



# **HSBC ETFs Trust**

## Interim Report 2012

# Contents

	Page(s)
Investment adviser's report	1
Trustee's report	2
Independent review report to the unitholders	3
Interim statement of assets and liabilities (unaudited)	4
Interim statement of comprehensive income (unaudited)	6
Interim statement of changes in equity (unaudited)	8
Interim cash flow statement (unaudited)	10
Notes on the unaudited interim financial statements	12
Investment portfolio (unaudited)	35
Statement of movements in portfolio holdings (unaudited)	47
Performance of the underlying index and the Sub-Funds (unaudited)	49
Performance record (unaudited)	50
Underlying index constituent stocks disclosure (unaudited)	52
Administration	53

## Investment adviser's report

### **HSBC MSCI Hong Kong ETF**

### **HSBC MSCI China ETF**

### **HSBC MSCI Taiwan ETF**

### **HSBC MSCI Golden Dragon ETF**

For the six months ending 30 April 2012, equity markets around the globe had slightly recovered from the impact brought by the European debt crisis. MSCI Hong Kong gained 8% during the period; MSCI China gained 6.85%, while Taiwan posted a 2.3% return in USD term. The objective of the ETFs is 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 six month return deviation of each ETF exceed +/-20bps to the benchmark as at 30 April 2012. The tracking errors since inception were kept well below 40bps.

## 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 30 April 2012.

# Independent review report to the unitholders of HSBC ETFs Trust (“the Trust”)

## Introduction

We have reviewed the interim financial statements of the Sub-Funds of the Trust set out on pages 4 to 34 which comprise the interim statement of assets and liabilities of the Sub Funds of the Trust as of 30 April 2012 and the related interim statement of comprehensive income, interim statement of changes in equity and interim cash flow statement for the six months period then ended, and explanatory notes. The directors are responsible for the preparation and presentation of the interim financial statements in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial statements and to report our conclusion 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.

## Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 (“HKSRE 2410”), “*Review of interim financial information performed by the independent auditor of the entity*”, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements as at 30 April 2012 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

## Other matter

Without modifying our review conclusion, we draw to your attention that the comparative amounts of the interim statement of comprehensive income, interim statement of changes in equity and interim cash flow statement in respect of the period from 12 April 2011 (date of inception) to 30 April 2011 and the related notes disclosed in the interim financial statements have not been reviewed in accordance with HKSRE 2410.

## KPMG

Certified Public Accountants  
8th Floor, Prince’s Building  
10 Chater Road  
Central, Hong Kong  
29 June 2012

# Interim statement of assets and liabilities

As at 30 April 2012

		<i>30 April 2012 (unaudited)</i>			
	<b>Note</b>	<b>HSBC MSCI Golden Dragon ETF HK\$</b>	<b>HSBC MSCI China ETF HK\$</b>	<b>HSBC MSCI Hong Kong ETF HK\$</b>	<b>HSBC MSCI Taiwan ETF TWD</b>
<b>Assets</b>					
Financial assets at fair value					
through profit or loss	4,12	123,372,172	228,888,470	102,031,555	1,108,795,526
Dividends receivable		–	3,690	291,464	–
Amounts due from broker	8(d)(ii)	–	154,916	124,689	2,295,853
Cash and cash equivalents	8(d)(i)	85,383	358,227	437,687	914,820
<b>Total assets</b>		<u>123,457,555</u>	<u>229,405,303</u>	<u>102,885,395</u>	<u>1,112,006,199</u>
<b>Liabilities</b>					
Financial liabilities at fair value					
through profit or loss	4,12	–	–	50	81,090
Accrued expenses and other payable	7	70,874	443,438	334,104	2,307,614
<b>Total liabilities</b>		<u>70,874</u>	<u>443,438</u>	<u>334,154</u>	<u>2,388,704</u>
<b>Net assets attributable to unitholders</b>	10	<u>123,386,681</u>	<u>228,961,865</u>	<u>102,551,241</u>	<u>1,109,617,495</u>
Representing:					
<b>Total equity</b>		<u>123,386,681</u>	<u>228,961,865</u>	<u>102,551,241</u>	<u>1,109,617,495</u>
<b>Total number of units in issue</b>	9	<u>3,600,000</u>	<u>8,500,000</u>	<u>3,600,000</u>	<u>7,000,000</u>
<b>Net asset value per unit – Class A units</b>		<u>34.2741</u>	<u>26.9367</u>	<u>28.4865</u>	<u>158.5168</u>

The notes on pages 12 to 34 form part of these interim financial statements.

# Interim statement of assets and liabilities

As at 30 April 2012

		<b>31 October 2011 (audited)</b>				
		<b>HSBC MSCI Golden Dragon ETF HK\$</b>	<b>HSBC MSCI China ETF HK\$</b>	<b>HSBC MSCI Hong Kong ETF HK\$</b>	<b>HSBC MSCI Taiwan ETF TWD</b>	
<b>Note</b>						
<b>Assets</b>						
	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
	<b>Total assets</b>		<u>117,159,476</u>	<u>214,889,219</u>	<u>95,505,206</u>	<u>793,393,070</u>
<b>Liabilities</b>						
	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
	<b>Total liabilities</b>		<u>17,897</u>	<u>288,305</u>	<u>189,115</u>	<u>1,289,125</u>
	<b>Net assets attributable to unitholders</b>	10	<u>117,141,579</u>	<u>214,600,914</u>	<u>95,316,091</u>	<u>792,103,945</u>
	Representing:					
	<b>Total equity</b>		<u>117,141,579</u>	<u>214,600,914</u>	<u>95,316,091</u>	<u>792,103,945</u>
	<b>Total number of units in issue</b>	9	<u>3,600,000</u>	<u>8,500,000</u>	<u>3,600,000</u>	<u>5,000,000</u>
	<b>Net asset value per unit – Class A units</b>		<u>32.5393</u>	<u>25.2472</u>	<u>26.4767</u>	<u>158.4208</u>

The notes on pages 12 to 34 form part of these interim financial statements.

# Interim statement of comprehensive income

For the period ended 30 April 2012

		<i>Period from 1 November 2011 to 30 April 2012 (unaudited)</i>			
	Note	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
<b>Income</b>					
Dividend income		–	80,303	1,090,638	–
Other income	8(e)	–	–	–	739,590
		–	80,303	1,090,638	739,590
<b>Expenses</b>					
Management fees	8(a)	27	54,450	24,279	262,470
Operating expenses	6(a)	233	490,046	218,513	2,362,400
Other expenses	6(b)	23,108	99,461	48,127	908,436
		23,368	643,957	290,919	3,533,306
<b>(Loss)/income attributable to unitholders before gains on financial instruments at fair value through profit or loss</b>					
		(23,368)	(563,654)	799,719	(2,793,716)
<b>Gains on financial instruments at fair value through profit or loss</b>					
Net gains on financial instruments at fair value through profit or loss	5	6,268,476	14,926,157	6,435,444	31,059,069
Net foreign exchange (losses)/gains		(6)	9	(13)	(456,003)
		6,268,470	14,926,166	6,435,431	30,603,066
<b>Income attributable to unitholders before taxation</b>					
		6,245,102	14,362,512	7,235,150	27,809,350
Taxation	3	–	(1,561)	–	–
<b>Income attributable to unitholders and total comprehensive income for the period</b>					
		6,245,102	14,360,951	7,235,150	27,809,350

The notes on pages 12 to 34 form part of these interim financial statements.



# Interim statement of comprehensive income

For the period ended 30 April 2012

	Note	Period from 13 April 2011 (date of inception) to 30 April 2011 (unaudited)		Period from 12 April 2011 (date of inception) to 30 April 2011 (unaudited)	
		HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
<b>Income</b>					
Dividend income		–	475,955	386,868	–
Other income	8(e)	–	308,582	148,309	46,154
		–	784,537	535,177	46,154
<b>Expenses</b>					
Management fees	8(a)	2	3,239	2,723	13,294
Operating expenses	6(a)	14	26,632	21,835	109,711
Other expenses	6(b)	–	201,695	144,130	166,328
		16	231,566	168,688	289,333
<b>(Loss)/income attributable to unitholders before gains/(losses) on financial instruments at fair value through profit or loss</b>					
		(16)	552,971	366,489	(243,179)
<b>Gains/(losses) on financial instruments at fair value through profit or loss</b>					
Net gains/(losses) on financial instruments at fair value through profit or loss	5	339,280	(2,847,802)	(232,244)	18,093,679
Net foreign exchange losses		–	(1)	(13)	(37,390)
		339,280	(2,847,803)	(232,257)	18,056,289
<b>Income/(loss) attributable to unitholders before taxation</b>					
		339,264	(2,294,832)	134,232	17,813,110
Taxation	3	–	(42,190)	–	–
<b>Income/(loss) attributable to unitholders and total comprehensive income for the period</b>					
		339,264	(2,337,022)	134,232	17,813,110

The notes on pages 12 to 34 form part of these interim financial statements.

