable from broker that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on fair value of the consideration given in exchange for asset and liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Fund takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. Significant Accounting Policies (Continued)

Gold bullion

The gold bullion is carried at fair value through profit or loss based on the London PM Fix quoted on the LBMA and the change in fair value is recorded in profit or loss.

Financial instruments

Financial assets are recognised in the statement of financial position when the Fund becomes a party to the contractual provisions of the instruments.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss recognised immediately in profit or loss.

Financial assets

The Fund's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL") (such as precious metal ETFs). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade-date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at FVTPL

The Fund's investment in precious metal ETFs is classified as financial assets designated at fair value through profit or loss.

A financial asset is designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Fund's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with changes in fair value from remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 12 below.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Fund after deducting all of its liabilities.

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

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

In addition to the units created by the Fund meeting all of the above conditions, the Fund must have no other financial instrument or contract that has:

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

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

Derecognition

The Fund derecognises a financial asset only when the contractual rights to cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the assets to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and cumulative gain or loss that had been recognised directly in other comprehensive income and accumulated in equity is recognised in profit or loss.

3. Significant Accounting Policies (Continued)***Other non-financial asset***

Receivable from broker through in kind gold bullion is measured at fair value based on the fair value of the gold bullion.

Non-financial liability

A provision for management fee is recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Fund will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The provision is measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Expenses

All expenses are recognised in loss in the period which they are incurred. The management fee is paid by the Fund through in kind of gold bullion to the Manager.

Foreign currencies

In preparing the financial statements of the Fund, transactions in currencies other than the functional currency of the Fund (foreign currencies) are recorded in the functional currency (i.e. the currency of the primary economic environment in which the Fund operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss.

4. Taxation

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 of precious metal(s), net investment income received by or accruing to the relevant Fund and other profits of the Fund are exempt from Hong Kong profits tax under Section 26A (1A) of the Hong Kong Inland Revenue Ordinance. Accordingly, no provision for Hong Kong Profits Tax has been made in the financial statements.

5. Gold Bullion (at Fair Value)

	31 December 2014 USD	31 December 2013 USD
Gold bullion, at beginning of year / at initial recognition	2,392,664	3,534,094
Management fee settled by gold bullion	(9,808)	(13,442)
Realised loss from gold bullion	(3,461)	(111,381)
Net unrealised loss from gold bullion	(507)	(1,016,607)
	<u>2,378,888</u>	<u>2,392,664</u>
Gold bullion at end of year	<u>2,378,888</u>	<u>2,392,664</u>

6. Precious Metal ETFs (at Fair Value)

	31 December 2014 USD	31 December 2013 USD
Precious metal ETFs, at beginning of year / at initial recognition	118	134
Net unrealised loss from precious metal ETFs	(2)	(16)
	<u>116</u>	<u>118</u>
Precious metal ETFs at end of year	<u>116</u>	<u>118</u>

7. Units

	Year Ended 31 December 2014	From 5 September 2012 (Date of Establishment) to 31 December 2013
Number of Units		
Opening balance	20,000	-
Units created	-	40,000
Units redeemed	-	(20,000)
	<u>20,000</u>	<u>20,000</u>
Closing balance at as at 31 December	<u>20,000</u>	<u>20,000</u>
Net asset value as at 31 December	<u>USD 2,379,004</u>	<u>USD 2,392,782</u>
Net asset value per unit as at 31 December	<u>USD 118.950196</u>	<u>USD 119.639118</u>

7. Units (Continued)

Persons who may apply to the Manager for the creation and redemption of units of the Fund at any time are called “Participating Dealers”. Individual investors cannot purchase or redeem units in direct transactions with the Fund but are able to buy and sell units through trading on the Stock Exchange.

A Participating Dealer is a person who (1) must be licensed to carry on business Type 1 (Dealing in Securities) regulated activity pursuant to the Securities and Futures Ordinance with a business presence in Hong Kong, (2) must be acceptable to the Trustee, (3) must be a participant in Central Clearing and Settlement System (“CCASS”), and (4) must maintain a Participating Dealer Unallocated Account with the custodian itself or its nominated affiliate.

