



HSBC ETFs Trust

Annual Report 2011

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Investment adviser's report

HSBC MSCI Hong Kong ETF

HSBC MSCI China ETF

HSBC MSCI Taiwan ETF

HSBC MSCI Golden Dragon ETF

The ETFs launched during April 2011 delivered a negative return, for the six months ended 31 October 2011. Equity markets around the globe had been suffering from the European debt crisis, and Asian markets are no exception. The objective of the ETFs are to track the return of their corresponding benchmark (MSCI Hong Kong, MSCI China, MSCI Taiwan and MSCI Golden Dragon) as close as possible. In gross terms, none of the return deviation of each ETF exceed +/-20bps to the benchmark as at 31 October 2011. Transaction cost and fees make up for the rest of the deviation measured by net return.

The Asian markets continue to be shadowed by the European credit crisis and therefore we expect further volatility in the equity market. This situation will continue to prevail until there is more clarity from the European leaders as to how they can effectively agree to contain this credit crisis.

Trustee's report
HSBC ETFs Trust ("the Trust")

We hereby confirm that, in our opinion, the Manager of HSBC MSCI Golden Dragon ETF, HSBC MSCI China ETF, HSBC MSCI Hong Kong ETF and HSBC MSCI Taiwan ETF ("the Sub-Funds") of the Trust has, in all material respects, managed the Sub-Funds in accordance with the provisions of the Trust Deed dated 25 February 2011, as amended, for the period ended 31 October 2011.

Mavis CHANG
Bertha TAM

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

27 February 2012

Independent auditor's report to the unitholders of HSBC ETFs Trust ("the Trust")

We have audited the financial statements of the sub-funds of the Trust set out on pages 4 to 25, which comprise the statement of assets and liabilities as at 31 October 2011, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the period then ended and a summary of significant accounting policies and other explanatory information.

Manager's and Trustee's responsibilities for the financial statements

The Manager and the Trustee are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and for such internal control as the Manager and the Trustee 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 Manager and the Trustee also have a responsibility to ensure that the financial statements comply with the relevant disclosure provisions of the Trust Deed, as amended, and the relevant disclosure requirements set out in Appendix E to the Hong Kong Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission ("the Code").

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. 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.

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 the 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 Manager and the Trustee, 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 sub-funds of the Trust as at 31 October 2011 and of their transactions and cash flows for the period then ended in accordance with Hong Kong Financial Reporting Standards.

Report on disclosure requirements under the Code

We report that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed, as amended, and the relevant disclosure requirements set out in the Code.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
27 February 2012

Statement of assets and liabilities

As at 31 October 2011

		31 October 2011				
		HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD	
Note						
Assets						
	Financial assets at fair value					
	through profit or loss	4,12	116,988,796	213,151,523	94,447,423	786,073,081
	Dividends receivable		–	64,294	104,920	25,694
	Other receivable		–	8,724	8,671	33,397
	Amounts due from broker	8(d)(ii)	–	178,722	121,348	4,983,135
	Cash and cash equivalents	8(d)(i)	170,680	1,485,956	822,844	2,277,763
	Total assets		<u>117,159,476</u>	<u>214,889,219</u>	<u>95,505,206</u>	<u>793,393,070</u>
Liabilities						
	Financial liabilities at fair value through					
	profit or loss	4, 12	–	–	–	56,545
	Accrued expenses and other					
	payable	7	17,897	288,305	189,115	1,232,580
	Total liabilities		<u>17,897</u>	<u>288,305</u>	<u>189,115</u>	<u>1,289,125</u>
	Net assets attributable to unitholders	10	<u>117,141,579</u>	<u>214,600,914</u>	<u>95,316,091</u>	<u>792,103,945</u>
	Representing:					
	Total equity		<u>117,141,579</u>	<u>214,600,914</u>	<u>95,316,091</u>	<u>792,103,945</u>
	Total number of units in issue	9	<u>3,600,000</u>	<u>8,500,000</u>	<u>3,600,000</u>	<u>5,000,000</u>
	Net asset value per unit – Class A units		<u>32.5393</u>	<u>25.2472</u>	<u>26.4767</u>	<u>158.4208</u>

Approved by the Trustee and the Manager on 27 February 2012

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Mavis CHANG) For and on behalf of
Bertha TAM) HSBC Institutional Trust Services (Asia) Limited
)
)
)
Po Yee LAM) For and on behalf of
Edgar Kai Man NG) HSBC Investment Funds (Hong Kong) Limited
)
)

The notes on pages 8 to 25 form part of these financial statements.

Statement of comprehensive income

For the period from 12 April 2011 (date of inception) to 31 October 2011

		2011			
		Period from 13 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Golden Dragon ETF HK\$	Period from 13 April 2011 (date of inception) to 31 October 2011 HSBC MSCI China ETF HK\$	Period from 12 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Hong Kong ETF HK\$	Period from 12 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Taiwan ETF TWD
Income	Note				
Dividend income		–	3,902,146	2,239,648	31,531,995
Other income	8(e)	–	500,808	148,309	410,799
		–	4,402,954	2,387,957	31,942,794
Expenses					
Management fees	8(a)	34	50,366	28,094	191,192
Operating expenses	6(a)	308	453,296	252,848	1,720,725
Other expenses	6(b)	16,944	530,880	217,532	1,171,322
		17,286	1,034,542	498,474	3,083,239
(Loss)/income attributable to unitholders before losses on financial instruments at fair value through profit or loss		(17,286)	3,368,412	1,889,483	28,859,555
Losses on financial instruments at fair value through profit or loss					
Net losses on financial instruments at fair value through profit or loss	5	(21,050,165)	(48,692,574)	(16,408,486)	(115,285,422)
Net foreign exchange (losses)/gains		(10)	(257)	534	26,913
		(21,050,175)	(48,692,831)	(16,407,952)	(115,258,509)
Loss attributable to unitholders before taxation		(21,067,461)	(45,324,419)	(14,518,469)	(86,398,954)
Taxation	3	–	(306,867)	–	(7,298,901)
Loss attributable to unitholders and total comprehensive income for the period		(21,067,461)	(45,631,286)	(14,518,469)	(93,697,855)

The notes on pages 8 to 25 form part of these financial statements.

Statement of changes in equity

For the period from 12 April 2011 (date of inception) to 31 October 2011

	2011			
	Period from 13 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Golden Dragon ETF HK\$	Period from 13 April 2011 (date of inception) to 31 October 2011 HSBC MSCI China ETF HK\$	Period from 12 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Hong Kong ETF HK\$	Period from 12 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Taiwan ETF TWD
Loss attributable to unitholders and total comprehensive income for the period	(21,067,461)	(45,631,286)	(14,518,469)	(93,697,855)
Transactions with owners (i.e. unitholders), recorded directly in equity				
Received and receivable on issue of units	138,209,040	260,232,200	109,834,560	885,801,800
Total transactions with owners (i.e. unitholders)	138,209,040	260,232,200	109,834,560	885,801,800
Balance at period end	117,141,579	214,600,914	95,316,091	792,103,945

The notes on pages 8 to 25 form part of these financial statements.

Cash flow statement

For the period from 12 April 2011 (date of inception) to 31 October 2011

	2011			
	Period from 13 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Golden Dragon ETF HK\$	Period from 13 April 2011 (date of inception) to 31 October 2011 HSBC MSCI China ETF HK\$	Period from 12 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Hong Kong ETF HK\$	Period from 12 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Taiwan ETF TWD
Operating activities				
Dividend income received	–	3,837,852	2,134,728	31,506,301
Other income received	–	500,808	148,309	410,799
Net foreign exchange (losses)/gains	(10)	(257)	534	26,913
Payment for management fees	(27)	(42,029)	(24,304)	(158,620)
Payment for operating expenses	(125,544)	(292,546)	(294,142)	(1,076,863)
Reimbursements from Manager	143,126	119,217	226,619	431,954
Payment for other expenses	(16,944)	(536,796)	(225,591)	(1,066,199)
Margin deposit paid to broker	–	(310,000)	(190,000)	(6,611,540)
Tax paid	–	(306,867)	–	(7,298,901)
Net cash generated from operating activities	601	2,969,382	1,776,153	16,163,844
Investing activities				
Proceeds from sale of financial instruments at fair value through profit or loss	1,091,713	5,418,661	12,630,809	21,966,541
Payment on purchase of financial instruments at fair value through profit or loss	(1,072,462)	(267,134,287)	(123,418,678)	(921,654,422)
Net cash generated from/(used in) investing activities	19,251	(261,715,626)	(110,787,869)	(899,687,881)
Financing activities				
Proceeds on issue of units	150,828	260,232,200	109,834,560	885,801,800
Net cash generated from financing activities	150,828	260,232,200	109,834,560	885,801,800
Net increase in cash and cash equivalents	170,680	1,485,956	822,844	2,277,763
Cash and cash equivalents at the beginning of the period	–	–	–	–
Cash and cash equivalents at the end of the period	170,680	1,485,956	822,844	2,277,763

Major non-cash transactions:

During the period, the participating dealer, The Hongkong and Shanghai Banking Corporation Limited, subscribed for 3,600,000 units of HSBC MSCI Golden Dragon ETF by tendering a basket of constituent stocks of the MSCI Golden Dragon Index with a market value of HK\$138,058,212.