# Interim statement of changes in equity

For the period ended 30 April 2012

	<i>Period from 1 November 2011 to 30 April 2012 (unaudited)</i>			
	<b>HSBC MSCI Golden Dragon ETF HK\$</b>	<b>HSBC MSCI China ETF HK\$</b>	<b>HSBC MSCI Hong Kong ETF HK\$</b>	<b>HSBC MSCI Taiwan ETF TWD</b>
<b>Balance at beginning of period</b>	117,141,579	214,600,914	95,316,091	792,103,945
<b>Income attributable to unitholders and total comprehensive income for the period</b>	6,245,102	14,360,951	7,235,150	27,809,350
<b>Transactions with owners (i.e. unitholders), recorded directly in equity</b>				
Received and receivable on issue of units	–	–	–	289,704,200
<b>Total transactions with owners (i.e. unitholders)</b>	–	–	–	289,704,200
<b>Balance at period end</b>	123,386,681	228,961,865	102,551,241	1,109,617,495

The notes on pages 12 to 34 form part of these interim financial statements.

# Interim statement of changes in equity

For the period ended 30 April 2012

	<i>Period from 13 April 2011 (date of inception) to 30 April 2011 (unaudited)</i>		<i>Period from 12 April 2011 (date of inception) to 30 April 2011 (unaudited)</i>	
	<b>HSBC MSCI Golden Dragon ETF HK\$</b>	<b>HSBC MSCI China ETF HK\$</b>	<b>HSBC MSCI Hong Kong ETF HK\$</b>	<b>HSBC MSCI Taiwan ETF TWD</b>
<b>Balance at beginning of period</b>	-	-	-	-
<b>Income/(loss) attributable to unitholders and total comprehensive income for the period</b>	339,264	(2,337,022)	134,232	17,813,110
<b>Transactions with owners (i.e. unitholders), recorded directly in equity</b>				
Received and receivable on issue of units	69,657,660	139,487,400	109,834,560	530,787,000
<b>Total transactions with owners (i.e. unitholders)</b>	69,657,660	139,487,400	109,834,560	530,787,000
<b>Balance at period end</b>	69,996,924	137,150,378	109,968,792	548,600,110

The notes on pages 12 to 34 form part of these interim financial statements.

# Interim cash flow statement

For the period ended 30 April 2012

	<i>Period from 1 November 2011 to 30 April 2012 (unaudited)</i>			
	<b>HSBC MSCI Golden Dragon ETF HK\$</b>	<b>HSBC MSCI China ETF HK\$</b>	<b>HSBC MSCI Hong Kong ETF HK\$</b>	<b>HSBC MSCI Taiwan ETF TWD</b>
<b>Operating activities</b>				
Dividend income received	–	140,907	904,094	25,694
Other income received	–	–	–	739,590
Net foreign exchange (losses)/gains	(6)	9	(13)	(456,003)
Payment for management fees	(33)	(53,257)	(23,752)	(247,363)
Payment for operating expenses	(134,355)	(379,394)	(348,038)	(1,501,081)
Reimbursements from Manager	187,104	42,330	273,986	90,258
Payment for other expenses	(23,108)	(89,322)	(39,227)	(764,913)
Margin deposit paid to broker	–	–	–	2,399,942
Tax paid	–	(1,561)	–	–
<b>Net cash generated from/ (used in) operating activities</b>	<b>29,602</b>	<b>(340,288)</b>	<b>767,050</b>	<b>286,124</b>
<b>Investing activities</b>				
Proceeds from sale of financial instruments at fair value through profit or loss	769,617	7,092,650	1,537,227	22,644,911
Payment on purchase of financial instruments at fair value through profit or loss	(884,516)	(7,880,091)	(2,689,434)	(313,998,178)
<b>Net cash used in investing activities</b>	<b>(114,899)</b>	<b>(787,441)</b>	<b>(1,152,207)</b>	<b>(291,353,267)</b>
<b>Financing activities</b>				
Proceeds on issue of units	–	–	–	289,704,200
<b>Net cash generated from financing activities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>289,704,200</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(85,297)</b>	<b>(1,127,729)</b>	<b>(385,157)</b>	<b>(1,362,943)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>170,680</b>	<b>1,485,956</b>	<b>822,844</b>	<b>2,277,763</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>85,383</b>	<b>358,227</b>	<b>437,687</b>	<b>914,820</b>

The notes on pages 12 to 34 form part of these interim financial statements.

# Interim cash flow statement

For the period ended 30 April 2012

	<i>Period from 13 April 2011 (date of inception) to 30 April 2011 (unaudited)</i>		<i>Period from 12 April 2011 (date of inception) to 30 April 2011 (unaudited)</i>	
	<b>HSBC MSCI Golden Dragon ETF HK\$</b>	<b>HSBC MSCI China ETF HK\$</b>	<b>HSBC MSCI Hong Kong ETF HK\$</b>	<b>HSBC MSCI Taiwan ETF TWD</b>
<b>Operating activities</b>				
Dividend income received	–	42,192	13	–
Other income received	–	308,582	148,309	46,154
Net foreign exchange losses	–	(1)	(13)	(37,390)
Payment for operating expenses	–	–	–	(617)
Reimbursements from Manager	–	–	–	709
Payment for other expenses	27,000	(151,945)	(118,476)	3,307
Margin deposit paid to broker	–	(80,000)	(80,000)	–
Tax paid	–	(42,190)	–	–
<b>Net cash generated from/ (used in) operating activities</b>	<b>27,000</b>	<b>76,638</b>	<b>(50,167)</b>	<b>12,163</b>
<b>Investing activities</b>				
Proceeds from sale of financial instruments at fair value through profit or loss	–	–	–	1,245,918
Payment on purchase of financial instruments at fair value through profit or loss	(69,584,362)	(139,467,023)	(109,731,122)	(531,349,782)
<b>Net cash used in investing activities</b>	<b>(69,584,362)</b>	<b>(139,467,023)</b>	<b>(109,731,122)</b>	<b>(530,103,864)</b>
<b>Financing activities</b>				
Proceeds on issue of units	69,657,660	139,487,400	109,834,560	530,787,000
<b>Net cash generated from financing activities</b>	<b>69,657,660</b>	<b>139,487,400</b>	<b>109,834,560</b>	<b>530,787,000</b>
<b>Net increase in cash and cash equivalents</b>	<b>100,298</b>	<b>97,015</b>	<b>53,271</b>	<b>695,299</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>100,298</b>	<b>97,015</b>	<b>53,271</b>	<b>695,299</b>

The notes on pages 12 to 34 form part of these interim financial statements.

# Notes on the unaudited interim financial statements

For the period ended 30 April 2012

## 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:

	<b>Date of inception</b>
– 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 interim financial statements of the Sub-Funds are presented in their respective functional and presentation currencies as follows:

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

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

## 2 Significant accounting policies

### (a) Statement of compliance

These interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the period ended 31 October 2011, except for the accounting policy changes that are expected to be reflected in the 2012 interim financial statements.

# Notes on the unaudited interim financial statements

For the period ended 30 April 2012

## 2 Significant accounting policies (continued)

### (a) Statement of compliance (continued)

The preparation of interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial statements are unaudited, but has been reviewed in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", issued by the HKICPA. The review report to the Manager of the Sub-Funds of the Trust is included on page 3.

### (b) Basis of preparation of the interim 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 interim 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 interim 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.

The previous interim financial statements were prepared in respect of the period ended 30 April 2011 which was the first interim period of the Sub-Funds since their inception. Consequently, the comparative amounts for the interim statement of comprehensive income, interim statement of changes in equity, interim cash flow statement, and related notes are not comparable in so far as they relate to a shorter period than the current interim period.

The comparative amounts of the interim statement of comprehensive income, interim statement of changes in equity and interim cash flow statement in respect of the period from 12 April 2011 (date of inception) to 30 April 2011 and the related notes disclosed in the interim financial statements have not been reviewed in accordance with HKSRE 2410.

### (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.

# Notes on the unaudited interim financial statements

For the period ended 30 April 2012

## 2 Significant accounting policies (continued)

### (d) Financial instruments (continued)

#### (i) Classification (continued)

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.

#### (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.



# Notes on the unaudited interim financial statements

For the period ended 30 April 2012

## 2 Significant accounting policies (continued)

### (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.

### (f) Related parties

- (a) A person, or a close member of that person's family, is related to the Sub-Funds if that person:
- (i) has control or joint control over the Sub-Funds;
  - (ii) has significant influence over the Sub-Funds; or
  - (iii) is a member of the key management personnel of the Sub-Funds or the Sub-Funds' parent.
- (b) An entity is related to the Sub-Funds if any of the following conditions applies:
- (i) The entity and the Sub-Funds are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Sub-Funds or an entity related to the Sub-Funds.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

### (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.

# Notes on the unaudited interim financial statements

For the period ended 30 April 2012

## 2 Significant accounting policies (continued)

### (h) Units in issue (continued)

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;
- (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 interim financial statements as the income of the Sub-Funds is exempt from taxation under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

# Notes on the unaudited interim financial statements

For the period ended 30 April 2012

## 3 Taxation (continued)

### 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 interim 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 Gretai 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.