The creation and redemption of units is only made in exchange for the delivery to the Fund or the distribution by the Fund of the amount of gold bullion or precious metal ETFs represented by the units being created or redeemed.

8. Financial Risk Management

The investment objective of the Fund is to provide investment results, before fees and expenses, that closely correspond to the performance of the London PM Fix.

The Fund mainly holds gold bullion and precious metal ETFs which are considered a commodity and financial assets at FVTPL, respectively. The Fund’s investments are exposed to various types of risks including market risk, credit risk and liquidity risk.

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

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

(a) Market risk**(i) Currency risk**

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

As at 31 December 2014 and 2013, the Fund’s monetary assets and liabilities were predominantly denominated in the functional currency. Therefore, there is minimal exposure to currency risk.

8. Financial Risk Management (Continued)
(a) Market risk (Continued)
(ii) Price risk

Market price risk is the risk that the value of the investments will fluctuate as a result of changes in the London PM Fix (2013: London PM Fix). Those changes may be caused by a number of unpredictable factors such as international, economic, monetary and political factors.

The Fund holds gold bullion and precious metal ETFs. Units are created / redeemed by receipt / transfer of gold bullion.

The Fund's price risk arises from gold bullion and precious metal ETFs. As at 31 December 2014, if the London PM Fix (2013: London PM Fix) of gold bullion and the market price of precious metal ETFs had been 5% (2013: 5%) higher or lower with all other variables held constant, the total equity would have been impacted as follows:

As at 31 December 2014

	Fair Value Exposure USD	Increase / decrease in total equity USD
Gold bullion	2,378,888	118,944
Precious metal ETFs	116	6
Receivable from broker	838	42
	2,379,842	118,992

As at 31 December 2013

	Fair Value Exposure USD	Increase / decrease in total equity USD
Gold bullion	2,392,664	119,633
Precious metal ETFs	118	6
Receivable from broker	832	42
	2,393,614	119,681

(iii) Interest rate risk

The Fund does not have significant exposure to interest rate risk since none of its assets or liabilities bears any interest.

8. Financial Risk Management (Continued)

(b) Credit risk

Credit risk is the risk of loss due to the failure of the counterparty to discharge its obligation. Credit risk is managed by the Manager by only dealing with Participating Dealers who are considered to be creditworthy. In the event that a Participating Dealer fails to complete its obligations, no units will be created therefore the Fund does not have the risk of loss the amount expected to be received.

Credit risk also includes custodial risk. The custodian of gold bullion or custodian of the precious metal ETFs is not required to take insurance, and neither is the Trustee. Accordingly, there is a risk that the stored gold bullion could be lost, stolen or damaged and the Fund would not be able to satisfy its obligations in respect of the redeemable units. However, the Fund limits its exposure to credit risk by transacting the gold bullion activities with broker-dealers, banks and regulated exchanges with high credit ratings or good reputation, and that the Manager considers to be well established.

The Fund has concentration of credit risk as 100% of the gold bullion of the Fund was held with HSBC Bank PLC, amounting to USD 2,378,888 as at 31 December 2014 (2013: USD 2,392,664).

(c) Liquidity risk

When redeemable units are redeemed, the Fund returns the corresponding amount of gold bullion and/or precious metal ETFs determined by the unitholder's entitlement. The market value of the gold bullion and/or precious metal ETFs returned per each unit will be the same as that of the net asset value per unit being redeemed. Therefore, any redemption of units would not impact the liquidity of the Fund.

The Manager is entitled to a management fee, in kind by the transfer of gold bullion, calculated on daily basis and settled within one month.

9. Investment Restriction

The Fund may only invest in the gold bullion and/or interests in precious metal ETFs. The gold bullion must meet the London Good Delivery Standards as to minimum fineness and be held on an allocated basis as far as possible. The value of a Fund's holding of interests in precious metal ETFs shall not exceed 10% of the Fund's latest available net asset value.

The Fund may not enter into futures contracts or any financial derivative instruments, nor hold securities other than the interests in precious metal ETFs.

Precious metal ETFs did not account for more than 10% of the net asset value of the Fund at any time during the year ended 31 December 2014 and during the period from 5 September 2012 (date of establishment) to 31 December 2013.

