

# **SPDR<sup>®</sup> FTSE<sup>®</sup> Greater China ETF**

*A Sub-Fund of the SPDR<sup>®</sup> ETFs*

*Stock Code: 3073*

*Website: [www.spdrs.com.hk](http://www.spdrs.com.hk)*

## **Annual Report 2012**

1st October 2011 to 30th September 2012

# SPDR® FTSE® Greater China ETF

A Sub-Fund of SPDR® ETFs

Stock Code: 3073

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## **STATEMENT BY THE MANAGER**

### **MANAGER'S RESPONSIBILITIES**

The Manager of SPDR® FTSE® Greater China ETF (the "Sub-Fund") is required by the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the "SFC Code") and the Trust Deed dated 27th July 2010, as amended (the "Trust Deed"), to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Sub-Fund at the end of that period and of the transactions for the period then ended. In respect of these financial statements, the Manager, with the assistance of the service provider, is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are prudent and reasonable; and
- prepare or arrange for the preparation of the financial statements on the basis that the Sub-Fund will continue in operation unless it is inappropriate to presume this.

The Manager is also required to manage the Sub-Fund in accordance with the Trust Deed and take reasonable steps for the prevention and detection of fraud and other irregularities.

In the opinion of the Manager of the Sub-Fund, the accompanying financial statements set out on pages 5 to 31, comprising the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements are drawn up so as to present fairly, in all material respects, the financial position of the Sub-Fund as at 30th September 2012, and the results of its operation for the period then ended and have been properly prepared in accordance with International Financial Reporting Standards. At the date of this statement, there are reasonable grounds to believe that the Sub-Fund will be able to meet its financial obligations as and when they materialize.

For and on behalf of the Manager

**State Street Global Advisors Asia Limited**  
30th January 2013

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### **REPORT OF THE TRUSTEE**

We hereby confirm that, in our opinion, the Manager of the Sub-Fund has, in all material respects, managed the Sub-Fund in accordance with the provisions of the Trust Deed dated 27th July 2010, as amended for the year ended 30th September 2012.

For and on behalf of the Trustee

**State Street Trust (HK) Limited**

30th January 2013

## **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF SPDR® FTSE® Greater China ETF (a sub-fund of the SPDR® ETFs) (the "Sub-Fund")**

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the financial statements of the Sub-Fund set out on pages 5 to 31, which comprise the Statement of Financial Position as at 30th September 2012, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The Trustee and the Manager (the "Management") of the Sub-Fund is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and are responsible for ensuring that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 27th July 2010, as amended (the "Trust Deed"), and the relevant financial statements disclosure provisions specified in Appendix E of the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the "SFC Code"), and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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### **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF SPDR® FTSE® Greater China ETF (a sub-fund of the SPDR® ETFs) (the "Sub-Fund")** *(Continued)*

#### **OPINION**

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 30th September 2012, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### **REPORT ON OTHER LEGAL AND REGULATORY DISCLOSURE REQUIREMENTS**

We report that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed and the relevant financial statements disclosure provisions specified in the SFC Code.

#### **OTHER MATTERS**

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### **PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 30th January 2013

**STATEMENT OF FINANCIAL POSITION**

*As at 30th September 2012*

	Notes	30th September 2012 HK\$	30th September 2011 HK\$
<b>Assets</b>			
<b>Current assets</b>			
Investments	9(b)	122,154,409	247,508,180
Derivative financial instruments	9(b), 12	8,773	18,230
Amounts due from brokers		99,121	201,527
Dividend receivable		193,107	552,727
Other receivables		328,455	–
Margin deposits		668,021	544,118
Cash at banks	8(e)	952,896	2,833,932
<b>Total assets</b>		<u>124,404,782</u>	<u>251,658,714</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Derivative financial instruments	9(b), 12	–	47,025
Amounts due to brokers		98,714	137,274
Audit fee payable		256,325	194,780
Trustee fee payable	8(d)	40,120	40,000
Management fee payable	8(c)	72,000	62,795
Tax payable	7	14,686	3,079
Other payables	8(g)	–	98,986
<b>Total liabilities</b>		<u>481,845</u>	<u>583,939</u>
<b>Equity</b>			
Net assets attributable to unitholders	3	<u>123,922,937</u>	<u>251,074,775</u>

State Street Trust (HK) Limited

State Street Global Advisors Asia Limited

*The notes on pages 9 to 31 form part of these financial statements.*

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## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30th September 2012

		Year ended 30th September 2012 HK\$	Period from 15th September 2010 (date of inception) to 30th September 2011 HK\$
<b>Income</b>			
Dividend income		6,298,773	12,442,586
Interest income on bank deposits	8(e)	51	250
Net gain/(loss) on investments and derivative financial instruments	6	31,436,878	(28,820,412)
Net foreign exchange loss		(53,362)	(438,221)
Other income	5	701,665	1,437,872
<b>Total investment income/(loss)</b>		<u>38,384,005</u>	<u>(15,377,925)</u>
<b>Expenses</b>			
Management fee	8(c)	498,983	1,401,221
Trustee fee	8(d)	297,489	757,014
Transaction handling fee	8(f)	235,799	97,592
Transaction costs on investments		201,917	514,530
Audit fee		232,654	194,484
Safe custody and bank charges	8(h)	54,802	271,636
Legal and professional fees		69,144	215,263
Other operating expenses	8(g)	274,509	526,842
<b>Total operating expenses</b>		<u>1,865,297</u>	<u>3,978,582</u>
<b>Operating income/(loss)</b>		<u>36,518,708</u>	<u>(19,356,507)</u>
<b>Finance costs</b>			
Interest expenses		–	(51)
<b>Income/(loss) before tax</b>		<u>36,518,708</u>	<u>(19,356,558)</u>
Withholding and capital gains taxes	7	(629,759)	(1,349,817)
<b>Total comprehensive income/(loss)</b>		<u><u>35,888,949</u></u>	<u><u>(20,706,375)</u></u>

The notes on pages 9 to 31 form part of these financial statements.