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 recognised in statement of comprehensive income as incurred.

Taxation in the statement of comprehensive income represents:

	<i>Period from 1 November 2011 to 30 April 2012</i>			
	<b>HSBC MSCI Golden Dragon ETF HK\$</b>	<b>HSBC MSCI China ETF HK\$</b>	<b>HSBC MSCI Hong Kong ETF HK\$</b>	<b>HSBC MSCI Taiwan ETF TWD</b>
Withholding tax – PRC	–	1,561	–	–
	<u>–</u>	<u>1,561</u>	<u>–</u>	<u>–</u>
	<i>Period from 13 April 2011 (date of inception) to 30 April 2011 (unaudited)</i>		<i>Period from 12 April 2011 (date of inception) to 30 April 2011 (unaudited)</i>	
	<b>HSBC MSCI Golden Dragon ETF HK\$</b>	<b>HSBC MSCI China ETF HK\$</b>	<b>HSBC MSCI Hong Kong ETF HK\$</b>	<b>HSBC MSCI Taiwan ETF TWD</b>
Withholding tax – PRC	–	42,190	–	–
	<u>–</u>	<u>42,190</u>	<u>–</u>	<u>–</u>

# Notes on the unaudited interim financial statements

For the period ended 30 April 2012

## 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 30 April 2012 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.

#### (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 30 April 2012, 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.

# Notes on the unaudited interim financial statements

For the period ended 30 April 2012

## 4 Financial instruments and associated risks (continued)

### (a) Market risk (continued)

(iii) Price risk (continued)

Sub-Funds	Underlying Index	Impact on net assets attributable to unitholders	
		30 April 2011 (unaudited)	31 October 2011 (audited)
HSBC MSCI Golden Dragon ETF	MSCI Golden Dragon Index <sup>1</sup>	HK\$1,233,722	HK\$1,171,416
HSBC MSCI China ETF	MSCI China Index <sup>2</sup>	HK\$2,288,885	HK\$2,146,009
HSBC MSCI Hong Kong ETF	MSCI Hong Kong Index <sup>3</sup>	HK\$1,020,315	HK\$953,161
HSBC MSCI Taiwan ETF	MSCI Taiwan Index <sup>4</sup>	TWD11,087,144	TWD7,921,039

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> The MSCI Hong Kong Index consists of Hong Kong securities listed on the SEHK.

<sup>4</sup> 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.

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.

# Notes on the unaudited interim financial statements

For the period ended 30 April 2012

## 4 Financial instruments and associated risks (continued)

### (b) Credit risk (continued)

The table below sets out the net exposure of the HSBC MSCI China ETF to counterparties as at 30 April 2012 together with the credit ratings provided by Standard & Poor's Rating Services:

#### 30 April 2012 (unaudited)

Warrant issuer	Credit rating	Net exposure to counterparties
Morgan Stanley BV	A-	<u>7,075,743</u>

#### 31 October 2011 (audited)

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

Other than outlined above, there were no significant concentrations of credit risk to counterparties at 30 April 2012.

### (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 realisable 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

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.

# Notes on the unaudited interim financial statements

For the period ended 30 April 2012

## 4 Financial instruments and associated risks (continued)

### (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.

## 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.

	<i>Period from 1 November 2011 to 30 April 2012 (unaudited)</i>			
	<b>HSBC MSCI Golden Dragon ETF HK\$</b>	<b>HSBC MSCI China ETF HK\$</b>	<b>HSBC MSCI Hong Kong ETF HK\$</b>	<b>HSBC MSCI Taiwan ETF TWD</b>
Realised losses	(157,895)	(3,437,450)	(738,696)	(10,370,999)
Movement on unrealised gains or losses	6,426,371	18,363,607	7,174,140	41,430,068
Net gains on financial instruments at fair value through profit or loss	<u>6,268,476</u>	<u>14,926,157</u>	<u>6,435,444</u>	<u>31,059,069</u>

# Notes on the unaudited interim financial statements

For the period ended 30 April 2012

## 5 Net losses on financial instruments at fair value through profit or loss (continued)

	<i>Period from 13 April 2011 (date of inception) to 30 April 2011 (unaudited)</i>		<i>Period from 12 April 2011 (date of inception) to 30 April 2011 (unaudited)</i>	
	<b>HSBC MSCI Golden Dragon ETF HK\$</b>	<b>HSBC MSCI China ETF HK\$</b>	<b>HSBC MSCI Hong Kong ETF HK\$</b>	<b>HSBC MSCI Taiwan ETF TWD</b>
Realised losses	–	–	–	(12,007)
Movement on unrealised gains or losses	339,280	(2,847,802)	(232,244)	18,105,686
Net gains/(losses) on financial instruments at fair value through profit or loss	<u>339,280</u>	<u>(2,847,802)</u>	<u>(232,244)</u>	<u>18,093,679</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 on the unaudited interim financial statements

For the period ended 30 April 2012

## 6 Expenses (continued)

### (a) Operating expenses (continued)

<i>Period from 1 November 2011 to 30 April 2012 (unaudited)</i>					
		HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
	Note				
Accounting service fees	8(b)	23,935	23,935	23,935	91,965
Auditors' fee		28,670	143,356	143,356	550,818
Trustee's fee	8(b)	140,000	350,000	350,000	1,335,588
Register and transfer agent fees	8(b)	14,958	14,958	14,959	58,047
Information services		–	54,450	24,279	262,540
Reimbursements from Manager	8(b)	(207,330)	(96,653)	(338,016)	63,442
Total operating expenses		<u>233</u>	<u>490,046</u>	<u>218,513</u>	<u>2,362,400</u>
<i>Period from 13 April 2011 (date of inception) to 30 April 2011 (unaudited)</i>					
		HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
	Note				
Accounting service fees	8(b)	2,236	2,236	2,367	8,807
Auditors' fee		2,643	13,215	13,923	51,798
Trustee's fee	8(b)	11,333	27,041	28,634	105,922
Register and transfer agent fees	8(b)	1,397	1,397	1,480	5,504
Information services		–	3,239	2,723	13,294
Reimbursements from Manager	8(b)	(17,595)	(20,496)	(27,292)	(75,614)
Total operating expenses		<u>14</u>	<u>26,632</u>	<u>21,835</u>	<u>109,711</u>
<i>Period from 12 April 2011 (date of inception) to 30 April 2011 (unaudited)</i>					
		HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
	Note				
Accounting service fees	8(b)	2,236	2,236	2,367	8,807
Auditors' fee		2,643	13,215	13,923	51,798
Trustee's fee	8(b)	11,333	27,041	28,634	105,922
Register and transfer agent fees	8(b)	1,397	1,397	1,480	5,504
Information services		–	3,239	2,723	13,294
Reimbursements from Manager	8(b)	(17,595)	(20,496)	(27,292)	(75,614)
Total operating expenses		<u>14</u>	<u>26,632</u>	<u>21,835</u>	<u>109,711</u>

# Notes on the unaudited interim financial statements

For the period ended 30 April 2012

## 6 Expenses (continued)

### (b) Other expenses

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

	<i>Period from 1 November 2011 to 30 April 2012 (unaudited)</i>			
	<b>HSBC MSCI</b>	<b>HSBC MSCI</b>	<b>HSBC MSCI</b>	<b>HSBC MSCI</b>
	<b>Golden Dragon</b>	<b>China</b>	<b>Hong Kong</b>	<b>Taiwan</b>
	<b>ETF</b>	<b>ETF</b>	<b>ETF</b>	<b>ETF</b>
	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	<b>TWD</b>
Annual fee	–	9,684	9,684	37,208
Printing and advertising	7,441	7,441	7,441	28,451
Safe custody and bank charges	12,364	22,597	14,599	316,524
Professional fees	–	–	–	112,112
Miscellaneous expenses	–	132	871	–
Administration fee	–	–	–	119,160
Commission and transaction expenses	3,303	59,607	15,532	294,981
Total other expenses	23,108	99,461	48,127	908,436

  

	<i>Period from 13 April 2011</i>		<i>Period from 12 April 2011</i>	
	<i>(date of inception) to</i>		<i>(date of inception) to</i>	
	<i>30 April 2011 (unaudited)</i>		<i>30 April 2011 (unaudited)</i>	
	<b>HSBC MSCI</b>	<b>HSBC MSCI</b>	<b>HSBC MSCI</b>	<b>HSBC MSCI</b>
<b>Golden Dragon</b>	<b>China</b>	<b>Hong Kong</b>	<b>Taiwan</b>	
<b>ETF</b>	<b>ETF</b>	<b>ETF</b>	<b>ETF</b>	
	<b>HK\$</b>	<b>HK\$</b>	<b>TWD</b>	
Annual fee	–	905	958	3,566
Inception fee	–	2,523	2,670	9,933
Commission and transaction expenses	–	198,267	140,502	152,829
Total other expenses	–	201,695	144,130	166,328