The notes on pages 8 to 25 form part of these financial statements.

Notes to the financial statements

For the period from 12 April 2011 (date of inception) to 31 October 2011

1 The Trust

HSBC ETFs Trust (the "Trust") is an umbrella unit trust which was established under a Trust deed dated 25 February 2011 made under Hong Kong law. Four sub-funds were created under the Trust with the date of inception set out below:

	Date of inception
– HSBC MSCI Golden Dragon ETF	13 April 2011
– HSBC MSCI China ETF	13 April 2011
– HSBC MSCI Hong Kong ETF	12 April 2011
– HSBC MSCI Taiwan ETF	12 April 2011

The Sub-Funds are authorised by the Securities and Futures Commission in Hong Kong ("SFC") under Section 104(1) of the Hong Kong Securities and Futures Ordinance ("HKSF"), and are governed by the Hong Kong Code on Unit Trusts and Mutual Funds issued by the SFC.

The objective of the HSBC MSCI Golden Dragon ETF is to replicate the performance of the MSCI Golden Dragon Index, before fees and expenses, while minimising as far as possible the tracking error between the Sub-Fund's performance and that of the MSCI Golden Dragon Index.

The objective of the HSBC MSCI China ETF is to replicate the performance of the MSCI China Index, before fees and expenses, while minimising as far as possible the tracking error between the Sub-Fund's performance and that of the MSCI China Index.

The objective of the HSBC MSCI Hong Kong ETF is to replicate the performance of the MSCI Hong Kong Index, before fees and expenses, while minimising as far as possible the tracking error between the Sub-Fund's performance and that of the MSCI Hong Kong Index.

The objective of the HSBC MSCI Taiwan ETF is to replicate the performance of the MSCI Taiwan Index, before fees and expenses, while minimising as far as possible the tracking error between the Sub-Fund's performance and that of the MSCI Taiwan Index.

The financial statements of the Sub-Funds are presented in their respective functional and presentation currencies as follows:

	Functional and presentation currency
– HSBC MSCI Golden Dragon ETF	HK\$
– HSBC MSCI Hong Kong ETF	HK\$
– HSBC MSCI China ETF	HK\$
– HSBC MSCI Taiwan ETF	TWD

The Trust Deed does not contain any requirement that a combined set of financial statements for the Trust itself be prepared.

2 Significant accounting policies

(a) Statement of compliance

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

Notes to the financial statements

For the period from 12 April 2011 (date of inception) to 31 October 2011

2 Significant accounting policies (continued)

(a) *Statement of compliance (continued)*

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Sub-Funds. There have been no significant changes to the accounting policies applied in these financial statements for the period presented as a result of these developments.

The Sub-Funds have not applied any new standard or Interpretation that is not yet effective for the current accounting period (see note 14).

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

The functional and presentation currency of HSBC MSCI Taiwan ETF is Taiwan dollars reflecting the fact that the participating redeemable units of the Sub-Fund are issued and redeemed in Taiwan dollars. The functional and presentation currencies for the Sub-Funds other than HSBC MSCI Taiwan ETF are Hong Kong dollars reflecting the fact that the participating redeemable units of the Sub-Funds are issued and redeemed in Hong Kong dollars.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investments are stated at their fair value as explained in the accounting policies set out below.

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

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

(c) *Income and expenses*

Interest income and expense are recognised as they accrue using the effective interest method. Dividend income is recognised when the underlying securities are quoted ex-dividend. Dividend income is presented gross of any non-recoverable withholding taxes, which are disclosed separately in profit or loss. All other income and expenses are accounted for on an accrual basis.

(d) *Financial instruments*

(i) Classification

All of the Sub-Funds' investments are classified as financial assets or financial liabilities at fair value through profit or loss. This category comprises financial instruments held for trading, including futures contracts, and financial instruments designated at fair value through profit or loss, including equities, exchange traded funds, rights and warrants.

All derivatives in a net receivable position (positive fair value) are reported as financial assets. All derivatives in a net payable position (negative fair value) are reported as financial liabilities.

Financial liabilities that are not at fair value through profit or loss include amounts payable on redemption of units, distributions payables, accrued expenses and other payables.

Notes to the financial statements

For the period from 12 April 2011 (date of inception) to 31 October 2011

2 Significant accounting policies (continued)

(d) Financial instruments (continued)

(ii) Recognition

The Sub-Funds recognise financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments.

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

(iii) Measurement

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

Subsequent to initial recognition, all trading instruments are measured at fair value.

(iv) Fair value measurement principles

The fair value of financial instruments is generally based on their quoted market prices at the date of the statement of assets and liabilities without any deduction of estimated future selling costs. Financial assets are priced at current bid prices while financial liabilities are priced at current ask prices.

Net gains on financial instruments are included in profit or loss. Realised gains and losses on financial instruments and unrealised gains and losses on financial instruments arising from a change in fair value are provided in note 5.

(v) Derecognition

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

Assets held for trading that are sold are derecognised and corresponding receivables from brokers are recognised as of the date the Sub-Funds commit to sell the assets.

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

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

(vi) Offsetting

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

(e) Foreign currency translation

Foreign currency transactions during the period are translated into base currency of the Sub-Funds at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the base currency of the Sub-Funds at the foreign exchange rates ruling at the date of the statement of assets and liabilities. Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in profit or loss of the relevant Sub-Funds.

Notes to the financial statements

For the period from 12 April 2011 (date of inception) to 31 October 2011

2 Significant accounting policies (continued)

(f) Related parties

For the purposes of these financial statements, a party is considered to be related to the Sub-Funds if:

- (i) the party has the ability, directly or indirectly, through one or more intermediaries, to control the Sub-Funds or exercise significant influence over the Sub-Funds in making financial and operating policy decisions, or has joint control over the Sub-Funds;
- (ii) the Sub-Funds and the party are subject to common control;
- (iii) the party is a subsidiary, an associate of the Sub-Funds or a joint venture in which the Sub-Funds is a venturer;
- (iv) the party is a member of key management personnel of the Sub-Funds or the Sub-Funds' parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Sub-Funds or of any entity that is a related party of the Sub-Funds.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the Sub-Funds.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Sub-Funds' cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(h) Units in issue

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

The Sub-Funds have one class of redeemable units in issue. This is the most subordinate class of financial instruments in the Sub-Funds and ranks *pari passu* in all material respects and has identical terms and conditions. The redeemable units provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Sub-Funds' net assets at each redemption date and also in the event of the Sub-Funds' liquidation.

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

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

Notes to the financial statements

For the period from 12 April 2011 (date of inception) to 31 October 2011

2 Significant accounting policies (continued)

(h) Units in issue (continued)

- (iv) apart from the contractual obligation for the Sub-Funds to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- (v) the total expected cash flows attributable to the instrument over its life are based substantially on 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 Sub-Funds over the life of the instrument.

The Sub-Funds' redeemable units meet all of these conditions and are classified as equity.

(i) Expenses

All expenses are recognised in profit or loss on an accruals basis.

(j) Taxation

Taxation for the period represents non-recoverable withholding tax on dividend income and interest income imposed in the country of origin. Such income is recorded gross of taxes in profit or loss.

(k) Segment reporting

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

3 Taxation

Hong Kong

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

China

HSBC MSCI China ETF invests in shares of companies in People's Republic of China ("PRC") listed on overseas stock exchanges including the H-shares listed in Hong Kong on the SEHK ("H-shares"). Under the PRC Corporate Income Tax Law, the HSBC MSCI China ETF may be liable to pay PRC tax on the capital gains realised in the trading of H-shares and dividend income derived from PRC listed companies. However, no provision was made for taxation from capital gains in the financial statements as the Manager believes that HSBC MSCI China ETF can sustain a position for not filing a tax return based on the existing tax regulations and that the enforcement of PRC tax on capital gains is not probable.

Taiwan

The HSBC Taiwan ETF invests in shares of companies in Taiwan listed on Taiwan Stock Exchange or quoted on the Greta Securities Market, which is a market regulated and supervised by the Taiwan Financial Supervisory Commission. Capital gain derived from Taiwan securities is exempted from income tax pursuant to Article 4-1 of the Income Tax Act. Dividend derived from a Taiwan company is subject to withholding tax of 20% for foreign institutional investors (FINI) if no tax treaty applies.

Notes to the financial statements

For the period from 12 April 2011 (date of inception) to 31 October 2011

3 Taxation (continued)

Dividend income received by the Sub-Funds may be subject to non-recoverable withholding tax imposed in the country of origin. Dividend income is recorded gross of such taxes and the withholding tax is recognized in statement of comprehensive income as incurred.