**STATEMENT OF CHANGES IN EQUITY**

For the year ended 30th September 2012

		Year ended 30th September 2012 HK\$	Period from 15th September 2010 (date of inception) to 30th September 2011 HK\$
Balance at beginning of the year/period		251,074,775	–
Issue of units			
– in specie	10	–	355,408,969
– cash component and cash creation	10	–	161,317,031
		–	516,726,000
Redemption of units			
– in specie	10	(112,026,638)	(166,105,515)
– cash component and cash redemption	10	(51,014,149)	(78,839,335)
		(163,040,787)	(244,944,850)
Net (redemption)/issue of units		(163,040,787)	271,781,150
Total comprehensive income/(loss)		35,888,949	(20,706,375)
Balances at the end of the year/period	3	123,922,937	251,074,775

The notes on pages 9 to 31 form part of these financial statements.

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**STATEMENT OF CASH FLOWS**

*For the year ended 30th September 2012*

	Year ended 30th September 2012	Period from 15th September 2010 (date of inception) to 30th September 2011
Notes	HK\$	HK\$
<b>Cash flows from operating activities</b>		
Payments for purchase of investments	(14,916,078)	(221,974,807)
Proceeds from sale of investments and derivatives financial instruments	59,706,367	134,914,211
Interest expenses paid	–	(51)
Legal and professional fees paid	(69,144)	(215,263)
Safe custody and bank charges paid	(54,802)	(271,636)
Trustee fee paid	(297,369)	(717,014)
Management fee paid	(489,778)	(1,338,426)
Transaction cost on investment paid	(201,917)	(514,530)
Transaction handling fee paid	(240,785)	(92,606)
Other operating expenses paid	(539,618)	(432,546)
Withholding tax paid	(618,152)	(1,346,738)
Dividend income received	6,658,393	11,889,859
Interest income on bank deposits received	51	250
Other income received	373,210	1,437,872
Margin deposits	(123,903)	(544,118)
	49,186,475	(79,205,543)
<b>Net cash generated from/(used in) operating activities</b>	49,186,475	(79,205,543)
<b>Cash flows from financing activities</b>		
Cash component and cash creation received on issue of units	10	161,317,031
Cash component and cash redemption paid on redemption of units	10	(78,839,335)
	(51,014,149)	(78,839,335)
<b>Net cash (used in)/generated from financing activities</b>	(51,014,149)	82,477,696
<b>(Decrease)/increase in cash and cash equivalents</b>	(1,827,674)	3,272,153
Effects of foreign exchange rates	(53,362)	(438,221)
Cash and cash equivalents at the beginning of the year/period	2,833,932	–
<b>Cash and cash equivalents at the end of the year/period</b>	952,896	2,833,932
<b>Analysis of balances of cash and cash equivalents:</b>		
Cash at banks	8(e)	2,833,932
	952,896	2,833,932

*The notes on pages 9 to 31 form part of these financial statements.*

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1 GENERAL INFORMATION**

SPDR® ETFs (the “Fund”) is an umbrella unit trust authorized under section 104 of the Securities and Futures Ordinance and is established under the terms of a Trust Deed dated 27th July 2010 made between State Street Global Advisors Asia Limited as the manager of the Fund (“Manager”) and HSBC Institutional Trust Services (Asia) Limited as the trustee of the Fund. The Trust Deed was amended by a supplemental deed dated 25th November 2011. With effect from 3rd January 2012, HSBC Institutional Trust Services (Asia) Limited has retired as trustee and State Street Trust (HK) Limited has been appointed as the new trustee (the “Trustee”). As at 30th September 2012, the Fund has established one sub-fund, SPDR® FTSE® Greater China ETF (the “Sub-Fund”) which is authorized by the Securities and Futures Commission of Hong Kong. The Sub-Fund is also listed on The Stock Exchange of Hong Kong Limited. The date of inception of the Sub-Fund was 15th September 2010.

The investment objective of the Sub-Fund is to provide investment results, before fees and expenses, that closely correspond to the performance of the FTSE® Greater China HKD Index (the “Underlying Index”). FTSE International Limited (“FTSE”) is the index provider of the Underlying Index. The Underlying Index comprises stocks listed in Hong Kong, Taiwan, Shanghai (B shares), Shenzhen (B shares) and Singapore, providing coverage for the Greater China Region and does not have any A share constituent stocks.

### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **(a) Basis of preparation**

The financial statements of the Sub-Fund have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) held at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Manager to exercise their judgment in the process of applying the Sub-Fund’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (a) Basis of preparation (Continued)

*New standards and amendments to standards that are relevant to the Sub-Fund but are not yet effective and have not been early adopted by the Sub-Fund*

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Sub-Fund is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1st October 2015. The Sub-Fund will also consider the impact of the remaining phases of IFRS 9.

IFRS 13, 'Fair value measurement', effective for annual periods beginning on or after 1st January 2013. The standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. If an asset or a liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread. On adoption of the standard, the Sub-Fund will change its valuation inputs for listed financial assets and liabilities to last traded prices to be consistent with the inputs prescribed in the Sub-Fund's offering document for the calculation of its per unit trading value for subscriptions and redemptions. The use of last traded prices is recognised as a standard pricing convention within the industry.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Sub-Fund.