# Notes on the unaudited interim financial statements

For the period ended 30 April 2012

## 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.

	<b>30 April 2012 (unaudited)</b>			
	<b>HSBC MSCI Golden Dragon ETF HK\$</b>	<b>HSBC MSCI China ETF HK\$</b>	<b>HSBC MSCI Hong Kong ETF HK\$</b>	<b>HSBC MSCI Taiwan ETF TWD</b>
Accrued expenses and other payable	153,502	503,452	476,326	2,179,746
Reimbursements from Manager	(82,628)	(60,014)	(142,222)	127,868
<b>Total accrued expenses and other payable</b>	<b>70,874</b>	<b>443,438</b>	<b>334,104</b>	<b>2,307,614</b>

  

	<b>31 October 2011 (audited)</b>			
	<b>HSBC MSCI Golden Dragon ETF HK\$</b>	<b>HSBC MSCI China ETF HK\$</b>	<b>HSBC MSCI Hong Kong ETF HK\$</b>	<b>HSBC MSCI Taiwan ETF TWD</b>
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)
<b>Total accrued expenses and other payable</b>	<b>17,897</b>	<b>288,305</b>	<b>189,115</b>	<b>1,232,580</b>

## 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.

	<b>Period from 1 November 2011 to 30 April 2012 (unaudited)</b>			
	<b>HSBC MSCI Golden Dragon ETF HK\$</b>	<b>HSBC MSCI China ETF HK\$</b>	<b>HSBC MSCI Hong Kong ETF HK\$</b>	<b>HSBC MSCI Taiwan ETF TWD</b>
(i) Management fee for the period	27	54,450	24,279	262,470
(ii) Management fee payable at period ended	1	9,530	4,318	47,680

# Notes on the unaudited interim financial statements

For the period ended 30 April 2012

## 8 Transactions with related parties (continued)

	<i>Period from 13 April 2011 (date of inception) to 30 April 2011 (unaudited)</i>		<i>Period from 12 April 2011 (date of inception) to 30 April 2011 (unaudited)</i>	
	<b>HSBC MSCI Golden Dragon ETF HK\$</b>	<b>HSBC MSCI China ETF HK\$</b>	<b>HSBC MSCI Hong Kong ETF HK\$</b>	<b>HSBC MSCI Taiwan ETF TWD</b>
(i) Management fee for the period	2	3,239	2,723	13,294

### *31 October 2011 (audited)*

	<b>HSBC MSCI Golden Dragon ETF HK\$</b>		<b>HSBC MSCI China ETF HK\$</b>		<b>HSBC MSCI Hong Kong ETF HK\$</b>		<b>HSBC MSCI Taiwan ETF TWD</b>	
	(ii) Management fee payable at period ended	7	8,337	3,790	32,572			

- (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 1 November 2011 to 30 April 2012 (unaudited)*

	<b>HSBC MSCI Golden Dragon ETF HK\$</b>		<b>HSBC MSCI China ETF HK\$</b>		<b>HSBC MSCI Hong Kong ETF HK\$</b>		<b>HSBC MSCI Taiwan ETF TWD</b>	
	(i) Operating expenses for the period	(28,437)	292,240	50,878	1,549,042			
(ii) Operating expenses payable at period end	10,953	94,535	12,459	709,424				

### *Period from 13 April 2011 (date of inception) to 30 April 2011 (unaudited)*

### *Period from 12 April 2011 (date of inception) to 30 April 2011 (unaudited)*

	<b>HSBC MSCI Golden Dragon ETF HK\$</b>		<b>HSBC MSCI China ETF HK\$</b>		<b>HSBC MSCI Hong Kong ETF HK\$</b>		<b>HSBC MSCI Taiwan ETF TWD</b>	
	(i) Operating expenses for the period	(2,629)	10,178	5,189	44,619			

# Notes on the unaudited interim financial statements

For the period ended 30 April 2012

## 8 Transactions with related parties (continued)

31 October 2011 (audited)

	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
(ii) Operating expenses payable at period end	(13,359)	73,353	982	279,128

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

Period from 1 November 2011 to 30 April 2012 (unaudited)

	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
Value of transactions executed	1,653,000	14,680,303	2,876,165	324,001,877
% of total value of transactions of the Sub-Funds	100.00%	98.43%	99.30%	100.00%
Commission and transaction expenses	827	6,993	1,466	65,796
Average investment transaction commission rate	0.05%	0.05%	0.05%	0.02%

Period from 13 April 2011  
(date of inception) to  
30 April 2011 (unaudited)

Period from 12 April 2011  
(date of inception) to  
30 April 2011 (unaudited)

	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
Value of transactions executed	69,586,243	134,410,537	109,731,122	532,724,401
% of total value of transactions of the Sub-Funds	100.00%	96.37%	100.00%	100.00%
Commission and transaction expenses	–	40,359	21,960	106,541
Average investment transaction commission rate	–	0.03%	0.02%	0.02%

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.

# Notes on the unaudited interim financial statements

For the period ended 30 April 2012

## 8 Transactions with related parties (continued)

	<i>Period from 1 November 2011 to 30 April 2012 (unaudited)</i>				
	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD	
	Transaction handling expense	1,166	36,123	10,868	177,671
	Safe custody, bank charges and other expense	11,765	20,938	9,614	313,303
	<i>Period from 13 April 2011 (date of inception) to 30 April 2011 (unaudited)</i>		<i>Period from 12 April 2011 (date of inception) to 30 April 2011 (unaudited)</i>		
	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD	
	Transaction handling expense	–	–	–	36,280
	Safe custody, bank charges and other expense	–	–	–	–

- (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:

	<i>30 April 2012 (unaudited)</i>				
	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	85,383	358,227	437,687	914,820
	<i>31 October 2011 (audited)</i>				
	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

# Notes on the unaudited interim financial statements

For the period ended 30 April 2012

## 8 Transactions with related parties (continued)

- (d) (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:

	<b>30 April 2012 (unaudited)</b>			
	<b>HSBC MSCI Golden Dragon ETF HK\$</b>	<b>HSBC MSCI China ETF HK\$</b>	<b>HSBC MSCI Hong Kong ETF HK\$</b>	<b>HSBC MSCI Taiwan ETF TWD</b>
Margin deposits held at the period end	–	154,916	124,689	2,295,853
	<b>31 October 2011 (audited)</b>			
	<b>HSBC MSCI Golden Dragon ETF HK\$</b>	<b>HSBC MSCI China ETF HK\$</b>	<b>HSBC MSCI Hong Kong ETF HK\$</b>	<b>HSBC MSCI Taiwan ETF TWD</b>
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.

## 9 Units in issue

The movements of units in issue are shown as below.

	<b>Period from 1 November 2011 to 30 April 2012 (unaudited)</b>			
	<b>HSBC MSCI Golden Dragon ETF HK\$</b>	<b>HSBC MSCI China ETF HK\$</b>	<b>HSBC MSCI Hong Kong ETF HK\$</b>	<b>HSBC MSCI Taiwan ETF TWD</b>
Balance brought forward	3,600,000	8,500,000	3,600,000	5,000,000
Issued during the period	–	–	–	2,000,000
Balance carried forward	3,600,000	8,500,000	3,600,000	7,000,000

## 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 interim 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 interim financial statements and the adjusted total net assets for valuation purposes is shown in the table below.

## Notes on the unaudited interim financial statements

For the period ended 30 April 2012

### 10 Reconciliation of net assets values (continued)

	<i>30 April 2012 (unaudited)</i>			
	<b>HSBC MSCI Golden Dragon ETF HK\$</b>	<b>HSBC MSCI China ETF HK\$</b>	<b>HSBC MSCI Hong Kong ETF HK\$</b>	<b>HSBC MSCI Taiwan ETF TWD</b>
Net assets attributable to unitholders as reported in the interim financial statements	123,386,681	228,961,865	102,551,241	1,109,617,495
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	–	345,591	61,350	(5,450,221)
Adjusted total net assets for valuation purposes	<u>123,386,681</u>	<u>229,307,456</u>	<u>102,612,591</u>	<u>1,104,167,274</u>
	<i>31 October 2011 (audited)</i>			
	<b>HSBC MSCI Golden Dragon ETF HK\$</b>	<b>HSBC MSCI China ETF HK\$</b>	<b>HSBC MSCI Hong Kong ETF HK\$</b>	<b>HSBC MSCI Taiwan ETF TWD</b>
Net assets attributable to unitholders as reported in the interim 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	<u>117,141,579</u>	<u>215,234,138</u>	<u>95,491,421</u>	<u>792,770,879</u>

### 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.



# Notes on the unaudited interim financial statements

For the period ended 30 April 2012

## 12 Fair value information (continued)

### 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 categorised 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.