Taxation in the statement of comprehensive income represents:

	Period from 13 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Golden Dragon ETF HK\$	Period from 13 April 2011 (date of inception) to 31 October 2011 HSBC MSCI China ETF HK\$	Period from 12 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Hong Kong ETF HK\$	Period from 12 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Taiwan ETF TWD
Withholding tax - PRC	–	306,867	–	–
Withholding tax - Taiwan	–	–	–	7,298,901
	<u>–</u>	<u>306,867</u>	<u>–</u>	<u>7,298,901</u>

4 Financial instruments and associated risks

The Sub-Funds maintain investment portfolio in the constituent stocks of the underlying Index as dictated by its investment management strategy. The Sub-Funds' investment objective is to provide investment results that, before fees and expenses, closely correspond to the performance of the Underlying Index relevant to the Sub-Funds. The Manager primarily adopts a replication strategy to achieve the investment objective of the Sub-Funds. When there is a change in the constituent stock of the Index or the weighting of the constituent stocks in the Index, the Manager will be responsible for implementing any adjustment to the Sub-Funds' portfolio of stocks to ensure that the Sub-Funds' investment portfolio closely corresponds to the composition of the Index and the weighting of each constituent stock. Details of such investments held as at 31 October 2011 are shown in the Investment portfolio.

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

(a) Market risk

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

(i) Currency risk

As the financial assets and liabilities of the Sub-Funds are denominated in the functional currency, no significant currency risk is associated with them.

(ii) Interest rate risk

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

Notes to the financial statements

For the period from 12 April 2011 (date of inception) to 31 October 2011

4 Financial instruments and associated risks (continued)

(a) Market risk (continued)

(iii) Price risk

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

The Manager constructs the portfolio through adopting replication strategy. The Sub-Funds are not actively managed and the Manager does not have the discretion to select stocks or to take defensive position in declining market. Hence, any fall in the underlying indices will result in a corresponding fall in the value of the Sub-Funds.

Price sensitivity

The impact on a 1% increase in the index at 31 October 2011, other variables held constant, is shown below. An equal change in the opposite direction would decrease the net assets attributable to unitholders by an equal but opposite amount.

Sub-Funds	Underlying Index	Impact on net assets attributable to unitholders
HSBC MSCI Golden Dragon ETF	MSCI Golden Dragon Index ¹	HK\$1,171,416
HSBC MSCI China ETF	MSCI China Index ²	HK\$2,146,009
HSBC MSCI Hong Kong ETF	MSCI Hong Kong Index ³	HK\$953,161
HSBC MSCI Taiwan ETF	MSCI Taiwan Index ⁴	TWD7,921,039

¹ The MSCI Golden Dragon Index consists of (i) Chinese securities (H shares, Red chips and P chips) listed on The Stock Exchange of Hong Kong Limited ("SEHK") and B shares listed on Shanghai Stock Exchange and Shenzhen Stock Exchange; (ii) Hong Kong securities listed on the SEHK; and (iii) Taiwanese securities listed on the Taiwan Stock Exchange and Taiwanese securities traded or quoted on GreTai Securities Market, which is a market regulated and supervised by the Taiwan Financial Supervisory Commission.

² The MSCI China Index consists of Chinese securities (H shares, Red chips and P chips) listed on the SEHK and B shares listed on Shanghai Stock Exchange and Shenzhen Stock Exchange.

³ The MSCI Hong Kong Index consists of Hong Kong securities listed on the SEHK.

⁴ The MSCI Taiwan Index consists of Taiwanese securities listed on the Taiwan Stock Exchange and Taiwanese securities traded or quoted on GreTai Securities Market, which is a market regulated and supervised by the Taiwan Financial Supervisory Commission.

(b) Credit risk

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high quality of the brokers used. The Sub-Funds monitor the credit rating and financial positions of the brokers used to further mitigate this risk.

All of the investments and assets of the Sub-Funds are safe-kept by HSBC Institutional Trust Services (Asia) Limited (the "Trustee"). Bankruptcy or insolvency of the Trustee may cause the Sub-Funds' rights with respect to the investments and assets safe-kept by the Trustee to be delayed or limited. The Manager monitors the credit quality of the Trustee by performing due diligence annually.

Notes to the financial statements

For the period from 12 April 2011 (date of inception) to 31 October 2011

4 Financial instruments and associated risks (continued)

(b) Credit risk (continued)

Majority of the cash held by the Sub-Funds is deposited with HSBC Group. Bankruptcy or insolvency of the banks may cause the Sub-Funds' rights with respect to the cash held by the banks to be delayed or limited. The Sub-Funds monitor their risk by monitoring the credit rating of these banks on an on-going basis. If the credit rating of these banks deteriorates significantly the Manager will move the cash holdings to another bank.

HSBC MSCI China ETF is subject to credit and counterparty risk associated with the warrant issuer and may suffer losses potentially equal to the full value of the warrant issued by the warrant issuer if such warrant issuer fails to perform its obligations to HSBC MSCI China ETF.

The table below sets out the net exposure of the HSBC MSCI China ETF to counterparties as at 31 October 2011 together with the credit ratings provided by Standard & Poor's Rating Services:

Warrant issuer	Credit rating	Net exposure to counterparties at 31 October 2011
Morgan Stanley BV	A-	<u>6,591,220</u>

Other than outlined above, there were no significant concentrations of credit risk to counterparties at 31 October 2011.

(c) Liquidity risk

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

The Sub-Funds' policy and the Manager's approach to manage liquidity is to have sufficient liquidity to meet their liability including estimated redemption of units, as and when due, without incurring undue losses or risking damage to the Sub-Funds' reputation.

The Sub-Funds' Hong Kong Offering Document ("Offering Document") provides for the daily creation and cancellation of units and they are therefore exposed to the liquidity of meeting unitholder redemptions daily. All other financial liabilities have contractual maturities less than one year.

The Sub-Funds' majority of financial assets are listed or quoted equity investments which are expected to be readily realizable under normal market conditions. As a result, the Sub-Funds are able to liquidate quickly its investments in order to meet its liquidity requirements.

The Sub-Funds' liquidity risk is managed on a daily basis by the Manager in accordance with the policies and procedures in place. The Sub-Funds' redemption policy allows redemption to be made through participating dealers by any investor with a basket of constituent stocks of the underlying Index and a minor cash component or wholly with cash at a minimum of units.

	Application unit size of each redemption
– HSBC MSCI Golden Dragon ETF	600,000
– HSBC MSCI China ETF	500,000
– HSBC MSCI Hong Kong ETF	600,000
– HSBC MSCI Taiwan ETF	500,000

Notes to the financial statements

For the period from 12 April 2011 (date of inception) to 31 October 2011

4 Financial instruments and associated risks (continued)

(c) *Liquidity risk (continued)*

The Manager has the right to declare suspension of unitholders' right to redeem units under certain conditions, such as the SEHK is closed; dealings on the SEHK or the Hong Kong Futures Exchange Limited are restricted or suspended; or the underlying Index is not compiled or published, etc. in accordance with the Offering Document.

(d) *Specific instrument risk*

Futures contracts

Futures contracts are commitments either to purchase or sell a designated financial instrument, currency, commodity or index at a specified future date for a specified price and may be settled in cash or the underlying financial asset. Futures are standardised exchange-traded contracts. Initial margin requirements for futures are met in cash or other instruments, and changes in future contract values are marked to market daily. Futures contracts have lower credit risk because the counterparties are futures exchanges.

Futures contracts result in exposure to market risk based on changes in market prices relative to contracted price. Market risks arise due to the possible movement in foreign currency exchange rates, indices, and securities' values underlying these instruments. In addition, because of the low margin deposits normally required in relation to notional contract sizes, a high degree of leverage may be typical of a futures contract and may result in substantial losses to the Sub-Funds. Certain futures exchanges do not permit trading in particular futures contracts at prices that represent a material fluctuation in price during a single day's trading beyond certain preset limits. If prices fluctuate during a single day's trading beyond those limits, the Sub-Funds could be prevented from promptly liquidating unfavourable positions and thus could be subject to substantial losses.

(e) *Capital management*

The Sub-Funds' capital as at the period end date is represented by their redeemable units.

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

There were no changes in the policies and procedures during the period with respect to the Sub-Funds' approach to its capital management.

The Sub-Funds are not subject to externally imposed capital requirements.

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

Notes to the financial statements

For the period from 12 April 2011 (date of inception) to 31 October 2011

5 Net losses on financial instruments at fair value through profit or loss

During the period, the Sub-Funds disposed of equities and earned or incurred realised and unrealised gains and losses as shown below.

	Period from 13 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Golden Dragon ETF HK\$	Period from 13 April 2011 (date of inception) to 31 October 2011 HSBC MSCI China ETF HK\$	Period from 12 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Hong Kong ETF HK\$	Period from 12 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Taiwan ETF TWD
Realised losses	(63,023)	(487,640)	(456,187)	(2,038,948)
Movement on unrealised gains or losses	<u>(20,987,142)</u>	<u>(48,204,934)</u>	<u>(15,952,299)</u>	<u>(113,246,474)</u>
Net losses on financial instruments at fair value through profit or loss	<u><u>(21,050,165)</u></u>	<u><u>(48,692,574)</u></u>	<u><u>(16,408,486)</u></u>	<u><u>(115,285,422)</u></u>

6 Expenses

(a) Operating expenses

In accordance with the prospectus, the Trust has a fee structure where, in respect of each Sub-Fund all of the fees and expenses (except for the Management Fees, certain duties, charges and other costs and expenses which will be paid separately out of the assets of the relevant Sub-Fund) are paid as one single fee. This is referred to as the "Operating Expenses". The Operating Expenses also include any due proportion of expenses of the Trust which may be allocated to the relevant Sub-Funds from time to time.

The level of the Operating Expenses payable by each Sub-Fund is set out as 0.45% per annum of the Net Asset Value.