Hence, the Fund complied with this investment restriction during the year ended 31 December 2014 and during the period from 5 September 2012 (date of establishment) to 31 December 2013.

10. Statement of Cash Flows

A statement of cash flows has not been presented as the Fund did not hold any cash and cash equivalents at the start of the current year and prior period, undertake any cash transaction during the current year and prior period or hold any cash and cash equivalents at the end of the current year and prior period.

11. Capital Management

The capital of the Fund comprises issued units. The Fund's policy is to maintain a capital base sufficient to sustain its future activities. As all units are supported by an equivalent amount of gold bullion held by the custodian, and running costs of the Fund are paid by the Manager. The Manager considers the capital management policy and the current capital resources adequate to maintain the on-going listing and issue of units.

The Fund is not subject to externally imposed capital requirements.

12. Fair Value Estimation

The following table provides an analysis of investments that are measured at fair value on a recurring basis, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
<u>At 31 December 2014</u>				
Gold Bullion	-	2,378,888	-	2,378,888
Financial assets at FVTPL				
- Precious metal ETFs	116	-	-	116
Receivable from broker	-	838	-	838
	<u>116</u>	<u>2,379,726</u>	<u>-</u>	<u>2,379,842</u>
Total	116	2,379,726	-	2,379,842
	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
<u>At 31 December 2013</u>				
Gold Bullion	-	2,392,664	-	2,392,664
Financial assets at FVTPL				
- Precious metal ETFs	118	-	-	118
Receivable from broker	-	832	-	832
	<u>118</u>	<u>2,393,496</u>	<u>-</u>	<u>2,393,614</u>
Total	118	2,393,496	-	2,393,614

The fair value of the gold bullion is calculated using the London PM Fix. The gold bullion is valued based on quoted market prices supported by observable inputs, and is therefore classified within Level 2. The precious metal ETFs are listed on the open market whose values are based on quoted market prices and traded in active markets, therefore are classified within Level 1.

The fair value of the receivable from broker through in kind of gold bullion and its fair value is calculated using the fair value of the gold bullion as at the reporting date on a recurring basis and classified within Level 2.

The carrying value of the provision for management fee that is not measured at fair value on a recurring basis is assumed to approximate its fair value and classified within Level 2.

There were no transfers between Levels 1, 2 and 3 during the year ended 31 December 2014 and during the period from 5 September 2012 (date of establishment) to 31 December 2013.

13. Transactions with the Manager, the Trustee and their Connected Persons

Connected persons of the Manager are those as defined in the Code on Unit Trusts and Mutual Funds established by the SFC (the “Code”). All transactions entered into during the year between the Fund and the Manager and its connected persons were carried out in the normal course of business and on normal commercial terms. To the best of the Manager’s knowledge, the Fund does not have any other transactions with connected persons except those disclosed below.

(a) Gold bullion

At 31 December 2014, gold bullion of the Fund held with the custodian and broker, HSBC Bank PLC, a connected person of the Trustee amounted to USD 2,378,888 (2013: USD 2,392,664).

(b) Management fee

ETF Securities (HK) Limited, the Manager, is entitled to a management fee, in kind by the transfer of an amount of gold bullion, currently at the rate of 0.39% per annum of the net asset value of the Fund.

Pursuant to the Principal Deed, the Manager may, on giving not less than one month’s notice to unitholders, increase the rate of management fee of the Fund up to a maximum of 1% per annum of the net asset value of the Fund. However, when the Fund invests in precious metal ETFs which are also managed by the Manager or other group company of the Manager, the management fee of the Fund’s assets attributable to the precious metal ETFs shall be waived.

The management fee is calculated and accrued as at each valuation day and payable monthly in arrears. During the year ended 31 December 2014, total management fee charged was USD 9,808 (during the period from 5 September 2012 (date of establishment) to 31 December 2013: USD 13,442), of which a provision for management fee of USD 838 was booked as of 31 December 2014 (2013: USD 832). The provision for management fee will be settled through the transfer of gold bullion from the broker, and the receivable from broker amounted to USD 838 (2013: USD 832).