#### (b) Investments

All investments are classified as "financial assets at fair value through profit or loss". Purchases and sales of investments are accounted for on the trade date basis. Investments are initially recognised at fair value, excluding transaction costs which are expensed as incurred, and are subsequently re-measured at fair value. Realised and unrealised gains and losses on investments are included in the Statement of Comprehensive Income in the period in which they arise. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Sub-Fund has transferred substantially all risks and rewards of ownership.

Investments that are listed or traded on an exchange are fair value based on quoted bid prices.

## **NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

#### **(c) Derivative financial instruments**

Derivative financial instruments are recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivative financial instruments are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of derivative financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received). Subsequent changes in the fair value of any derivative financial instrument are recognised immediately in the Statement of Comprehensive Income.

#### **(d) Income**

Dividend income on equity securities is recorded on the ex-dividend date. Dividend income on equity securities where no ex-dividend date is quoted is accounted for when the Sub-Fund's right to receive payment is established.

Interest income on bank deposits is recognised on a time-proportionate basis using the effective interest method. Other income is accounted for in the Statement of Comprehensive Income on an accrual basis.

#### **(e) Expenses**

Expenses are accounted for in the Statement of Comprehensive Income on an accrual basis.

#### **(f) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, demand deposits, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

#### **(g) Amounts due from/to brokers**

Amounts due from/to brokers represent receivables for investments sold and payables for investments purchased that have been contracted for but not yet settled by the end of the year.

#### **(h) Translation of foreign currencies**

##### *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Sub-Fund operates (the "functional currency"). The financial statements are presented in Hong Kong dollars, which is the Sub-Fund's functional and presentation currency.

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## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### (h) Translation of foreign currencies *(Continued)*

##### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the year end date.

Foreign exchange gains and losses arising from translation are included in the Statement of Comprehensive Income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the Statement of Comprehensive Income within 'net foreign exchange gains/losses'.

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the Statement of Comprehensive Income within 'net gain/(loss) on investments and derivative financial instruments'.

#### (i) Redeemable units

The Sub-Fund issues units, which are redeemable at the holder's option and are classified as equity. In accordance with the Sub-Fund's Trust Deed, the minimum redemption unit is 500,000 units. Units are issued and redeemed at the holder's option at prices based on the Sub-Fund's net asset value per unit at the time of issue or redemption. The Sub-Fund's net asset value per unit is calculated by dividing the net assets attributable to the unitholders with the total number of outstanding units. The basis adopted by the Sub-Fund in arriving at the net asset value per unit for issue and redemption purpose during the year may not be the same as the accounting policies adopted by the Sub-Fund for the preparation of these financial statements.

#### (j) Segment information

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Manager, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker that makes strategic decisions.

#### (k) Cash component

In relation to any in specie subscription of creation units, the amount of cash required to be paid per creation unit on the issue of those units, which amount shall be equal to the difference between the issue price at the valuation point on the relevant transaction date and the value of the securities exchanged in specie for those units, calculated as at the valuation point on that transaction date.

In relation to any in specie redemption of redemption units, the amount of cash required to be paid per redemption unit on a redemption of units in a redemption unit block, which amount shall be equal to the difference between the redemption value at the valuation point on the relevant transaction date on which such units are redeemed and the value of the securities transferred in specie to the redeeming holder in respect of such units, calculated as at the valuation point on that transaction date.



## NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

### 3 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND NUMBER OF UNITS IN ISSUE

#### Net assets attributable to unitholders

The Sub-Fund's capital is represented by the net assets attributable to unitholders. Units are issued through an in specie creation of a Deposit Basket with the remaining balances in cash and cash creation, and are redeemed in specie of a Redemption Basket with the remaining balances in cash and cash redemption. Issues and redemptions of units during the year are shown on the Statement of Changes in Equity. In accordance with the objectives and risk management policies outlined in note 9, the Sub-Fund endeavours to invest in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of listed securities where necessary.

In accordance with the provisions of the Trust Deed, listed investments are stated at the last traded price on the valuation day for the purpose of determining net asset value per unit for creations and redemptions and for various fee calculations. However, the accounting policy of the Sub-Fund for the purpose of financial statements preparation in compliance with IAS 39 and for reporting purpose is to value its investments at the relevant bid market prices on the year end date. As at 30th September 2012, the difference between the valuation of investments stated in the financial statements as prescribed by IFRS and the valuation methodology indicated in the Trust Deed, resulted in a decrease in value of investments of the Sub-Fund and therefore the net asset value by HK\$246,159 (2011: HK\$562,885).

A reconciliation of the net asset value as reported in the Statement of Financial Position to the net asset value as determined for the purposes of processing unit subscriptions and redemptions is provided below.

	2012 HK\$	2011 HK\$
Net assets/equity as per Statement of Financial Position	123,922,937	251,074,775
Adjustments from bid market prices to last traded market prices	246,159	562,885
Net assets attributable to unitholders (at last traded market prices)	124,169,096	251,637,660

As at 30th September 2012, the Sub-Fund had HK\$123,922,937 (2011: HK\$251,074,775) of puttable financial instruments classified as equity.

The Sub-Fund's objectives and policies for managing its obligations to redeem units are included in note 9(g) on capital risk management and note 9(e) on liquidity risk.