The Operating Expenses are calculated and accrued daily from the Net Asset Value of the Index Fund and payable monthly in arrears. If the Sub-Fund's expenses exceed the Operating Expenses, the Manager will cover any shortfall from its own assets. Conversely, if the Sub-Fund's expenses are less than the Operating Expenses, the Manager will retain the surplus for its own benefits.

Further in accordance with the prospectus all Sub-Funds are managed by the Manager. The Manager shall ensure that neither the HSBC MSCI Golden Dragon ETF nor unitholders of the HSBC MSCI Golden Dragon ETF will suffer any increase in the overall total of initial charges, management fee, or any other costs and any charges payable to the Manager or its connected person as a result of the HSBC MSCI Golden Dragon ETF's investment in the HSBC MSCI China ETF, HSBC MSCI Hong Kong ETF and HSBC MSCI Taiwan ETF.

Operating Expenses for the period is comprised of the following fees, including reimbursements from the Manager for covering the shortfall from its own assets.

Notes to the financial statements

For the period from 12 April 2011 (date of inception) to 31 October 2011

6 Expenses (continued)

(a) Operating expenses (continued)

		2011			
		Period from 13 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Golden Dragon ETF HK\$	Period from 13 April 2011 (date of inception) to 31 October 2011 HSBC MSCI China ETF HK\$	Period from 12 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Hong Kong ETF HK\$	Period from 12 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Taiwan ETF TWD
Note					
	Accounting service fees	8(b) 26,434	26,434	26,565	99,592
	Auditors' fee	31,249	156,249	156,249	585,775
	Trustee's fee	8(b) 131,333	328,334	330,000	1,238,595
	Register and transfer agent fees	8(b) 16,820	16,820	16,752	63,357
	Information services	–	50,366	28,094	191,191
	Reimbursements from Manager	8(b) (205,528)	(124,907)	(304,812)	(457,785)
	Total Operating Expenses	<u>308</u>	<u>453,296</u>	<u>252,848</u>	<u>1,720,725</u>

(b) Other expenses

Other expenses comprise of items not part of Operating Expenses or management fee expense, and include the following:

		2011			
		Period from 13 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Golden Dragon ETF HK\$	Period from 13 April 2011 (date of inception) to 31 October 2011 HSBC MSCI China ETF HK\$	Period from 12 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Hong Kong ETF HK\$	Period from 12 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Taiwan ETF TWD
	Annual fee	–	10,719	10,773	40,387
	Printing and advertising	931	931	931	3,661
	Safe custody and bank charges	11,262	34,287	22,339	204,180
	Professional fees	–	–	–	105,435
	Miscellaneous expenses	–	23,808	8,123	14,362
	Administration fee	–	–	–	130,550
	Commission and transaction expenses	4,751	461,135	175,366	672,747
	Total other expenses	<u>16,944</u>	<u>530,880</u>	<u>217,532</u>	<u>1,171,322</u>

Notes to the financial statements

For the period from 12 April 2011 (date of inception) to 31 October 2011

7 Accrued expenses and other payable

The following is a summary of accrued expenses and other payable at the end of the period, including reimbursement from the Manager for covering the shortfall from its own assets. See note 6(a) on Operating Expenses.

	31 October 2011			
	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
Accrued expenses and other payable	80,299	293,996	267,308	1,258,411
Reimbursements from Manager	(62,402)	(5,691)	(78,193)	(25,831)
Total accrued expenses and other payable	<u>17,897</u>	<u>288,305</u>	<u>189,115</u>	<u>1,232,580</u>

8 Transactions with related parties

The following is a summary of transactions with related parties during the year which were entered into in the ordinary course of business and under normal commercial terms:

- (a) HSBC Investment Funds (Hong Kong) Limited ("the Manager"), which is a member of the HSBC Group, is the Manager of the Sub-Funds. The Manager earns management fees at a maximum rate of 0.05% of net asset value per annum. Management fees are calculated as at each dealing date and payable monthly in arrears. As noted in note 6(a) the Manager shall ensure that the HSBC MSCI Golden Dragon ETF will not suffer any increase in the overall total of initial charges, management fee, or any other costs and any charges payable to the Manager or its connected person as a result of the HSBC MSCI Golden Dragon ETF's investment in the HSBC MSCI China ETF, HSBC MSCI Hong Kong ETF and HSBC MSCI Taiwan ETF.

	Period from 13 April 2011 (date of inception) to 31 October 2011	Period from 13 April 2011 (date of inception) to 31 October 2011	Period from 12 April 2011 (date of inception) to 31 October 2011	Period from 12 April 2011 (date of inception) to 31 October 2011
	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
(i) Management fee for the period	34	50,366	28,094	191,192
(ii) Management fee payable at period ended	<u>7</u>	<u>8,337</u>	<u>3,790</u>	<u>32,572</u>

Notes to the financial statements

For the period from 12 April 2011 (date of inception) to 31 October 2011

8 Transactions with related parties (continued)

- (b) The Sub-Funds utilise the services of The HSBC Institutional Trust Services (Asia) Limited and pays accounting and professional fee, trustee fee, registrar and transfer agent fee to The Hongkong and Shanghai Banking Corporation Limited.

The following is a summary of operating expenses which were connected to the related parties during the period. This is net of the reimbursements from Manager as described in note 6(a).

	Period from 13 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Golden Dragon ETF HK\$	Period from 13 April 2011 (date of inception) to 31 October 2011 HSBC MSCI China ETF HK\$	Period from 12 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Hong Kong ETF HK\$	Period from 12 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Taiwan ETF TWD
(i) Operating expenses for the period	(30,941)	246,681	68,505	943,759
(ii) Operating expenses payable at period end	<u>(13,359)</u>	<u>73,353</u>	<u>982</u>	<u>279,128</u>

- (c) The Sub-Funds utilise the services of HSBC Bank Plc Futures Wholesale Trading Operations and The Hongkong and Shanghai Banking Corporation Limited which is a member of HSBC Group. Details of such transactions executed and fees paid during the period are shown below.

	Period from 13 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Golden Dragon ETF HK\$	Period from 13 April 2011 (date of inception) to 31 October 2011 HSBC MSCI China ETF HK\$	Period from 12 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Hong Kong ETF HK\$	Period from 12 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Taiwan ETF TWD
Value of transactions executed	140,224,242	249,496,877	109,866,482	899,607,406
% of total value of transactions of the Sub-Funds	100.00%	91.48%	90.57%	96.95%
Commission and transaction expenses	972	76,203	22,239	225,587
Average Investment transaction commission rate	<u>0.00%</u>	<u>0.03%</u>	<u>0.02%</u>	<u>0.03%</u>

Notes to the financial statements

For the period from 12 April 2011 (date of inception) to 31 October 2011

8 Transactions with related parties (continued)

Also, the Sub-Funds utilise the services of The Hongkong and Shanghai Banking Corporation Limited and pays securities expenses and safe custody charges for depository of securities and commitment fee on unused portion of bank overdraft facility and the annual fee for the bank overdraft facility to The Hongkong and Shanghai Banking Corporation Limited. Details of such fees paid during the period are shown below.

	Period from 13 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Golden Dragon ETF HK\$	Period from 13 April 2011 (date of inception) to 31 October 2011 HSBC MSCI China ETF HK\$	Period from 12 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Hong Kong ETF HK\$	Period from 12 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Taiwan ETF TWD
Transaction handling expense	2,338	69,617	16,337	392,128
Safe custody, bank charges and other expense	11,262	17,096	10,307	202,223
Annual fee on bank overdraft facility	–	19,443	19,443	73,785

- (d) (i) Bank accounts are maintained with The Hongkong and Shanghai Banking Corporation Limited which is a member of HSBC Group. The respective balances are set out below:

	31 October 2011			
	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
Cash held at the period end	170,680	1,485,956	822,844	2,277,763

- (ii) Margin accounts are maintained with HSBC Bank Plc Futures Wholesale Trading Operations, which is a fellow subsidiary of the Manager within the HSBC Group. The respective margin deposits are set out below:

	31 October 2011			
	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
Margin deposits held at the period end	–	178,722	121,348	4,983,135

- (e) Other income during the period relates to charges to the participating dealer, The Hongkong and Shanghai Banking Corporation Limited, in connection with the creation and issue of units.

Notes to the financial statements

For the period from 12 April 2011 (date of inception) to 31 October 2011

9 Units in issue

The movements of units in issue are shown as below.

	Period from 13 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Golden Dragon ETF HK\$	Period from 13 April 2011 (date of inception) to 31 October 2011 HSBC MSCI China ETF HK\$	Period from 12 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Hong Kong ETF HK\$	Period from 12 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Taiwan ETF TWD
Issued during the period	3,600,000	8,500,000	3,600,000	5,000,000
Balance carried forward	3,600,000	8,500,000	3,600,000	5,000,000

10 Reconciliation of net assets values

The Trustee and the Manager would like to highlight that the principles for calculating the published unit price as set out in the Offering Document are different from those required for calculating the net assets attributable to unitholders and hence the corresponding net asset value per unit for financial reporting purposes under HKFRSs. The net assets attributable to unitholders as reported in the financial statements are therefore different from the adjusted total net assets for valuation purposes at the reporting dates. The reconciliation between the net assets attributable to unitholders as reported in the financial statements and the adjusted total net assets for valuation purposes is shown in the table below.