*HSBC MSCI Golden Dragon ETF*

### 30 April 2012 (unaudited)

	Level 1 HK\$	Level 2 HK\$	Total HK\$
<i>Financial assets at fair value through profit or loss</i>			
Exchange traded funds	123,372,172	–	123,372,172

### 31 October 2011 (audited)

	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

# Notes on the unaudited interim financial statements

For the period ended 30 April 2012

## 12 Fair value information (continued)

### Valuation of financial instruments (continued)

HSBC MSCI China ETF

30 April 2012 (unaudited)

	Level 1 HK\$	Level 2 HK\$	Total HK\$
<i>Financial assets at fair value through profit or loss</i>			
Listed equities	221,812,727	–	221,812,727
Warrants	–	7,075,743	7,075,743
	<u>221,812,727</u>	<u>7,075,743</u>	<u>228,888,470</u>

31 October 2011 (audited)

	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

30 April 2012 (unaudited)

	Level 1 HK\$	Level 2 HK\$	Total HK\$
<i>Financial assets at fair value through profit or loss</i>			
Listed equities	<u>102,031,555</u>	–	<u>102,031,555</u>
<i>Financial liabilities at fair value through profit or loss</i>			
Futures	<u>(50)</u>	–	<u>(50)</u>

31 October 2011 (audited)

	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>94,447,423</u>

# Notes on the unaudited interim financial statements

For the period ended 30 April 2012

## 12 Fair value information (continued)

### Valuation of financial instruments (continued)

HSBC MSCI Taiwan ETF

#### 30 April 2012 (unaudited)

	Level 1 TWD	Level 2 TWD	Total TWD
<i>Financial assets at fair value through profit or loss</i>			
Listed equities	<u>1,108,795,526</u>	<u>–</u>	<u>1,108,795,526</u>
<i>Financial liabilities at fair value through profit or loss</i>			
Futures	<u>(81,090)</u>	<u>–</u>	<u>(81,090)</u>

#### 31 October 2011 (audited)

	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	<u>61,041</u>	<u>–</u>	<u>61,041</u>
	<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 30 April 2012

Up to the date of issue of these interim financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the period ended 30 April 2012 and which have not been adopted in these interim financial statements.

## Notes on the unaudited interim financial statements

For the period ended 30 April 2012

### 14 Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 30 April 2012 (continued)

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

	<b>Effective for accounting periods beginning on or after</b>
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 30 April 2012 (unaudited)

### HSBC MSCI Golden Dragon ETF

	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
<b>Listed Investments</b>			
<i>Exchange traded funds</i>			
HSBC ETFs Trust – HSBC MSCI China ETF	2,228,758	60,125,873	48.73
HSBC ETFs Trust – HSBC MSCI Hong Kong ETF	969,366	27,630,324	22.39
HSBC ETFs Trust – HSBC MSCI Taiwan ETF	848,913	35,615,975	28.87
<b>Total investments</b>		123,372,172	99.99
<i>(Total cost of investments: HK\$137,933,596)</i>			
<b>Other net assets</b>		14,509	0.01
<b>Total net assets attributable to unitholders</b>		123,386,681	100.00

# Investment portfolio

As at 30 April 2012 (unaudited)

<i>HSBC MSCI China ETF</i>			
	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
<b>Listed Investments</b>			
<b>Equities</b>			
Agile Property Holdings Ltd	62,704	633,310	0.28
Agricultural Bank of China H Shares	839,846	3,090,633	1.35
Air China Ltd H Shares	93,641	526,262	0.23
Alibaba.Com Ltd	57,790	768,607	0.34
Aluminum Corp of China Ltd H Shares	179,716	675,732	0.30
Angang Steel Co Ltd H Shares	48,576	257,453	0.11
Anhui Conch Cement Co Ltd H Shares	56,010	1,450,659	0.63
Anta Sports Products Ltd	39,661	303,803	0.13
Avichina Industry & Technology Co Ltd H Shares	90,453	321,108	0.14
Bank of China Ltd H Shares	3,041,083	9,853,109	4.30
BBMG Corp H Shares	50,748	338,997	0.15
Beijing Capital International Airport Co Ltd H Shares	85,546	430,296	0.19
Beijing Enterprises Holdings Ltd	23,338	1,010,535	0.44
Belle International Holdings Ltd	210,436	3,202,836	1.40
Bosideng International Holdings Ltd	106,613	237,747	0.10
Brilliance China Automotive	102,468	861,756	0.38
Byd Co Ltd H Shares	23,517	479,747	0.21
China Agri-Ind Holdings Ltd	73,243	418,218	0.18
China Bluechemical Ltd H Shares	80,498	446,764	0.20
China Citic Bank Corp Ltd H Shares	338,612	1,665,971	0.73
China Coal Energy Co H Shares	185,288	1,649,063	0.72
China Communications Construction Co Ltd H Shares	201,240	1,565,647	0.68
China Communications Services Corp Ltd H Shares	108,999	431,636	0.19
China Construction Bank H Shares	2,694,104	16,272,388	7.11
China COSCO Holdings Co Ltd H Shares	117,707	529,681	0.23
China Dongxiang Group Co	127,972	133,091	0.06
China Everbright Ltd	38,155	469,306	0.21
China Gas Holdings Ltd	138,918	533,445	0.23
China Life Insurance Co H Shares	333,615	6,989,234	3.05
China Longyuan Power Group Corp H Shares	92,704	566,421	0.25
China Mengniu Dairy Co Ltd	55,675	1,327,849	0.58
China Merchants Bank Co Ltd H Shares	178,154	2,992,987	1.31
China Merchants Holdings International Co Ltd	50,287	1,259,689	0.55
China Minsheng Banking Co Ltd H Shares	233,023	1,873,505	0.82
China Mobile Ltd	269,400	23,154,930	10.11
China Molybdenum Co Ltd H Shares	57,021	171,633	0.08
China National Building Material Co Ltd H Shares	130,114	1,363,595	0.60
China Oilfield Services Ltd	69,498	874,285	0.38
China Overseas Land & Investment Ltd	186,345	3,134,323	1.37

# Investment portfolio

As at 30 April 2012 (unaudited)

<i>HSBC MSCI China ETF</i>			
	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
<b>Listed Investments</b>			
<b>Equities (continued)</b>			
China Pacific Insurance (Gr) Co Ltd H Shares	79,052	1,996,063	0.87
China Petroleum & Chemical Corp H Shares	751,647	6,283,769	2.74
China Railway Construction Corp H Shares	89,882	554,572	0.24
China Railway Group Ltd H Shares	182,184	559,305	0.24
China Resources Cement Holding Ltd	89,102	547,977	0.24
China Resources Enterprise Ltd	54,859	1,544,281	0.67
China Resources Gas Group Ltd	33,200	499,992	0.22
China Resources Land Ltd	91,826	1,370,044	0.60
China Resources Power Holdings Co Ltd	75,023	1,062,326	0.46
China Rongsheng Heavy Industries Group Holdings Ltd	79,516	153,466	0.07
China Shanshui Cement Group Co Ltd	76,706	480,180	0.21
China Shenhua Energy Co Ltd H Shares	154,307	5,308,161	2.32
China Shipping Container Lines Co Ltd H Shares	161,988	409,830	0.18
China Shipping Development Co Ltd H Shares	58,368	294,175	0.13
China Southern Airlines Co Ltd H Shares	82,625	286,709	0.13
China State Construction International Holdings Ltd	64,762	463,048	0.20
China Taiping Insurance Holdings Co Ltd	34,916	562,148	0.25
China Telecom Corp Ltd H Shares	632,423	2,637,204	1.15
China Unicom (Hong Kong)	268,384	3,703,699	1.62
China Yurun Food Group Ltd	62,390	617,661	0.27
China Zhengtong Auto Services Holding Ltd	40,000	306,000	0.13
China Zhongwang Holdings Ltd	73,949	235,158	0.10
Chongqing Rural Commercial Bank Co Ltd H Shares	103,366	367,983	0.16
CITIC Pacific Ltd	58,484	746,256	0.33
CNOOC Ltd	800,401	13,222,625	5.78
COSCO Pacific Ltd	73,786	832,306	0.36
Country Garden Holdings Co	190,464	638,054	0.28
CSR Corporation Ltd H Shares	87,569	548,182	0.24
Dah Chong Hong	37,400	308,550	0.13
Daphne International Holdings Ltd	41,000	453,460	0.20
Datang International Power Generation Co Ltd H Shares	135,006	371,266	0.16
Dongfang Electric Corp Ltd H Shares	15,441	325,033	0.14
Dongfeng Motor Group Co Ltd H Shares	122,374	1,869,875	0.82
Dongyue Group	43,800	254,040	0.11
ENN Energy Holdings Ltd	34,240	931,328	0.41
Evergrande Real Estate Group	234,547	1,050,771	0.46
Far East Horizon Ltd	73,800	439,848	0.19
Fosun International	73,282	337,097	0.15
Franshion Properties China Ltd	166,699	355,069	0.16

# Investment portfolio

As at 30 April 2012 (unaudited)