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 3 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND NUMBER OF UNITS IN ISSUE (Continued)

Number of units in issue:

	Year ended 30th September 2012 <i>Number of units</i>	Period from 15th September 2010 (date of inception) to 30th September 2011 <i>Number of units</i>
Units in issue at the beginning of the year/period	12,000,000	–
Issue of units	–	21,000,000
Redemption of units	(7,000,000)	(9,000,000)
Units in issue at end of the year/period	<u>5,000,000</u>	<u>12,000,000</u>
	2012 <i>HK\$</i>	2011 <i>HK\$</i>
Net asset value (as per Statement of Financial Position) per unit	<u>24.78</u>	<u>20.92</u>
Net asset value (at last traded market prices) per unit	<u>24.83</u>	<u>20.97</u>
Net asset value per Creation Unit (1 Creation Unit is equivalent to 500,000 units) (at last traded market prices)	<u>12,416,900</u>	<u>10,484,900</u>

#### 4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Manager makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

##### Capital gains tax on gains on B-shares in the People's Republic of China ("PRC")

The Fund has investments in B-shares. The PRC taxation of gains on B-shares is presently unclear as to:

- Whether the PRC will enforce tax on gains on B-shares; and
- If the PRC were to enforce the tax, it is uncertain from which date the tax would be calculated and payable.



**NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

**4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS** *(Continued)*

The management has exercised their own judgement on whether the Sub-Fund may be liable for taxation on its gains to date and the amount of the potential liability. However, uncertainties exist and the judgement of the management may prove incorrect, as actual events may differ substantially. The management considers that their judgements may be impacted by any future clarification by the PRC State Administration of Taxation (“SAT”) which may be different from what they earlier envisioned. Please refer to note 7 for further details.

**5 OTHER INCOME**

**(a) Anti-dilution fees**

The Sub-Fund is entitled to receive an anti-dilution fee to compensate for any decrease in the net asset value of the Sub-Fund as a result of costs incurred when units are issued or redeemed in cash.

**(b) Reimbursement from the Manager**

During the period from 3rd January 2012 to 30th September 2012, the Manager reimbursed certain expenses of the Sub-Fund (2011: nil).

**6 NET GAIN/(LOSS) ON INVESTMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS**

	Year ended 30th September 2012 <i>HK\$</i>	Period from 15th September 2010 (date of inception) to 30th September 2011 <i>HK\$</i>
Change in unrealised gain/loss in value of investments and derivative financial instruments	47,175,705	(51,475,729)
Realised (loss)/gain on sale of investments and derivative financial instruments	(15,738,827)	22,655,317
	<b>31,436,878</b>	<b>(28,820,412)</b>

**7 TAXATION**

No provision for Hong Kong profits tax has been made as the Sub-Fund was authorized as collective investment scheme under Section 104 of the Hong Kong Securities and Futures Ordinance and is therefore exempted from profits tax under Section 26(1A) of the Hong Kong Inland Revenue Ordinance.

**H-shares**

The Sub-Fund invests in shares of companies in PRC listed on the Hong Kong Stock Exchange (“H-shares”). Under the PRC Corporate Income Tax Law, the Sub-Fund may be liable to pay PRC tax on the capital gains realised in the trading of H-shares. However, no provision was made for taxation from such gains in the financial statements as the Manager believes that the Sub-Fund can sustain a position for not filing a tax return based on the existing tax regulations and that the enforcement of China tax on capital gains is not probable.

Withholding tax was charged on dividend income received from H-shares during the year.

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 7 TAXATION (Continued)

#### B-shares

The Sub-Fund directly invests in B-shares of Chinese companies listed in the PRC and is subject to a 10% withholding tax on dividend income derived from B-shares. Withholding tax was charged on dividend income received from B-shares during the year.

A 10% tax may also be payable on the capital gains derived from the sale of B-shares. The State Administration of Taxation ("SAT") has remained silent on the collection of the withholding tax for capital gains and until further clarification is issued by the SAT, the Manager considers that there is significant uncertainty in respect of whether the Sub-Fund has any liability and the extent of such liability in respect of capital gains derived from the sale of B-shares. The Manager has assessed the likelihood of such exposure and has made provisions for capital gains tax and deferred tax amounting to HK\$646 and HK\$Nil (2011: HK\$3,079 and HK\$Nil) respectively for the year ended 30th September 2012 based on their best estimate of the potential PRC tax liability with respect to the gains on B-shares. The Manager estimates that the aggregate potential tax liability ranges from nil to HK\$43,598 (including both current and deferred tax provisions) as at 30th September 2012 (2011: from nil to HK\$38,725). However, the Manager would like to highlight that there is a possibility that some or all of the tax provided as at 30th September 2012 for B-shares gains may not be payable and may be released. Equally, there is a possibility that additional provision may be required in relation to the position as at 30th September 2012. The Manager continues to monitor the position and will make an appropriate adjustment if and when it is considered that there are sufficient grounds to do so.

The amount of taxation charged to the Statement of Comprehensive Income represents:

	2012 HK\$	2011 HK\$
Withholding tax – dividend income	629,113	1,346,738
Capital gains tax on gross realised gains	646	3,079
Total capital gains tax	<u>629,759</u>	<u>1,349,817</u>

The movement in current tax liabilities during the year/period is as follows:

	2012 HK\$	2011 HK\$
At the beginning of the year/period	3,079	–
Capital gains tax charged to the statement of comprehensive income	646	3,079
Withholding tax charged to the statement of comprehensive income	629,113	1,346,738
Withholding tax paid during the year/period	<u>(618,152)</u>	<u>(1,346,738)</u>
At the end of the year/period	<u>14,686</u>	<u>3,079</u>

**NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

**8 TRANSACTIONS WITH RELATED PARTIES INCLUDING THE MANAGER AND ITS CONNECTED PERSONS**

Connected Persons of the Manager are those as defined in the Code on Unit Trusts and Mutual Funds issued by the Securities and Futures Commission of Hong Kong (the “SFC Code”). Prior to 3rd January 2012, the Manager and the Trustee of the Sub-Fund are State Street Global Advisors Asia Limited and HSBC Institutional Trust Services (Asia) Limited respectively. State Street Global Advisors Asia Limited is an indirect wholly-owned subsidiary of State Street Corporation. HSBC Institutional Trust Services (Asia) Limited is an indirect wholly owned subsidiary of HSBC Holdings plc.