	Period from 13 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Golden Dragon ETF HK\$	Period from 13 April 2011 (date of inception) to 31 October 2011 HSBC MSCI China ETF HK\$	Period from 12 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Hong Kong ETF HK\$	Period from 12 April 2011 (date of inception) to 31 October 2011 HSBC MSCI Taiwan ETF TWD
Net assets attributable to unitholders as reported in the financial statements	117,141,579	214,600,914	95,316,091	792,103,945
Adjustments for different principles adopted by the Sub-Funds in arriving at the total net assets for valuation purposes:				
– Use of closing price instead of bid price in valuing listed securities	–	633,224	175,330	666,934
Adjusted total net assets for valuation purposes	117,141,579	215,234,138	95,491,421	792,770,879

Notes to the financial statements

For the period from 12 April 2011 (date of inception) to 31 October 2011

11 Soft commission arrangements

As regards to the Sub-Funds, the Manager has not entered into any soft commission arrangements with brokers.

12 Fair value information

The Sub-Funds' financial instruments are measured at fair value on the date of the statement of assets and liabilities. Fair value estimates are made at a specified point in time, based on market conditions and information about the financial instruments. Usually, fair value can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including cash and cash equivalents, amounts payable on redemption of units, accrued expenses and other payables and distributions payable, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

Valuation of financial instruments

The Sub-Funds' accounting policy on fair value measurements is detailed in accounting policy in note 2(d)(iv).

The Sub-Funds measure fair values using the three levels of fair value hierarchy defined in HKFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorized in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

Fair values of financial assets and financial liabilities that are traded in active markets, such as equities, unit trusts, futures and rights which are listed on recognised stock exchanges are based on quoted market prices or dealer price quotations. For all other financial instruments, the Sub-Funds determine fair value using valuation techniques.

The Sub-Funds use widely recognised valuation models for determining the fair value of the warrants which do not have quoted market prices in an active market. Valuation techniques include net present value, discounted cash flow models, comparison to similar instruments for which market observable prices exist, comparison to similar instruments for which market observable prices exist, comparison to quoted prices for identical instruments that are considered less than active and other valuation models.

The table below presents the carrying value of financial instruments measured at fair value at the date of the statement of assets and liabilities across the three levels of fair value hierarchy.

Notes to the financial statements

For the period from 12 April 2011 (date of inception) to 31 October 2011

12 Fair value information (continued)

Valuation of financial instruments (continued)

HSBC MSCI Golden Dragon ETF

31 October 2011

	Level 1 HK\$	Level 2 HK\$	Total HK\$
<i>Financial assets at fair value through profit or loss</i>			
Exchange traded funds	116,988,796	–	116,988,796

HSBC MSCI China ETF

31 October 2011

	Level 1 HK\$	Level 2 HK\$	Total HK\$
<i>Financial assets at fair value through profit or loss</i>			
Listed equities	206,553,803	–	206,553,803
Futures	6,500	–	6,500
Warrants	–	6,591,220	6,591,220
	<u>206,560,303</u>	<u>6,591,220</u>	<u>213,151,523</u>

HSBC MSCI Hong Kong ETF

31 October 2011

	Level 1 HK\$	Level 2 HK\$	Total HK\$
<i>Financial assets at fair value through profit or loss</i>			
Listed equities	94,308,307	–	94,308,307
Futures	3,000	–	3,000
Rights	136,116	–	136,116
	<u>94,447,423</u>	<u>–</u>	<u>94,447,423</u>

Notes to the financial statements

For the period from 12 April 2011 (date of inception) to 31 October 2011

12 Fair value information (continued)

Valuation of financial instruments (continued)

HSBC MSCI Taiwan ETF

31 October 2011

	Level 1 TWD	Level 2 TWD	Total TWD
<i>Financial assets at fair value through profit or loss</i>			
Listed equities	786,012,040	–	786,012,040
Rights	61,041	–	61,041
	<u>786,073,081</u>	<u>–</u>	<u>786,073,081</u>
<i>Financial liabilities at fair value through profit or loss</i>			
Futures	<u>(56,545)</u>	<u>–</u>	<u>(56,545)</u>

13 Segment information

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

The Manager considers that each of the Sub-Funds have one single operating segment based on one single, integrated investment strategy by investing in constituent stocks of the Indices with the objective to provide investment results that, before fees and expenses, closely correspond to the performance of the Underlying Indices relevant to the Sub-Funds as stipulated in the Offering Document. There were no changes in the operating segment during the period.

The segment information provided to the Manager is the same as that disclosed in the statement of comprehensive income and statement of assets and liabilities. The Sub-Funds are domiciled in Hong Kong.

14 Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 31 October 2011

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the period ended 31 October 2011 and which have not been adopted in these financial statements.

These include, the following which may be relevant to the Sub-Funds:

	Effective for accounting periods beginning on or after
HKFRS 9, <i>Financial instruments</i>	1 January 2015
HKFRS 13, <i>Fair value measurement</i>	1 January 2013

The Sub-Funds are in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far they have concluded that the adoption of them is unlikely to have a significant impact on the Sub-Funds' results of operations and financial position.

Investment portfolio

As at 31 October 2011 (Unaudited)

HSBC MSCI Golden Dragon ETF

	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
Listed investments			
<i>Exchange traded funds</i>			
HSBC ETFs Trust – HSBC MSCI China ETF	2,199,258	55,688,951	47.54
HSBC ETFs Trust – HSBC MSCI Hong Kong ETF	987,366	26,190,278	22.36
HSBC ETFs Trust – HSBC MSCI Taiwan ETF	852,913	35,109,567	29.97
Total investments		116,988,796	99.87
<i>(Total cost of investments: HK\$137,977,567)</i>			
Other net assets		152,783	0.13
Total net assets attributable to unitholders		117,141,579	100.00

Investment portfolio

As at 31 October 2011 (Unaudited)

<i>HSBC MSCI China ETF</i>			
	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
Listed Investments			
Equities			
Agile Property Holdings Ltd	64,704	462,634	0.22
Agricultural Bank of China H Shares	864,846	3,052,906	1.42
Air China Ltd H Shares	95,641	583,410	0.27
Alibaba.Com Ltd	59,290	547,840	0.26
Aluminum Corp of China Ltd H Shares	185,716	804,150	0.37
Angang Steel Co Ltd H Shares	50,576	244,282	0.11
Anhui Conch Cement Co Ltd H Shares	58,010	1,656,185	0.77
Anta Sports Products Ltd	40,661	291,539	0.14
Avichina Industry & Technology Co Ltd	84,453	291,363	0.14
Bank of China Ltd H Shares	3,115,083	8,753,383	4.08
BBMG Corp H Shares	52,248	360,511	0.17
Beijing Capital International Airport Co Ltd H Shares	87,546	306,411	0.14
Beijing Enterprises Holdings Ltd	23,838	1,034,569	0.48
Belle International Holdings Ltd	197,436	3,024,720	1.41
Bosideng International Holdings Ltd	108,613	236,776	0.11
Brilliance China Automotive	104,468	887,978	0.41
Byd Co Ltd H Shares	24,017	457,284	0.21
Chaoda Modern Agriculture	132,273	101,850	0.05
China Agri-Ind Holdings Ltd	75,243	467,259	0.22
China Bluechemical Ltd H Shares	82,498	509,838	0.24
China Citic Bank Corp Ltd H Shares	348,612	1,467,656	0.68
China Coal Energy Co H Shares	192,288	1,897,883	0.88
China Communications Construction Co Ltd H Shares	207,240	1,235,150	0.58
China Communications Services Corp Ltd H Shares	92,833	335,127	0.16
China Construction Bank H Shares	2,249,104	13,044,803	6.08
China COSCO Holdings Co Ltd H Shares	120,707	497,313	0.23
China Dongxiang Group Co	132,972	186,161	0.09
China Everbright Ltd	40,155	469,813	0.22
China Gas Holdings Ltd	142,918	322,995	0.15
China High Speed Transmission Equipment Group Co Ltd	54,447	270,602	0.13
China Life Insurance Co H Shares	348,615	7,198,900	3.35
China Longyuan Power Group Corp H Shares	95,704	623,990	0.29
China Mengniu Dairy Co Ltd	56,675	1,411,207	0.66
China Merchants Bank Co Ltd H Shares	183,154	2,930,464	1.37
China Merchants Holdings International Co Ltd	52,287	1,267,960	0.59
China Minsheng Banking Co Ltd H Shares	174,023	1,108,526	0.52
China Mobile Ltd	276,900	20,670,585	9.63
China Molybdenum Co Ltd H Shares	58,021	223,961	0.10

Investment portfolio

As at 31 October 2011 (Unaudited)