<i>HSBC MSCI China ETF</i>			
	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
<b>Listed Investments</b>			
<b>Equities (continued)</b>			
GCL Poly Energy Holdings Ltd	317,394	637,962	0.28
Geely Automobile Holdings Ltd	168,314	484,744	0.21
Golden Eagle Retail Group Ltd	30,673	625,729	0.27
Gome Electrical Appliances Holdings Ltd	461,054	650,086	0.28
Great Wall Motor Co Ltd H Shares	47,127	788,906	0.34
Guangdong Investments Ltd	114,095	649,201	0.28
Guangzhou Automobile Group Co Ltd H Shares	101,101	869,469	0.38
Guangzhou R&F Properties Co Ltd H Shares	44,129	454,529	0.20
Haier Electronics Group Co Ltd	37,200	301,692	0.13
Hengan International Group Co Ltd	33,718	2,776,677	1.21
Hengdeli Holdings Ltd	98,405	305,055	0.13
Huabao International Holdings Ltd	86,030	341,539	0.15
Huaneng Power International Inc H Shares	145,054	665,798	0.29
Industrial and Commercial Bank of China H Shares	2,758,395	14,233,318	6.22
Intime Department Store Group Co Ltd	45,488	445,782	0.19
Jiangsu Expressway Co Ltd H Shares	54,919	420,130	0.18
Jiangxi Copper Co Ltd H Shares	62,632	1,173,724	0.51
Kingboard Chemical Holdings Ltd	27,196	590,153	0.26
Kunlun Energy Co Ltd	101,840	1,387,061	0.61
Lee & Man Paper Manufacturing Ltd	74,453	270,264	0.12
Lenovo Group Ltd	282,194	2,099,523	0.92
Longfor Properties	58,529	722,248	0.32
Lonking Holdings Ltd	87,713	247,351	0.11
Metallurgical Corporation of China Ltd H Shares	130,736	224,866	0.10
Minmetals Resources Ltd	72,664	285,570	0.12
Nine Dragons Paper Holdings Ltd	74,009	471,437	0.21
Parkson Retail Group Ltd	63,954	553,842	0.24
Petrochina Co Ltd H Shares	958,805	11,275,547	4.92
PICC Property and Casualty Co Ltd	121,759	1,183,497	0.52
Poly (Hong Kong) Investments Ltd	90,446	366,306	0.16
Renhe Commercial Holdings	482,393	214,665	0.09
Sany Heavy Equipment International Holdings Co Ltd	42,499	252,444	0.11
Semiconductor Manufacturing International Corp	875,458	332,674	0.15
Shandong Weigao Group Medical Polymer Co Ltd H Shares	71,800	643,328	0.28
Shanghai Electric Grp Corp H Shares	126,560	493,584	0.22
Shanghai Industrial Holdings Ltd	24,146	622,967	0.27
Shanghai Pharmaceuticals Holding Co Ltd H Shares	22,600	263,064	0.11
Shimao Property Holdings Ltd	70,874	722,915	0.32
Shougang Fushan Resources Group Ltd	133,850	362,734	0.16



## Investment portfolio

As at 30 April 2012 (unaudited)

<i>HSBC MSCI China ETF</i>			
	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
<b>Listed Investments</b>			
<b>Equities (continued)</b>			
Shui On Land Ltd	118,880	385,171	0.17
Sihuan Pharmaceutical Holdings	82,574	242,768	0.11
Sinofert Holdings Ltd	96,120	161,482	0.07
Sino-Ocean Land Holdings Ltd	155,089	559,871	0.24
Sinopec Shanghai Petrochemical Co Ltd H Shares	106,531	287,634	0.13
Sinopharm Medicine Holding Co Ltd H Shares	35,854	724,251	0.32
Skyworth Digital Holdings Ltd	82,554	261,696	0.11
Soho China Ltd	94,660	569,853	0.25
Sun Art Retail Group Ltd	87,000	896,100	0.39
Tencent Holdings Ltd	45,943	11,200,903	4.89
Tingyi (Cayman Islands) Holdings Corp	89,085	1,839,605	0.80
Tsingtao Brewery Co Ltd H Shares	13,733	645,451	0.28
Want Want China Holdings Ltd	270,933	2,587,410	1.13
Weichai Power Co Ltd H Shares	18,855	686,322	0.30
Wumart Stores Inc H Shares	23,992	428,977	0.19
Yanzhou Coal Mining Co Ltd H Shares	89,223	1,447,197	0.63
Yingde Gases Group Company	41,200	370,800	0.16
Yuexiu Property Co Ltd	231,834	398,754	0.17
Zhaojin Mining Industry Co Ltd H Shares	39,730	429,879	0.19
Zhejiang Expressway Co Ltd H Shares	64,792	359,596	0.16
Zhongsheng Group Holdings Ltd	26,000	400,400	0.17
Zhuzhou CSRTimes Electric Co Ltd H Shares	20,248	443,431	0.19
Zijin Mining Group Co Ltd H Shares	273,868	692,886	0.30
Zoomlion Heavy Industry Science and Technology Co Ltd H Shares	58,546	675,621	0.30
ZTE Corporation H Shares	27,262	512,526	0.22
		221,812,727	96.88
		221,812,727	96.88

## Investment portfolio

As at 30 April 2012 (unaudited)

	<b>HSBC MSCI China ETF</b>		
	<b>Holdings</b>	<b>Market value HK\$</b>	<b>% of total net assets attributable to unitholders</b>
<b>Unlisted Investments</b>			
<b>Warrants</b>			
Morgan Stanley (Bank of Communications Ltd H Shares) CWTS 14/03/2014	332,263	1,993,578	0.87
Morgan Stanley (Ping An Insurance (Group) H Shares) CWTS 14/03/2014	78,368	5,082,165	2.22
		<u>7,075,743</u>	<u>3.09</u>
<b>Total investments</b>		228,888,470	99.97
<i>(Total cost of investments: HK\$258,736,145)</i>			
<b>Other net assets</b>		<u>73,395</u>	<u>0.03</u>
<b>Total net assets attributable to unitholders</b>		<u><u>228,961,865</u></u>	<u><u>100.00</u></u>

# Investment portfolio

As at 30 April 2012 (unaudited)

## HSBC MSCI Hong Kong ETF

	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
<b>Listed Investments</b>			
<b>Equities</b>			
AIA Group Ltd	369,086	10,186,774	9.93
ASM Pacific Technology	8,676	910,112	0.89
Bank of East Asia	68,208	1,974,622	1.93
BOC Hong Kong (Holdings) Ltd	162,101	3,898,529	3.80
Cathay Pacific Airways Ltd	51,697	680,333	0.66
Cheung Kong Holdings Ltd	60,877	6,282,506	6.13
Cheung Kong Infrastructure Holdings Ltd	20,490	943,564	0.92
CLP Holdings Ltd	84,322	5,598,981	5.46
First Pacific Co	92,882	782,066	0.76
Foxconn International Holdings	94,944	348,444	0.34
Galaxy Entertainment Group Ltd	54,852	1,330,161	1.30
Hang Lung Group Ltd	38,395	1,867,917	1.82
Hang Lung Properties Ltd	107,757	3,092,626	3.02
Hang Seng Bank Ltd	33,500	3,571,100	3.48
Henderson Land Development	41,508	1,830,503	1.79
HKT Trust and HKT Ltd	3,808	22,924	0.02
Hong Kong & China Gas	207,653	4,115,682	4.01
Hong Kong Exchanges and Clearing Ltd	44,941	5,572,684	5.43
Hopewell Holdings Ltd	24,936	518,669	0.51
Hutchison Whampoa Ltd	93,380	6,970,817	6.80
Hysan Development Co Ltd	27,854	977,675	0.95
Kerry Properties Ltd	31,504	1,112,091	1.09
Li & Fung Ltd	248,451	4,124,287	4.02
Lifestyle International Holdings Ltd	25,589	465,208	0.45
Link REIT	98,542	3,173,052	3.09
MTR Corp Ltd	63,350	1,745,292	1.70
New World Development Ltd	157,311	1,519,624	1.48
NWS Holdings Ltd	59,381	693,570	0.68
Orient Overseas International Ltd	9,595	509,015	0.50
PCCW Ltd	175,212	504,611	0.49
Power Assets Holdings Ltd	60,770	3,521,622	3.43
Sands China Ltd	105,773	3,231,365	3.15
Shangri-La Asia Ltd	61,716	1,015,845	0.99
Sino Land Co	127,114	1,703,328	1.66
SJM Holdings Ltd	72,499	1,233,933	1.20
Sun Hung Kai Properties Ltd	61,920	5,789,520	5.65
Swire Pacific Ltd A	31,736	2,905,431	2.83
Wharf Holdings Ltd	66,349	3,071,959	3.00
Wheelock & Co Ltd	40,053	1,047,386	1.02

## Investment portfolio

As at 30 April 2012 (unaudited)