With effect from 3rd January 2012, HSBC Institutional Trust Services (Asia) Limited has retired as trustee of the Fund and State Street Trust (HK) Limited was appointed as the Trustee of the Fund. State Street Trust (HK) Limited is an indirect wholly owned subsidiary of State Street Corporation. All transactions entered into during the year between the Sub-Fund and the related parties including the Manager and its Connected Persons were carried out in the normal course of business and on normal commercial terms.

**(a) Foreign currency transactions with the Trustee**

From 3rd January 2012 to 30th September 2012, State Street Trust (HK) Limited transacted HK\$18,417,038 in foreign currency transactions through its affiliated party, State Street Bank and Trust Company for the Sub-Fund’s investments and settlement purpose. The amount represents all of the Sub-Fund’s foreign currency transactions during the period from 3rd January 2012 to 30th September 2012.

Prior to the change of trustee on 3rd January 2012, HSBC Institutional Trust Services (Asia) Limited transacted HK\$6,651,245 (2011: HK\$250,811,878) in foreign currency transactions through its affiliated party, The Hongkong and Shanghai Banking Corporation Limited for the Sub-Fund’s investments and settlement purpose. The amount represents all of the Sub-Fund’s foreign currency transactions during the period from 1st October 2011 to 2nd January 2012.

Name of company	Aggregate value of foreign currency transactions <i>HK\$</i>	Total commission paid <i>HK\$</i>	% of the Sub-Fund’s total commission paid in the period %	Average commission rate %
Period from 3rd January 2012 to 30th September 2012				
State Street Bank and Trust Company	18,417,038	-	-	-
Period from 1st October 2011 to 2nd January 2012				
The Hongkong and Shanghai Banking Corporation Limited, Taipei, Taiwan	6,651,245	-	-	-

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 8 TRANSACTIONS WITH RELATED PARTIES INCLUDING THE MANAGER AND ITS CONNECTED PERSONS (Continued)

#### (a) Foreign currency transactions with the Trustee (Continued)

Name of company	Aggregate value of foreign currency transactions HK\$	Total commission paid HK\$	% of the Sub-Fund's total commission paid in the period %	Average commission rate %
2011				
The Hongkong and Shanghai Banking Corporation Limited, Hong Kong	20,394,557	–	–	–
The Hongkong and Shanghai Banking Corporation Limited, Taipei, Taiwan	230,417,321	–	–	–

#### (b) Manager's holding in the Sub-Fund

As at 30th September 2012 and 2011, the directors and officers of the Manager did not hold any units in the Sub-Fund.

#### (c) Management fee

The Manager was entitled to receive a management fee of 0.28% per annum of the net asset value of the Sub-Fund prior to the change of trustee on 3rd January 2012. Following the appointment of the new trustee from 3rd January 2012, the management fee has been reduced to 0.20% per annum of the net asset value of the Sub-Fund. The management fee is accrued daily and payable monthly in arrears.

#### (d) Trustee fee

The Trustee is entitled to receive a trustee fee\*, payable out of the assets of the Sub-Fund, to be accrued daily and payable monthly in arrears. Prior to the change of trustee on 3rd January 2012, the trustee fee was calculated as a percentage of the net asset value of the Sub-Fund at the following rates:

For first HK\$800 million	0.15% per annum
For next HK\$800 million	0.12% per annum
Thereafter	0.10% per annum

Following the appointment of the new trustee from 3rd January 2012, the trustee fee has been reduced to 0.11% per annum of the net asset value of the Sub Fund.

\* Prior to 3rd January 2012, the fee was subject to a monthly minimum of HK\$80,000, which has ceased to apply with effect from 3rd January 2012. With effect from 3rd January 2012, the Trustee is also entitled to a fixed monthly service fee of HK\$3,000 for any transaction fee waiver granted to MPF schemes or otherwise.

**NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

**8 TRANSACTIONS WITH RELATED PARTIES INCLUDING THE MANAGER AND ITS CONNECTED PERSONS** *(Continued)*

(e) Banks balances and interest income on bank deposits

	As at 30th September 2012 <i>HK\$</i>	As at 30th September 2011 <i>HK\$</i>
The bank balance of the Sub-Fund held with a related party of the Trustee is:	952,896	2,833,932
The interest income on bank deposits held with a related party of the Trustee is:	51	250

(f) Transaction handling fee

The Trustee is entitled to a fee for each application of creation and redemption of units. The fee is payable by the authorised participant or approved applicant for the account of the Sub-Fund and may be passed on in whole or in part to the investor.