HSBC MSCI China ETF

	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
Listed Investments			
Equities (continued)			
China National Building Material Co Ltd H Shares	134,114	1,367,963	0.64
China National Materials Co H Shares	51,513	205,537	0.10
China Oilfield Services Ltd	71,498	939,484	0.44
China Overseas Land & Investment Ltd	192,345	2,823,625	1.32
China Pacific Insurance (Gr) Co Ltd H Shares	80,452	1,938,893	0.90
China Petroleum & Chemical Corp H Shares	785,647	5,837,357	2.72
China Railway Construction Corp H Shares	92,382	432,348	0.20
China Railway Group Ltd H Shares	187,184	490,422	0.23
China Resources Cement Holding Ltd	91,102	571,210	0.27
China Resources Enterprise Ltd	55,859	1,591,981	0.74
China Resources Land Ltd	87,826	1,009,999	0.47
China Resources Power Holdings Co Ltd	77,023	1,072,160	0.50
China Rongsheng Heavy Industries Group Holdings Ltd	82,016	225,544	0.11
China Shanshui Cement Group Co Ltd	78,706	481,681	0.22
China Shenhua Energy Co Ltd H Shares	159,307	5,766,913	2.69
China Shineway Pharmaceutical Group Ltd	17,337	190,360	0.09
China Shipping Container Lines Co Ltd H Shares	166,988	248,812	0.12
China Shipping Development Co Ltd H Shares	60,368	336,853	0.16
China Southern Airlines Co Ltd H Shares	84,625	374,042	0.17
China State Construction International Holdings Ltd	66,762	407,248	0.19
China Taiping Insurance Holdings Co Ltd	35,916	607,699	0.28
China Telecom Corp Ltd H Shares	650,423	3,161,056	1.47
China Unicom (Hong Kong)	276,384	4,444,255	2.07
China Yurun Food Group Ltd	63,390	868,443	0.40
China Zhongwang Holdings Ltd	75,949	196,708	0.09
Chongqing Rural Commercial Bank Co Ltd H Shares	106,366	370,154	0.17
CITIC Pacific Ltd	59,484	850,621	0.40
CNOOC Ltd	833,401	12,684,363	5.91
COSCO Pacific Ltd	75,786	832,130	0.39
Country Garden Holdings Co	195,464	611,802	0.29
CSR Corporation Ltd H Shares	90,569	426,580	0.20
Datang International Power Gen Co Ltd H Shares	139,006	280,792	0.13
Dongfang Electric Corp Ltd H Shares	15,841	386,520	0.18
Dongfeng Motor Group Co Ltd H Shares	126,374	1,642,862	0.77
Dongyue Group	44,800	276,416	0.13
ENN Energy Holdings Ltd	34,240	972,416	0.45
Evergrande Real Estate Group	246,547	848,122	0.40
Fosun International	75,282	335,005	0.16
Franshion Properties China Ltd	172,699	274,591	0.13

Investment portfolio

As at 31 October 2011 (Unaudited)

	HSBC MSCI China ETF		
	Holdings	Market value HK\$	% of total net assets attributable to unitholders
Listed Investments			
Equities (continued)			
Fushan International Energy Group Ltd	137,850	445,255	0.21
GCL Poly Energy Holdings Ltd	326,394	842,096	0.39
Geely Automobile Holdings Ltd	173,314	351,827	0.16
Golden Eagle Retail Group Ltd	31,673	630,926	0.29
Gome Electrical Appliances Holdings Ltd	473,054	1,154,252	0.54
Great Wall Motor Co Ltd H Shares	48,627	519,336	0.24
Greentown China Holdings	30,519	153,205	0.07
Guangdong Investments Ltd	116,095	544,486	0.25
Guangzhou Automobile Group Co Ltd H Shares	103,101	807,281	0.38
Guangzhou R&F Properties Co Ltd H Shares	45,329	346,314	0.16
Hengan International Group Co Ltd	34,218	2,326,824	1.08
Hengdeli Holdings Ltd	102,405	361,490	0.17
Hidili Industry International Development Ltd	48,027	158,489	0.07
Huabao International Holdings Ltd	89,030	444,260	0.21
Huaneng Power International Inc H Shares	149,054	523,180	0.24
Industrial and Commercial Bank of China H Shares	2,836,395	13,983,427	6.52
Intime Department Store Group Co Ltd	44,988	503,866	0.23
Jiangsu Expressway Co Ltd H Shares	56,919	383,065	0.18
Jiangxi Copper Co Ltd H Shares	64,632	1,243,520	0.58
Kingboard Chemical Holdings Ltd	28,196	752,833	0.35
Kunlun Energy Co Ltd	103,840	1,144,317	0.53
KWG Property Holding Ltd	61,142	209,106	0.10
Lee & Man Paper Manufacturing Ltd	76,453	246,179	0.11
Lenovo Group Ltd	280,194	1,487,830	0.69
Li Ning Co Ltd	31,877	236,527	0.11
Longfor Properties	60,529	610,132	0.28
Lonking Holdings Ltd	90,713	283,025	0.13
Maanshan Iron & Steel H Shares	80,719	189,690	0.09
Metallurgical Corporation of China Ltd H Shares	134,736	226,356	0.11
Minmetals Resources Ltd	72,664	289,203	0.13
Nine Dragons Paper Holdings Ltd	76,009	408,168	0.19
Parkson Retail Group Ltd	65,954	656,242	0.31
Petrochina Co Ltd H Shares	978,805	10,022,963	4.67
PICC Property and Casualty Co Ltd	112,690	1,230,575	0.57
Poly (Hong Kong) Investments Ltd	93,446	370,981	0.17
Renhe Commercial Holdings	500,393	550,432	0.26
SANY Heavy Equipment International Holdings Co Ltd	43,499	301,883	0.14
Semiconductor Manufacturing International Corp	900,458	382,695	0.18
Shandong Weigao Group Medical Polymer Co Ltd H Shares	75,800	616,254	0.29

Investment portfolio

As at 31 October 2011 (Unaudited)

	<i>HSBC MSCI China ETF</i>		
	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
Listed Investments			
Equities (continued)			
Shanghai Electric Grp Corp H Shares	131,560	455,198	0.21
Shanghai Industrial Holdings Ltd	25,146	646,252	0.30
Shimao Property Holdings Ltd	74,874	579,525	0.27
Shui On Land Ltd	122,380	296,160	0.14
Sihuan Pharmaceutical Holdings	85,574	284,106	0.13
Sinofert Holdings Ltd	98,120	251,187	0.12
Sino-Ocean Land Holdings Ltd	158,589	551,890	0.26
Sinopec Shanghai Petrochemical Co Ltd H Shares	108,531	313,655	0.15
Sinopharm Medicine Holding Co Ltd H Shares	37,054	783,692	0.37
Skyworth Digital Holdings Ltd	84,554	353,436	0.16
Soho China Ltd	97,160	542,153	0.25
Tencent Holdings Ltd	46,843	8,534,795	3.98
Tingyi (Cayman) Holdings Corp	91,085	2,017,533	0.94
Tsingtao Brewery Co Ltd H Shares	13,733	546,573	0.25
Want Want China Holdings Ltd	278,933	2,019,475	0.94
Weichai Power Co Ltd H Shares	18,855	747,601	0.35
Wumart Stores Inc H Shares	24,992	392,374	0.18
Yanzhou Coal Mining Co Ltd H Shares	91,223	1,824,460	0.85
Yuexiu Property Co Ltd	239,834	290,199	0.14
Zhaojin Mining Industry Co Ltd H Shares	40,730	566,147	0.26
Zhejiang Expressway Co Ltd H Shares	66,792	343,979	0.16
Zhuzhou CSRTimes Electric Co Ltd H Shares	21,248	390,963	0.18
Zijin Mining Group Co Ltd H Shares	281,868	944,258	0.44
Zoomlion Heavy Industry Science and Technology Co Ltd H Shares	60,346	691,565	0.32
ZTE Corporation H Shares	28,062	627,186	0.29
		206,553,803	96.25
		206,553,803	96.25

Investment portfolio

As at 31 October 2011 (Unaudited)

	HSBC MSCI China ETF		
	Holdings	Market value HK\$	% of total net assets attributable to unitholders
Futures			
Mini H-Shares Index Futures 29/11/2011	5	6,500	0.00
		6,500	0.00
		-----	-----
Unlisted Investments			
Warrants			
Morgan Stanley (Bank of Communications Ltd H Shares) CWTS 16/03/2012	341,763	1,852,355	0.86
Morgan Stanley (Ping An Insurance (Group) H Shares) CWTS 16/03/2012	80,868	4,738,865	2.21
		6,591,220	3.07
		-----	-----
Total investments		213,151,523	99.32
<i>(Total cost of investments: HK\$261,729,282)</i>			
Other net assets		1,449,391	0.68
		-----	-----
Total net assets attributable to unitholders		214,600,914	100.00
		=====	=====

Investment portfolio

As at 31 October 2011 (Unaudited)