### HSBC MSCI Hong Kong ETF

	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
<b>Listed Investments</b>			
<b><i>Equities (continued)</i></b>			
Wing Hang Bank Ltd	7,824	645,089	0.63
Wynn Macau Ltd	68,173	1,697,508	1.66
Yue Yuen Industrial Holdings Ltd	32,505	845,130	0.82
		<u>102,031,555</u>	<u>99.49</u>
<b><i>Futures</i></b>			
Mini Hang Seng Index Futures 28/06/2012	1	<u>(50)</u>	<u>0.00</u>
<b>Total investments</b>		102,031,505	99.49
<i>(Total cost of investments: HK\$110,811,527)</i>			
<b>Other net assets</b>		<u>519,736</u>	<u>0.51</u>
<b>Total net assets attributable to unitholders</b>		<u><u>102,551,241</u></u>	<u><u>100.00</u></u>

# Investment portfolio

As at 30 April 2012 (unaudited)

<i>HSBC MSCI Taiwan ETF</i>			
	<i>Holdings</i>	<i>Market value TWD</i>	<i>% of total net assets attributable to unitholders</i>
<b>Listed Investments</b>			
<b>Equities</b>			
Acer Inc	250,464	8,390,544	0.76
Advanced Semiconductor Engineering Inc	460,686	13,590,237	1.23
Advantech Co Ltd	27,379	2,710,521	0.24
Asia Cement Corp	183,154	6,437,863	0.58
Asustek Computer Inc	65,826	19,385,757	1.75
Au Optronics Corp	731,976	9,552,287	0.86
Capital Securities Corp	173,504	1,804,442	0.16
Catcher Technology Co Ltd	54,082	10,086,293	0.91
Cathay Financial Holding Co Ltd	652,901	20,174,641	1.82
Chang Hwa Commercial Bank	396,287	6,419,849	0.58
Cheng Shin Rubber Industry Co Ltd	156,454	11,358,560	1.02
Cheng Uei Precision Industry Co	36,871	2,208,573	0.20
Chicony Electronics Co Ltd	44,339	2,527,323	0.23
Chimei Innolux Corp	499,170	6,014,998	0.54
China Airlines	247,772	2,799,824	0.25
China Development Financial Holding Co Inc	878,091	6,497,873	0.59
China Life Insurance Co Ltd	160,895	4,191,315	0.38
China Motor Co Ltd	54,334	1,312,166	0.12
China Petrochemical Develop Corp	173,705	5,124,297	0.46
China Steel Corp	1,094,180	31,731,220	2.86
Chinatrust Financial Holding Co Ltd	980,979	18,246,209	1.64
Chunghwa Telecom Co Ltd	367,639	33,602,205	3.03
CLEVO Co	43,130	1,966,728	0.18
Compal Electronics Inc	405,032	13,588,824	1.22
Delta Electronics Inc	172,951	14,960,261	1.35
E Ink Holdings Inc	78,651	2,516,832	0.23
E.Sun Financial Holding Co	379,604	5,883,862	0.53
Epistar Corp	75,328	5,340,755	0.48
Eternal Chemical Co Ltd	67,817	1,546,228	0.14
Eva Airways Corp	158,876	2,780,330	0.25
Evergreen Marine Corp	135,223	2,319,074	0.21
Everlight Electronics Co Ltd	35,073	2,100,873	0.19
Far Eastern Department Stores Ltd	89,559	2,821,108	0.25
Far Eastern New Century Corp	286,540	9,427,166	0.85
Far Eastone Telecommunication Co Ltd	155,458	9,871,583	0.89
Farglory Land Developers Co Ltd	30,500	1,647,000	0.15
Feng Hsin Iron & Steel Co Ltd	42,106	2,071,615	0.19
First Financial Holding	561,143	9,820,003	0.89
Formosa Chemicals & Fibre Corp	276,245	23,397,952	2.11

# Investment portfolio

As at 30 April 2012 (unaudited)

<i>HSBC MSCI Taiwan ETF</i>			
	<i>Holdings</i>	<i>Market value TWD</i>	<i>% of total net assets attributable to unitholders</i>
<b>Listed Investments</b>			
<b>Equities (continued)</b>			
Formosa International Hotels Corp	3,359	1,330,164	0.12
Formosa Petrochemical Corp	111,697	10,086,239	0.91
Formosa Plastics Corp	386,406	32,033,057	2.89
Formosa Taffeta Co Ltd	73,880	2,035,394	0.18
Foxconn Technology Co Ltd	68,444	7,049,732	0.64
Fubon Financial Holding Co	480,338	14,626,292	1.32
Giant Manufacturing Co Ltd	28,687	4,202,646	0.38
Highwealth Construction Corp	38,852	1,901,805	0.17
Hiwin Technologies Corp	15,706	4,350,562	0.39
Hon Hai Precision Industry	882,092	87,591,736	7.89
Hotai Motor Co Ltd	24,000	4,452,000	0.40
HTC Corp	71,176	31,495,380	2.84
Hua Nan Financial Holdings Co Ltd	472,926	7,661,401	0.69
Inotera Memories Inc	181,178	1,391,447	0.13
Inventec Co Ltd	220,114	2,476,283	0.22
KGI Securities Co Ltd	287,051	3,875,189	0.35
Kinsus Interconnect Technology Corp	26,589	2,438,211	0.22
Largan Precision Co Ltd	9,618	5,145,630	0.46
LCY Chemical Corp	40,015	1,800,675	0.16
Lite-On Technology Corp	201,395	7,179,732	0.65
Macronix International Co Ltd	329,480	3,176,187	0.29
Mediatek Inc	100,591	25,399,228	2.29
Mega Financial Holding Co Ltd	762,996	17,587,058	1.59
Motech Industries Inc	30,273	1,295,684	0.12
Mstar Semiconductor Inc	35,690	6,174,370	0.56
Nan Kang Rubber Tire Co Ltd	45,120	1,935,648	0.17
Nan Ya Plastic Corp	457,865	27,517,687	2.48
Nan Ya Printed Circuit Board Corp	18,442	1,006,933	0.09
Novatek Microelectronics Ltd	49,825	4,404,530	0.40
Pegatron Corp	161,600	6,835,680	0.62
Phison Electronics Corp	11,871	2,469,168	0.22
Pou Chen Corp	212,141	5,303,525	0.48
Powertech Technology Inc	70,170	3,480,432	0.31
President Chain Store Corp	55,070	8,618,455	0.78
Quanta Computer Inc	241,407	18,540,058	1.67
Radiant Opto-Electronics Corp	40,000	4,900,000	0.44
Realtek Semiconductor Corp	40,843	2,581,278	0.23
Richtek Technology Corp	13,580	2,410,450	0.22
Ruentex Development Co Ltd	54,385	2,284,170	0.21

# Investment portfolio

As at 30 April 2012 (unaudited)

	<b>HSBC MSCI Taiwan ETF</b>		
	<b>Holdings</b>	<b>Market value TWD</b>	<b>% of total net assets attributable to unitholders</b>
<b>Listed Investments</b>			
<b>Equities (continued)</b>			
Ruentex Industries Ltd	43,880	2,233,492	0.20
Shin Kong Financial Holdings	576,435	4,991,927	0.45
Siliconware Precision Industries Co	288,266	9,974,004	0.90
Simplo Technology Co Ltd	21,436	4,812,382	0.43
Sino-American Silicon Product	36,741	1,866,443	0.17
Sinopac Financial Holdings Co Ltd	570,040	5,666,198	0.51
Standard Foods Corp	20,000	1,818,000	0.16
Synnex Tech International Corp	127,766	8,751,971	0.79
Taishin Financial Holdings Co Ltd	493,070	5,571,691	0.50
Taiwan Business Bank	265,897	2,355,847	0.21
Taiwan Cement Corp	324,316	11,253,765	1.01
Taiwan Cooperative Financial Holding	379,658	6,814,861	0.61
Taiwan Fertilizer Co Ltd	71,678	5,017,460	0.45
Taiwan Glass Industrial Corp	89,071	2,591,966	0.23
Taiwan Mobile Co Ltd	161,789	15,224,345	1.37
Taiwan Semiconductor Manufacturing Co Ltd	2,386,216	206,884,927	18.65
Tatung Co Ltd	193,906	1,551,248	0.14
Teco Electric & Machinery Co Ltd	161,269	3,443,093	0.31
TPK Holding Co Ltd	8,999	3,221,642	0.29
Transcend Information Inc	18,269	1,428,636	0.13
Tripod Technology Corp	41,204	3,543,544	0.32
Tsrc Corp	49,249	3,476,979	0.31
Tung Ho Steel Enterprise Corp	71,400	1,981,350	0.18
U-Ming Marine Transport Corp	41,419	2,050,241	0.19
Unimicron Technology Corp	127,161	4,221,745	0.38
Uni-President Enterprises Corp	376,322	17,103,835	1.54
United Microelectronics	1,201,721	18,386,331	1.66
Walsin Lihwa Corp	317,666	2,703,338	0.24
Wan Hai Lines Ltd	108,448	1,605,030	0.14
Wintek Corp	144,484	2,752,420	0.25
Wistron Corp	193,001	8,453,444	0.76
WPG Holdings Co Ltd	131,518	5,234,416	0.47
Yang Ming Marine Transport	137,831	1,709,104	0.15
Yuanta Financial Holding Co Ltd	781,094	10,896,261	0.98
Yulon Motor Co Ltd	84,113	3,932,283	0.35
		1,108,795,526	99.93