(g) Valuation fee and accounting fee

Prior to 3rd January 2012, the valuation fee is the fee charged by the Trustee for any ad-hoc valuation services requested and the accounting fee is the fee charged by the Trustee for preparing annual reports. With effect from 3rd January 2012, no valuation fee or accounting fee was charged by the Trustee. Total valuation fee and accounting fee for the year, including the outstanding accrued fees at the end of the reporting period, are detailed below:

	2012 <i>HK\$</i>	2011 <i>HK\$</i>
Valuation fee for the year/period	62,000	258,000
Valuation fee accrued at end of the year/period	–	20,000

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 8 TRANSACTIONS WITH RELATED PARTIES INCLUDING THE MANAGER AND ITS CONNECTED PERSONS (Continued)

##### (g) Valuation fee and accounting fee (Continued)

	2012 HK\$	2011 HK\$
Accounting fee for the year/period	<u>24,000</u>	<u>48,000</u>
Accounting fee accrued at end of the year/period	<u>–</u>	<u>24,000</u>

##### (h) Safe custody and bank charges

Safe custody and bank charges totaling HK\$54,802 (2011: HK\$271,636) have been paid by the Sub-Fund to the Trustee in relation to the assets placed with banks and custodian during the year.

##### (i) Other income

During the year ended 30th September 2012, the Manager reimbursed certain expenses of the Sub-Fund amounting to HK\$293,552 (2011: nil).

#### 9 FINANCIAL RISK MANAGEMENT

##### (a) Strategy in using financial instruments

The investment objective of the Sub-Fund is to provide investment returns, before fees and expenses, that closely correspond to the performance of the FTSE® Greater China HKD Index (the "Underlying Index"). FTSE International Limited ("FTSE") is the index provider of the Underlying Index. The Underlying Index comprises stocks listed in Hong Kong, Taiwan, Shanghai (B shares), Shenzhen (B shares) and Singapore, providing coverage for the Greater China Region and does not have any A share constituent stocks.

All the financial assets and liabilities are classified as loans and receivables except for investments and derivative financial instruments, which are classified as financial assets and liabilities at fair value through profit or loss.

The Sub-Fund is exposed to market price risk, credit risk, liquidity risk and currency risk.

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



**NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

**9 FINANCIAL RISK MANAGEMENT** *(Continued)*

(b) Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Sub-Fund's securities are susceptible to market price risk arising from uncertainties about future price of the securities. The Sub-Fund's market price risk is managed through diversification of investment portfolio. As at year end, the overall market exposures were as follows:

	As at 30th September 2012		
	Fair value HK\$	Cost HK\$	% of net assets
Equities	122,154,409	126,463,206	98.44
Derivative financial instruments – future contracts <i>(note 12)</i>	8,773	–	0.01
	<u>122,163,182</u>	<u>126,463,206</u>	<u>98.45</u>
	As at 30th September 2011		
	Fair value HK\$	Cost HK\$	% of net assets
Equities	247,508,180	298,955,114	98.58
Derivative financial instruments – future contracts <i>(note 12)</i>	(28,795)	–	(0.01)
	<u>247,479,385</u>	<u>298,955,114</u>	<u>98.57</u>

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 9 FINANCIAL RISK MANAGEMENT (Continued)

##### (b) Market price risk (Continued)

The following table shows the market exposure the Sub-Fund has to various markets, incorporating the underlying market risk through all financial assets and liabilities held by the Sub-Fund.

	2012 <i>HK\$ equivalent</i>	2011 <i>HK\$ equivalent</i>
Market exposed to		
China	1,645,635	3,361,046
Hong Kong	82,618,886	163,934,117
Singapore	2,729,722	4,889,500
Taiwan	35,160,166	75,323,517
	122,154,409	247,508,180
Derivative financial instruments		
– future contracts (note 12)	8,773	(28,795)
	122,163,182	247,479,385

There were no single investments with market value exceeding 10% of the Sub-Fund's net asset value at 30th September 2012 and 2011.

During the year, the FTSE® Greater China HKD Index increased by 19.09% (2011: decreased by 12.30%) while the net asset value (at last traded market prices) per unit of the Sub-Fund increased by 18.60% (2011: decreased by 12.41%).

The table below summarises the impact on net assets attributable to unitholders as a result of increases/decreases of the key index to which the Sub-Fund is exposed. The analysis is based on the assumption that the index had increased/decreased by the respective percentage with all other variables held constant and such movements in the index would cause substantially the same percentage change in the Sub-Fund's net assets attributable to unitholders.

	30th September 2012		30th September 2011	
	Change in market index %	Impact <i>HK\$</i>	Change in market index %	Impact <i>HK\$</i>
	+/-	+/-	+/-	+/-
FTSE® Greater China HKD Index	5	6,107,720	5	12,375,409

The Manager has used their view of what would be a "reasonable shift" in each key market to estimate the change for use in the market sensitivity analysis above.

Disclosures above are shown in absolute terms, changes and impacts could be positive or negative. Changes in market index % are revised annually depending on management's current view of market volatility and other relevant factors.



**NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

**9 FINANCIAL RISK MANAGEMENT** *(Continued)*

(c) Interest rate risk

The majority of the Sub-Fund's financial assets and liabilities are non-interest bearing. As a result, the Sub-Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

(d) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to pay amounts in full when due.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made when the broker has received payment. Payment is made on a purchase when the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Sub-Fund's financial assets which are potentially subject to concentration of credit risk consist principally of bank deposits and assets held with the custodians.

The table below summarises the assets placed with custodian, futures broker and bank at 30th September 2012 and 2011.