HSBC MSCI Hong Kong ETF

	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
Listed Investments			
Equities			
AIA Group Ltd	364,686	8,788,933	9.22
ASM Pacific Technology	8,609	742,957	0.78
Bank of East Asia	66,570	1,913,888	2.01
BOC Hong Kong (Holdings) Ltd	160,849	3,001,442	3.15
Cathay Pacific Airways Ltd	51,298	733,561	0.77
Cheung Kong Holdings Ltd	60,406	5,889,585	6.18
Cheung Kong Infrastructure Holdings Ltd	19,597	820,134	0.86
CLP Holdings Ltd	83,670	5,806,698	6.09
Esprit Holdings Ltd	53,247	607,016	0.64
Foxconn International Holdings	93,881	495,692	0.52
Galaxy Entertainment Group Ltd	53,787	867,046	0.91
Hang Lung Group Ltd	38,089	1,811,132	1.90
Hang Lung Properties Ltd	106,851	3,050,596	3.20
Hang Seng Bank Ltd	33,241	3,363,989	3.53
Henderson Land Development	40,292	1,734,571	1.82
Hong Kong & China Gas	206,048	3,630,566	3.81
Hong Kong Exchanges and Clearing Ltd	44,520	5,961,228	6.25
Hopewell Holdings Ltd	24,767	502,770	0.53
Hutchison Whampoa Ltd	92,658	6,680,642	7.01
Hysan Development Co Ltd	27,489	750,450	0.79
Kerry Properties Ltd	31,227	900,899	0.95
Li & Fung Ltd	245,422	3,720,598	3.90
Lifestyle International Holdings Ltd	25,554	539,189	0.57
Link REIT	97,031	2,605,282	2.73
MTR Corp Ltd	62,731	1,587,094	1.67
New World Development Ltd	103,510	860,168	0.90
NWS Holdings Ltd	57,646	679,070	0.71
Orient Overseas International Ltd	9,520	337,960	0.35
PCCW Ltd	173,858	544,176	0.57
Power Assets Holdings Ltd	60,301	3,566,804	3.74
Sands China Ltd	104,945	2,508,185	2.63
Shangri-La Asia Ltd	61,225	964,906	1.01
Sino Land Co	114,314	1,415,207	1.49
SJM Holdings Ltd	71,401	978,194	1.03
Sun Hung Kai Properties Ltd	61,442	6,641,880	6.97
Swire Pacific Ltd A	31,490	2,854,568	3.00
Wharf Holdings Ltd	65,836	2,765,112	2.90
Wheelock & Co Ltd	39,743	918,063	0.96
Wing Hang Bank Ltd	7,701	543,691	0.57

Investment portfolio

As at 31 October 2011 (Unaudited)

HSBC MSCI Hong Kong ETF

	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
Listed Investments			
<i>Equities (continued)</i>			
Wynn Macau Ltd	67,646	1,505,123	1.58
Yue Yuen Industrial Holdings Ltd	32,253	719,242	0.75
		<u>94,308,307</u>	<u>98.95</u>
<i>Futures</i>			
Mini Hang Seng Index Futures 29/11/2011	2	3,000	0.00
		<u>3,000</u>	<u>0.00</u>
Unlisted Investments			
<i>Rights</i>			
New World Development Ltd Nil Paid Rights 22/11/2011	51,755	136,116	0.14
		<u>136,116</u>	<u>0.14</u>
Total investments		94,447,423	99.09
<i>(Total cost of investments: HK\$110,536,056)</i>			
Other net assets		868,668	0.91
Total net assets attributable to unitholders		<u>95,316,091</u>	<u>100.00</u>

Investment portfolio

As at 31 October 2011 (Unaudited)

<i>HSBC MSCI Taiwan ETF</i>			
	<i>Holdings</i>	<i>Market value TWD</i>	<i>% of total net assets attributable to unitholders</i>
Listed Investments			
Equities			
Acer Inc	178,188	6,174,214	0.78
Advanced Semiconductor Engineering Inc	328,346	8,832,507	1.11
Advantech Co Ltd	18,843	1,545,126	0.19
Asia Cement Corp	131,538	4,794,560	0.60
Asustek Computer Inc	47,018	9,873,780	1.25
Au Optronics Corp	521,412	6,830,497	0.86
Capital Securities Corp	123,932	1,443,808	0.18
Catcher Technology Co Ltd	35,058	6,380,556	0.81
Cathay Financial Holding Co Ltd	467,785	16,887,038	2.13
Chang Hwa Commercial Bank	282,347	5,519,884	0.70
Cheng Shin Rubber Industry Co Ltd	111,754	7,711,026	0.97
Cheng Uei Precision Industry Co	25,623	1,750,051	0.22
Chicony Electronics Co Ltd	30,955	1,569,418	0.20
Chimei Innolux Corp	356,550	4,332,082	0.55
China Airlines	161,158	2,457,659	0.31
China Development Financial Holding Co Inc	625,779	6,019,994	0.76
China Life Insurance Co Ltd	110,639	3,728,534	0.47
China Motor Co Ltd	38,810	1,127,430	0.14
China Petrochemical Develop Corp	123,361	4,342,307	0.55
China Steel Corp	781,556	23,329,447	2.95
Chinatrust Financial Holding Co Ltd	669,326	13,252,655	1.67
Chunghwa Picture Tubes Ltd	293,402	539,860	0.07
Chunghwa Telecom Co Ltd	262,599	26,259,900	3.32
CLEVO Co	31,522	1,676,970	0.21
CMC Magnetics Corp	178,121	1,074,070	0.14
Compal Electronics Inc	292,880	8,127,420	1.03
Coretronic Corp	47,977	1,093,876	0.14
Delta Electronics Inc	125,679	8,948,345	1.13
E Ink Holdings Inc	56,179	3,483,098	0.44
E.Sun Financial Holding Co	264,004	3,960,060	0.50
Epistar Corp	53,092	2,978,461	0.38
Eternal Chemical Co Ltd	48,441	1,203,759	0.15
Eva Airways Corp	113,484	2,485,300	0.31
Evergreen International Storage & Transport Corp	33,798	611,744	0.08
Evergreen Marine Corp	96,587	1,598,515	0.20
Everlight Electronics Co Ltd	24,337	1,362,872	0.17
Far Eastern Department Stores Ltd	63,971	2,965,056	0.37
Far Eastern New Century Corp	204,672	7,265,856	0.92
Far Eastone Telecommunication Co Ltd	111,042	5,485,475	0.69

Investment portfolio

As at 31 October 2011 (Unaudited)

<i>HSBC MSCI Taiwan ETF</i>			
	<i>Holdings</i>	<i>Market value TWD</i>	<i>% of total net assets attributable to unitholders</i>
Listed Investments			
Equities (continued)			
Farglory Land Developers Co Ltd	21,072	1,078,886	0.14
Feng Hsin Iron & Steel Co Ltd	30,790	1,561,053	0.20
First Financial Holding	389,387	7,846,148	0.99
Formosa Chemicals & Fibre Corp	197,317	17,245,506	2.18
Formosa International Hotels Corp	2,399	1,062,757	0.13
Formosa Petrochemical Corp	79,069	7,464,114	0.94
Formosa Plastics Corp	276,718	24,600,230	3.11
Formosa Taffeta Co Ltd	52,772	1,472,339	0.19
Foxconn Technology Co Ltd	48,888	5,157,684	0.65
Fubon Financial Holding Co	344,526	12,265,126	1.55
Giant Manufacturing Co Ltd	20,491	2,376,956	0.30
Hannstar Display Corp	326,081	567,381	0.07
Highwealth Construction Corp	27,752	1,451,430	0.18
Hiwin Technologies Corp	11,218	3,084,950	0.39
Hon Hai Precision Industry	627,924	52,243,277	6.60
HTC Corp	50,840	34,876,240	4.40
Hua Nan Financial Holdings Co Ltd	292,426	5,760,792	0.73
Inotera Memories Inc	128,698	577,854	0.07
Inventec Co Ltd	156,510	1,698,133	0.21
KGI Securities Co Ltd	205,035	2,614,196	0.33
Kinsus Interconnect Technology Corp	18,277	1,919,085	0.24
Largan Precision Co Ltd	6,870	4,678,470	0.59
Lee ChangYung Chemical Industries Corp	28,191	1,443,379	0.18
Lite-On Technology Corp	143,139	4,086,618	0.52
Macronix International Co Ltd	234,628	2,686,491	0.34
Mediatek Inc	71,851	22,848,618	2.88
Mega Financial Holding Co Ltd	549,284	12,798,317	1.62
Motech Industries Inc	20,909	1,193,904	0.15
Mstar Semiconductor Inc	25,494	4,486,944	0.57
Nan Kang Rubber Tire Co Ltd	32,944	1,719,677	0.22
Nan Ya Plastic Corp	327,761	22,222,196	2.81
Nan Ya Printed Circuit Board Corp	13,174	1,163,264	0.15
Nanya Technology Corp	110,210	327,324	0.04
Novatek Microelectronics Ltd	35,589	2,651,380	0.33
Pegatron Corp	117,572	3,850,483	0.49
Phison Electronics Corp	8,479	1,356,640	0.17
Pou Chen Corp	151,529	3,492,743	0.44
Powerchip Technology Corp	369,909	495,678	0.06
Powertech Technology Inc	50,122	3,693,991	0.47

Investment portfolio

As at 31 October 2011 (Unaudited)