The Manager shall pay from its management fee the fees payable to the Trustee and the usual and customary administrative expenses of the Fund, including the transaction costs, levies, duties, fees of other service providers, legal and other professional fees, the establishment and authorisation fees for the Fund. During the year ended 31 December 2014, the total fees and expenses (excluding management fee) of the Fund, amounting to approximately as USD 245,000 (during the period from 5 September 2012 (date of establishment) to 31 December 2013: USD 203,000), are borne by the Manager.

(c) Financial assets at fair value through profit or loss

At 31 December 2014, the Fund held 1 share (2013: 1 share) of ETFS Gold Trust ETF, managed by a connected person of the Manager, amounted to USD 116 (2013: USD 118).

14. Segmental Information

In the opinion of the Manager and the Trustee, all activities of the Fund are in the single business of investment activities conducted mainly in Hong Kong. The chief operating decision maker of the Fund is its Manager.

15. Major Non-Cash Transactions

Units are issued/redeemed through in-kind creation/redemption of gold bullion or transfer of interests in precious metal ETF. For each application unit size for creation/redemption, the Fund receives/delivers gold bullion or interest in precious metal ETF as determined by the Manager on a daily basis.

There were no issue or redemption of units during the year ended 31 December 2014.

During the period from 5 September 2012 (date of establishment) to 31 December 2013, the Fund issued 40,000 units, totalling USD 6,847,639 in exchange for gold bullion valued at USD 6,847,639 by the Manager.

During the period from 5 September 2012 (date of establishment) to 31 December 2013, the Fund redeemed 20,000 units, totalling USD 3,314,411 in exchange for gold bullion valued at USD 3,313,411 by the Manager.

16. Soft Commission Arrangements

For the year ended 31 December 2014 and from 5 September 2012 (date of establishment) to 31 December 2013, the Manager did not enter into any soft commission arrangements with brokers relating to dealings in the assets of the Fund.

17. Event After the Reporting Period

On 19 March 2015, the twice daily fix of the price of an ounce of gold performed by the LBMA will be discontinued. Commencing 20 March 2015, the LBMA has accepted a proposal by ICE Benchmark Administration (“IBA”) to administer a replacement gold price benchmark mechanism. The IBA will operate an electronic, auction-based, tradable and auditable gold bullion market clearing process that will replace the London Fix for gold. the IBA’s electronic price fixing process, like the current process for the London Fix for gold, will establish and publish fixed prices for troy ounces of gold twice each London trading day at electronic auctions starting at 10:30 am London time and 3:00 pm London time (the “IBA Gold Fix”), Effective from 20 March 2015, the fair value of gold bullion of the Fund will be based on the afternoon session of the IBA Gold Fix (the “IBA PM Gold Fix”).

In accordance with the Second and Third Supplemental Deeds made on 19 January 2015 and 20 March 2015 respectively and pursuant to clause 25.1 of the Principal Deed, the Trustee and the Manager have agreed to amend the Principal Deed.

Investment Portfolio & Performance (Unaudited)

Investment Portfolio (Unaudited)

	Holdings Fine Troy Ounces / Units	Market Value USD	% of Net Assets
Commodity			
Gold bullion	1,984	2,378,888	100.00
Financial assets at FVTPL			
Precious metal ETF			
- ETFS Gold Trust	1	116	0.00
Total investments		2,379,004	100.00
Net asset value attributable to unitholders at 31 December 2014		2,379,004	100.00
Total investments at cost		3,396,136	

Statement of Movements in Portfolio Holdings (Unaudited)

	1 January 2014 Fine Troy Ounces / Units	Holdings Additions Fine Troy Ounces / Units	Deductions Fine Troy Ounces / Units	31 December 2014 Fine Troy Ounces / Units
Commodity				
Gold bullion	1991	-	(7)	1,984
Financial Assets at FVTPL				
Precious metal ETF				
- ETFS Gold Trust	1	-	-	1

Performance Table (Unaudited)

Net Asset Value	Total net asset value USD	Net asset value per Unit USD
At end of financial year end 31 December 2014	2,379,004	118.950196
At end of financial period dated 31 December 2013	2,392,782	119.639118
Performance Record	Highest issue price per Unit USD	Lowest redemption price per unit USD
Financial year end 31 December 2014	137.803459	113.339603
Financial period from 5 September 2012 (date of establishment) to 31 December 2013	172.594502	118.929284