## Investment portfolio

As at 30 April 2012 (unaudited)

	<b>HSBC MSCI Taiwan ETF</b>		
	<b>Holdings</b>	<b>Market value TWD</b>	<b>% of total net assets attributable to unitholders</b>
<b>Listed Investments</b>			
<b>Futures</b>			
MSCI Taiwan Index 28/06/2012	1	(81,090)	(0.01)
<b>Total investments</b>		1,108,714,436	99.92
<i>(Total cost of investments: TWD1,180,588,300)</i>			
<b>Other net assets</b>		903,059	0.08
<b>Total net assets attributable to unitholders</b>		1,109,617,495	100.00



# Statement of movements in portfolio holdings

For the period ended 30 April 2012 (unaudited)

## HSBC MSCI Golden Dragon ETF

	<i>% of net asset attributable to unitholders</i>	
	<b>30 April 2012</b>	<b>31 October 2011</b>
<b>Listed investments</b>		
Exchange traded funds	99.99	99.87
<b>Total investments</b>	99.99	99.87
<b>Other net assets</b>	0.01	0.13
<b>Total net assets attributable to unitholders</b>	100.00	100.00

## HSBC MSCI China ETF

	<i>% of net asset attributable to unitholders</i>	
	<b>30 April 2012</b>	<b>31 October 2011</b>
<b>Listed investments</b>		
Equities	96.88	96.25
Futures	0.00	0.00
<b>Unlisted investments</b>		
Warrants	3.09	3.07
<b>Total investments</b>	99.97	99.32
<b>Other net assets</b>	0.03	0.68
<b>Total net assets attributable to unitholders</b>	100.00	100.00

# Statement of movements in portfolio holdings

For the period ended 30 April 2012 (unaudited)

## HSBC MSCI Hong Kong ETF

	<i>% of net asset attributable to unitholders</i>	
	<b>30 April 2012</b>	<b>31 October 2011</b>
<b>Listed investments</b>		
Equities	99.49	98.95
Futures	0.00	0.00
<b>Unlisted investments</b>		
Rights	0.00	0.14
<b>Total investments</b>	99.49	99.09
<b>Other net assets</b>	0.51	0.91
<b>Total net assets attributable to unitholders</b>	100.00	100.00

## HSBC MSCI Taiwan ETF

	<i>% of net asset attributable to unitholders</i>	
	<b>30 April 2012</b>	<b>31 October 2011</b>
<b>Listed investments</b>		
Equities	99.93	99.23
Futures	(0.01)	(0.01)
<b>Unlisted investments</b>		
Rights	0.00	0.01
<b>Total investments</b>	99.92	99.23
<b>Other net assets</b>	0.08	0.77
<b>Total net assets attributable to unitholders</b>	100.00	100.00

## Performance of the underlying index and the Sub-Funds (unaudited)

	<b>Performance in HK Dollar</b>
<b>Fund/Index</b>	
<i>Period from 1 November 2011 to 30 April 2012</i>	
HSBC MSCI Golden Dragon ETF	7.12%
MSCI Golden Dragon Index	7.60%
<i>Period from 13 April 2011 (date of inception) to 31 October 2011</i>	
HSBC MSCI Golden Dragon ETF *	(15.92%)
MSCI Golden Dragon Index	(15.57%)
<b>Performance in HK Dollar</b>	
<b>Fund/Index</b>	
<i>Period from 1 November 2011 to 30 April 2012</i>	
HSBC MSCI China ETF	9.52%
MSCI China Index	9.93%
<i>Period from 13 April 2011 (date of inception) to 31 October 2011</i>	
HSBC MSCI China ETF *	(18.31%)
MSCI China Index	(18.03%)
<b>Performance in HK Dollar</b>	
<b>Fund/Index</b>	
<i>Period from 1 November 2011 to 30 April 2012</i>	
HSBC MSCI Hong Kong ETF	(0.84%)
MSCI Hong Kong Index	(0.47%)
<i>Period from 12 April 2011 (date of inception) to 31 October 2011</i>	
HSBC MSCI Hong Kong ETF *	(13.06%)
MSCI Hong Kong Index	(12.59%)
<b>Performance in Taiwan Dollar</b>	
<b>Fund/Index</b>	
<i>Period from 1 November 2011 to 30 April 2012</i>	
HSBC MSCI Taiwan ETF	8.98%
MSCI Taiwan Index	9.62%
<i>Period from 12 April 2011 (date of inception) to 31 October 2011</i>	
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 1 November 2011 to 30 April 2012	29.2259	35.8891
Period from 13 April 2011 (date of inception) to 31 October 2011	27.1372	39.2413

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

	HK\$
30 April 2012	123,386,681
31 October 2011	117,141,579

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

	Class A units HK\$
30 April 2012	34.2741
31 October 2011	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 1 November 2011 to 30 April 2012	22.8197	28.0109
Period from 13 April 2011 (date of inception) to 31 October 2011	20.0580	31.3871

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

	HK\$
30 April 2012	228,961,865
31 October 2011	214,600,914

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

	Class A units HK\$
30 April 2012	26.9367
31 October 2011	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 1 November 2011 to 30 April 2012	24.1201	29.6538
Period from 12 April 2011 (date of inception) to 31 October 2011	21.7842	30.8569

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

	HK\$
30 April 2012	102,551,241
31 October 2011	95,316,091

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

	Class A units HK\$
30 April 2012	28.4865
31 October 2011	26.4767

### HSBC MSCI Taiwan ETF

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

Period	Class A units	
	Lowest TWD	Highest TWD
Period from 1 November 2011 to 30 April 2012	139.9751	169.6718
Period from 12 April 2011 (date of inception) to 31 October 2011	143.6496	184.0512

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

	TWD
30 April 2012	1,109,617,495
31 October 2011	792,103,945

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

	Class A units TWD
30 April 2012	158.5168
31 October 2011	158.4208

## Underlying index constituent stocks disclosure (unaudited)

As at 30 April 2012 and 31 October 2011, the Sub-Funds' holdings in constituent stocks were as specified in the following table.

### **As at 30 April 2012**

HSBC MSCI Hong Kong ETF has no constituent stocks that accounted for more than 10% of the underlying index as at 30 April 2012. Those constituent stocks held by HSBC MSCI Golden Dragon ETF, HSBC MSCI China ETF and HSBC MSCI Taiwan ETF that accounted for more than 10% of the underlying index as at 30 April 2012 is shown below.

<b>Constituent stocks</b>	<b>Weighting of the underlying index (%)</b>
<b>HSBC MSCI Golden Dragon ETF</b>	
HSBC MSCI China ETF	48.88
HSBC MSCI Hong Kong ETF	22.27
HSBC MSCI Taiwan ETF	28.85
<b>HSBC MSCI China ETF</b>	
China Mobile	10.11
<b>HSBC MSCI Taiwan ETF</b>	
Taiwan Semiconductor Manufacturing Co Ltd	18.79

### **As at 31 October 2011**

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 Golden Dragon ETF and HSBC MSCI Taiwan ETF that accounted for more than 10% of the underlying index as at 31 October 2011 is shown below.

<b>Constituent stocks</b>	<b>Weighting of the underlying index (%)</b>
<b>HSBC MSCI Golden Dragon ETF</b>	
HSBC MSCI China ETF	47.54
HSBC MSCI Hong Kong ETF	29.97
HSBC MSCI Taiwan ETF	22.36
<b>HSBC MSCI Taiwan ETF</b>	
Taiwan Semiconductor Manufacturing Co Ltd	15.84

## Administration

### **Manager and Listing Agent**

HSBC Investment Funds (Hong Kong) Limited  
HSBC Main Building  
1 Queen's Road Central  
Hong Kong

### **Investment Adviser**

HSBC Global Asset Management (Hong Kong) Limited  
HSBC Main Building  
1 Queen's Road Central  
Hong Kong

### **Directors of the Manager and Listing Agent**

Stuart Glenn BERRY  
Patrice Pierre Henri CONXICOEUR  
Julie J KOO  
Po Yee LAM  
Joanna Mary MUNRO  
Edgar Kai Man NG  
Guillermo Eduardo MALDONADO-CODINA (appointed on 5 June 2012)

### **Trustee and Registrar**

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

### **Conversion Agent and Service Agent**

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

### **Auditor**

KPMG  
8th Floor, Prince's Building  
10 Chater Road  
Central  
Hong Kong

Issued by HSBC Global Asset Management (Hong Kong) Limited