**As at 30th September 2012**

	HK\$	Credit rating	Source of credit rating
<b>Custodian</b>			
State Street Bank and Trust Company	122,154,409	Aa2	Moody's
<b>Futures broker</b>			
J.P. Morgan Securities Limited	676,794	A2	Moody's
<b>Bank</b>			
State Street Bank and Trust Company	952,896	Aa2	Moody's

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 9 FINANCIAL RISK MANAGEMENT (Continued)

##### (d) Credit risk (Continued)

###### As at 30th September 2011

	HK\$	Credit rating	Source of credit rating
Custodian			
HSBC Institutional Trust Services (Asia) Limited	247,508,180	Aa2	Moody's
Futures broker			
J.P. Morgan Securities Limited	515,323	Aa3	Moody's
Bank			
The Hongkong & Shanghai Banking Corporation Limited	2,833,932	Aa2	Moody's

The maximum exposure to credit risk as at 30th September 2012 and 2011 is the carrying amount of the financial assets as shown on the Statement of Financial Position.

None of these assets are impaired nor past due but not impaired.

The Sub-Fund limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings and that the Sub-Fund considers to be well established.

##### (e) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in settling a liability, including a redemption request.

The Sub-Fund is exposed to daily redemptions of units in the Sub-Fund. The Sub-Fund invests the majority of its assets in investments that are traded in an active market which can be readily disposed of.

**NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

**9 FINANCIAL RISK MANAGEMENT** *(Continued)*

(e) Liquidity risk *(Continued)*

The table below analyses the Sub-Fund's financial liabilities into relevant maturity groupings based on the remaining period at the year end date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month <i>HK\$</i>	1 month to less than 3 months <i>HK\$</i>	Over 3 months <i>HK\$</i>
<b>As at 30th September 2012</b>			
Amounts due to brokers	98,714	–	–
Audit fee payable	–	256,325	–
Trustee fee payable	–	40,120	–
Management fee payable	–	72,000	–
	<b>Contractual cash outflow</b>	<b>368,445</b>	<b>–</b>
	<b>98,714</b>	<b>368,445</b>	<b>–</b>
	Less than 1 month <i>HK\$</i>	1 month to less than 3 months <i>HK\$</i>	Over 3 months <i>HK\$</i>
<b>As at 30th September 2011</b>			
Amounts due to brokers	137,274	–	–
Audit fee payable	–	194,780	–
Derivative financial instruments	28,795	–	–
Trustee fee payable	–	40,000	–
Management fee payable	–	62,795	–
Other payables	–	98,986	–
	<b>Contractual cash outflow</b>	<b>396,561</b>	<b>–</b>
	<b>166,069</b>	<b>396,561</b>	<b>–</b>

Units are redeemed on demand at the holder's option. At 30th September 2012, there were 3 unitholders (2011: 4 unitholders) holding more than 10% of the Sub-Fund's units.

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 9 FINANCIAL RISK MANAGEMENT (Continued)

##### (e) Liquidity risk (Continued)

The Sub-Fund manages its liquidity risk by investing in investments that it expects to be able to liquidate within 7 days or less. The following table illustrates the expected liquidity of assets held:

As at 30th September 2012	Less than 7 days	7 days to less	1-12 months
	HK\$	than 1 month HK\$	HK\$
Total assets	124,028,970	158,744	217,068
<hr/>			
As at 30th September 2011	Less than 7 days	7 days to less	1-12 months
	HK\$	than 1 month HK\$	HK\$
Total assets	251,658,714	–	–
<hr/>			

##### (f) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Sub-Fund has assets and liabilities denominated in currencies other than Hong Kong dollar, the functional currency. The Sub-Fund is therefore exposed to currency risk, as the value of the assets and liabilities denominated in other currencies will fluctuate due to change in exchange rates. The Manager may enter into future contracts from time to time to hedge against the fluctuation in exchange rates.

The table below summarises the Sub-Fund's monetary exposure to currency risks other than United States dollar which is pegged with Hong Kong dollar:

	As at 30th September 2012 HK\$ equivalents	As at 30th September 2011 HK\$ equivalents
New Taiwan Dollar		
Non-monetary	35,160,166	75,323,516
Monetary	36,420	219,044

The table below summarises the impact on net assets attributable to unitholders as a result of increases/decreases of key exchange rates on the exposures tabled above, to which the Sub-Fund is exposed. The analysis is based on the assumption that the exchange rates had increased/decreased by the respective percentage with all other variables held constant.

**NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

**9 FINANCIAL RISK MANAGEMENT** *(Continued)*

(f) **Currency risk** *(Continued)*

	As at 30th September 2012		As at 30th September 2011	
	Change	Impact	Change	Impact
	% +/-	HK\$ +/-	% +/-	HK\$ +/-
New Taiwan Dollar				
Non-monetary	7	2,461,212	7	5,272,646
Monetary	7	2,549	7	15,333

(g) **Capital risk management**

The Sub-Fund's capital is represented by the net assets attributable to unitholders. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Sub-Fund is subject to daily subscriptions and redemptions at the discretion of the unitholders. The Sub-Fund's objective when managing capital is to safeguard the Sub-Fund's ability to continue as a going concern in order to provide returns for the unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Sub-Fund.

In order to maintain or adjust the capital structure, the Sub-Fund's policy is to perform the following:

- monitor the level of daily subscriptions and redemptions relative to the liquid assets; and
- redeem and issue units in accordance with the Trust Deed.

The Manager monitors capital on the basis of the value of net assets attributable to unitholders.

(h) **Fair value estimation**

The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the year end date. The quoted market price used for financial assets held by the Sub-Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Sub-Fund for similar financial instruments.