<i>HSBC MSCI Taiwan ETF</i>			
	<i>Holdings</i>	<i>Market value TWD</i>	<i>% of total net assets attributable to unitholders</i>
Listed Investments			
Equities (continued)			
President Chain Store Corp	40,050	6,708,375	0.85
Qisda Corp	109,457	910,682	0.10
Quanta Computer Inc	173,147	10,354,191	1.31
Realtek Semiconductor Corp	28,459	1,440,025	0.18
Richtek Technology Corp	9,700	1,479,250	0.19
Ruentex Development Co Ltd	32,117	1,162,635	0.15
Ruentex Industries Ltd	30,628	1,871,371	0.24
Shin Kong Financial Holdings	410,311	3,877,439	0.49
Siliconware Precision Industries Co	205,190	6,340,371	0.80
Simplo Technology Co Ltd	15,312	2,740,848	0.35
Sino-American Silicon Product	25,529	1,266,238	0.16
Sinopac Financial Holdings Co Ltd	406,456	3,979,204	0.50
Synnex Tech International Corp	91,262	6,753,388	0.85
Tainan Spinning Co., Ltd	65,294	874,940	0.11
Taishin Financial Holdings Co Ltd	351,478	4,516,492	0.57
Taiwan Business Bank	175,641	1,744,115	0.22
Taiwan Cement Corp	230,940	8,729,532	1.10
Taiwan Cooperative Bank	266,658	5,279,828	0.67
Taiwan Fertilizer Co Ltd	51,198	4,003,684	0.51
Taiwan Glass Industrial Corp	62,907	2,343,286	0.30
Taiwan Mobile Co Ltd	116,277	9,999,822	1.26
Taiwan Semiconductor Manufacturing Co Ltd	1,705,868	125,381,298	15.83
Tatung Co Ltd	137,790	1,460,574	0.18
Teco Electric & Machinery Co Ltd	114,477	2,020,519	0.25
TPK Holding Co Ltd	6,427	3,521,996	0.44
Transcend Information Inc	13,049	919,955	0.12
Tripod Technology Corp	28,716	2,268,564	0.29
Tsrc Corp	35,177	2,771,948	0.35
Tung Ho Steel Enterprise Corp	51,000	1,382,100	0.17
U-Ming Marine Transport Corp	30,299	1,437,688	0.18
Unimicron Technology Corp	90,829	3,583,204	0.45
Uni-President Enterprises Corp	268,802	11,222,484	1.42
United Microelectronics	857,657	11,406,838	1.44
Vanguard International Semiconductor Corp	51,569	556,945	0.07
Walsin Lihwa Corp	226,190	2,295,829	0.29
Wan Hai Lines Ltd	76,748	1,197,269	0.15
Winbond Electronics Corp	190,949	1,080,771	0.14
Wintek Corp	103,204	2,414,974	0.30
Wistron Corp	137,857	4,845,674	0.61

Investment portfolio

As at 31 October 2011 (Unaudited)

	HSBC MSCI Taiwan ETF		
	Holdings	Market value TWD	% of total net assets attributable to unitholders
Listed Investments			
Equities (continued)			
WPG Holdings Co Ltd	93,942	3,442,974	0.43
Yang Ming Marine Transport	98,451	1,230,638	0.16
Young Fast Optoelectronics Co Ltd	7,652	670,315	0.08
Yuanta Financial Hldg Co Ltd	555,066	9,547,135	1.21
Yulon Motor Co Ltd	60,081	3,833,168	0.48
		786,012,040	99.23
		786,012,040	99.23
Futures			
MSCI Taiwan Index Nov 11 29/11/2011	7	(56,545)	(0.01)
		(56,545)	(0.01)
		(56,545)	(0.01)
Unlisted investments			
Rights			
Ruentex Development Co Ltd Nil Paid Rts 14/11/2011	7,444	61,041	0.01
		61,041	0.01
		61,041	0.01
Total investments		786,016,536	99.23
<i>(Total cost of investments: TWD899,480,427)</i>			
Other net assets		6,087,409	0.77
Total net assets attributable to unitholders		792,103,945	100.00

Statement of movements in portfolio holdings

For the period from 13 April 2011 (date of inception) to 31 October 2011 (Unaudited)

HSBC MSCI Golden Dragon ETF

	<i>% of net asset attributable to unitholders 2011</i>
Listed investments	
Exchange traded funds	99.87
Total investments	99.87
Other net assets	0.13
Total net assets attributable to unitholders	100.00

HSBC MSCI China ETF

	<i>% of net asset attributable to unitholders 2011</i>
Listed investments	
Equities	96.25
Futures	0.00
Unlisted investments	
Warrants	3.07
Total investments	99.32
Other net assets	0.68
Total net assets attributable to unitholders	100.00

Statement of movements in portfolio holdings

For the period from 12 April 2011 (date of inception) to 31 October 2011 (Unaudited)

HSBC MSCI Hong Kong ETF

	<i>% of net asset attributable to unitholders 2011</i>
Listed investments	
Equities	98.95
Futures	0.00
	<hr/>
Unlisted investments	
Rights	0.14
	<hr/>
Total investments	99.09
Other net assets	0.91
	<hr/>
Total net assets attributable to unitholders	<u>100.00</u>

HSBC MSCI Taiwan ETF

	<i>% of net asset attributable to unitholders 2011</i>
Listed investments	
Equities	99.23
Futures	(0.01)
	<hr/>
Unlisted investments	
Rights	0.01
	<hr/>
Total investments	99.23
Other net assets	0.77
	<hr/>
Total net assets attributable to unitholders	<u>100.00</u>

Performance of the underlying index and the Sub-Funds

For the period from 12 April 2011 (date of inception) to 31 October 2011 (Unaudited)

Fund/Index	Performance in HK Dollar
HSBC MSCI Golden Dragon ETF *	(15.92%)
MSCI Golden Dragon Index	(15.57%)

Fund/Index	Performance in HK Dollar
HSBC MSCI China ETF *	(18.31%)
MSCI China Index	(18.03%)

Fund/Index	Performance in HK Dollar
HSBC MSCI Hong Kong ETF *	(13.06%)
MSCI Hong Kong Index	(12.59%)

Fund/Index	Performance in Taiwan Dollar
HSBC MSCI Taiwan ETF *	(10.39%)
MSCI Taiwan Index	(10.09%)

* Performance is calculated in the base currency with the change between period end NAV and IPO price, divided by IPO price.

Investors should note that investment involves risks and not all investment risks are predictable. Prices of sub-fund units may go up as well as down and past performance information presented is not indicative of future performance. Investors should read the Hong Kong Offering Document of HSBC ETFs Trust (including the full text of the risk factors stated therein (such as the arrangement in the event that the Sub-Funds are delisted)) in detail before making any investment decision.

Performance record (Unaudited)

HSBC MSCI Golden Dragon ETF

(a) Price record (Dealing net asset value per unit)

Period	Class A units	
	Lowest HK\$	Highest HK\$
Period from 13 April 2011 (date of inception) to 31 October 2011	27.1372	39.2413

(b) Total net asset value (at bid prices)

	2011 HK\$
Total net asset value	117,141,579

(c) Net asset value per unit (at bid prices)

	2011 HK\$
Net asset value per unit – Class A units	32.5393

HSBC MSCI China ETF

(a) Price record (Dealing net asset value per unit)

Period	Class A units	
	Lowest HK\$	Highest HK\$
Period from 13 April 2011 (date of inception) to 31 October 2011	20.0580	31.3871

(b) Total net asset value (at bid prices)

	2011 HK\$
Total net asset value	214,600,914

(c) Net asset value per unit (at bid prices)

	2011 HK\$
Net asset value per unit – Class A units	25.2472

Performance record (Unaudited)

HSBC MSCI Hong Kong ETF

(a) Price record (Dealing net asset value per unit)

Period	Class A units	
	Lowest HK\$	Highest HK\$
Period from 12 April 2011 (date of inception) to 31 October 2011	21.7842	30.8569

(b) Total net asset value (at bid prices)

	2011 HK\$
Total net asset value	95,316,091

(c) Net asset value per unit (at bid prices)

	2011 HK\$
Net asset value per unit – Class A units	26.4767

HSBC MSCI Taiwan ETF

(a) Price record (Dealing net asset value per unit)

Period	Class A units	
	Lowest HK\$	Highest HK\$
Period from 12 April 2011 (date of inception) to 31 October 2011	143.6496	184.0512

(b) Total net asset value (at bid prices)

	2011 HK\$
Total net asset value	792,103,945

(c) Net asset value per unit (at bid prices)

	2011 TWD
Net asset value per unit – Class A units	158.4208

Underlying index constituent stocks disclosure (Unaudited)

HSBC MSCI Golden Dragon ETF, HSBC MSCI China ETF and HSBC MSCI Hong Kong ETF have no constituent stocks that accounted for more than 10% of the underlying index as at 31 October 2011. Those constituent stocks held by HSBC MSCI Taiwan ETF that accounted for more than 10% of the underlying index as at 31 October 2011 is shown below.

Constituent stocks	Weighting of the underlying index (%)
Taiwan Semiconductor Manufacturing Co Ltd	15.84

Administration

Manager and Listing Agent

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Investment Adviser

HSBC Global Asset Management (Hong Kong) Limited
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Directors of the Manager and Listing Agent

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Patrice Pierre Henri CONXICOEUR	(appointed on 1 August 2008)
Julie J KOO	(appointed on 27 June 2011)
Po Yee LAM	(appointed on 24 April 2006)
Joanna MUNRO	(appointed on 11 May 2011)
Edgar Kai Man NG	(appointed on 10 December 2010)
Ayaz Hatim EBRAHIM	(resigned on 13 May 2011)
Edmund Richard STOKES	(resigned on 19 May 2011)

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