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 9 FINANCIAL RISK MANAGEMENT (Continued)

##### (h) Fair value estimation (Continued)

IFRS 7 requires the Sub-Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes ‘observable’ requires significant judgement by the Sub-Fund. The Sub-Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Sub-Fund’s investments (by class) measured at fair value at 30th September 2012 and 2011:

<b>As at 30th September 2012</b>	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
<b>Financial assets held for trading:</b>				
– Equity securities	122,154,409	–	–	122,154,409
– Derivatives financial instruments				
– future contracts	8,773	–	–	8,773
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>122,163,182</u>	<u>                    </u>	<u>                    </u>	<u>122,163,182</u>

**NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

**9 FINANCIAL RISK MANAGEMENT** *(Continued)*

(h) Fair value estimation *(Continued)*

<b>At 30th September 2011</b>	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
<b>Financial assets held for trading:</b>				
– Equity securities	247,508,180	–	–	247,508,180
– Derivative financial instruments – future contracts	18,230	–	–	18,230
	<u>247,526,410</u>	<u>–</u>	<u>–</u>	<u>247,526,410</u>
Total assets	<u>247,526,410</u>	<u>–</u>	<u>–</u>	<u>247,526,410</u>
<b>Financial liabilities held for trading:</b>				
– Derivatives financial instruments – future contracts	47,025	–	–	47,025
	<u>47,025</u>	<u>–</u>	<u>–</u>	<u>47,025</u>
Total liabilities	<u>47,025</u>	<u>–</u>	<u>–</u>	<u>47,025</u>

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities and future contracts. The Sub-Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. As of 30th September 2012 and 2011, the Sub-Fund did not hold any investments classified in level 2.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As of 30th September 2012 and 2011, the Sub-Fund did not hold any investments classified in level 3.



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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 10 MAJOR NON-CASH TRANSACTIONS

In accordance with the Trust Deed, units can be created either (a) in specie for “Deposit Basket” and a “Cash Issue Component” (where the “Deposit Basket” means a portfolio of securities to be deposited with the Sub-Fund) or (b) for a cash amount. During the year the Sub-Fund issued Nil units (2011: 21,000,000 units) in exchange for Deposit Baskets consisting of investments valued at a total of HK\$Nil (2011: HK\$355,408,969) plus relevant cash component and cash creation of HK\$Nil (2011: HK\$161,317,031).

In accordance with the Trust Deed, units can be redeemed either (a) in specie for “Redemption Basket” and a “Cash Redemption Component” (where the “Redemption Basket” means a portfolio of securities to be redeemed from the Sub-Fund) or (b) for a cash amount. During the year the Sub-Fund redeemed 7,000,000 units (2011: 9,000,000 units) in exchange for Deposit Baskets consisting of investments valued at a total of HK\$112,026,638 (2011: HK\$166,105,515) plus relevant cash component and cash redemption of HK\$51,014,149 (2011: HK\$78,839,335).

### 11 SOFT DOLLAR PRACTICES

The Manager and any Connected Persons of the Manager may effect transactions for the account of the Sub-Fund through the agency of another person with whom the Manager and any of its Connected Persons have an arrangement under which such other person agrees to pay in whole or in part for the provision of goods to and/or the supply of services to the Manager or Connected Persons of the Manager in consideration of the Manager or a Connected Person of the Manager procuring that such other person (or person connected thereto) executes transactions to be entered into for the account of the Sub-Fund.

The Manager shall procure that no such contractual arrangements are entered into unless the goods and services to be provided pursuant thereto are of demonstrable benefit to unitholders whether by assisting the Manager in its ability to manage the Sub-Fund, or by contributing to an improvement in the Sub-Fund’s performance or otherwise. Research and advisory services, economic and political analysis, portfolio analysis (including valuation and performance measurement), market analysis, data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment related publications may be considered as beneficial to unitholders.

Since the inception of the Sub-Fund, the Manager and its Connected Persons had participated in soft dollar arrangements in respect of the transactions for the account of the Sub-Fund.

### 12 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments represent outstanding future contracts as at year end. As at 30th September 2012 and 2011, outstanding future contracts were as follows:

#### As at 30th September 2012

Future Contracts	Contract Size	Settlement Date	Fair Value HK\$
Hang Seng Index Future	1	30th October 2012	5,373
Hang Seng China Enterprise Index Future	1	30th October 2012	3,400
			<u>8,773</u>



**NOTES TO THE FINANCIAL STATEMENTS** *(Continued)*

**12 DERIVATIVE FINANCIAL INSTRUMENTS** *(Continued)*

**As at 30th September 2011**

Future Contracts	Contract Size	Settlement Date	Fair Value <i>HK\$</i>
MSCI Taiwan Index	5	28th October 2011	18,230
Hang Seng Index Future	3	28th October 2011	<u>(47,025)</u>
			<u><u>(28,795)</u></u>

**13 SEGMENT INFORMATION**

The Manager makes the strategic resource allocations on behalf of the Sub-Fund. The Sub-Fund has determined the operating segments based on the reports reviewed by the Manager, which are used to make strategic decisions.

The Manager is responsible for the Sub-Fund's entire portfolio and considers the business to have a single operating segment. The Manager's asset allocation decisions are based on a single, integrated investment strategy and the Sub-Fund's performance is evaluated on an overall basis.

The investment objective of the Sub-Fund is to provide investment returns, before fees and expenses, that closely correspond to the performance of the FTSE® Greater China HKD Index.

The internal reporting provided to the Manager for the Sub-Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS.

There were no changes in the reportable segment during the year.

All activities of the Sub-Fund are in a single business of investment activities conducted mainly in Hong Kong. The Sub-Fund's income is from investments in equity securities issued by organisations mainly in the China, Hong Kong and Taiwan.

The Sub-Fund has no assets classified as non-current assets. The Sub-Fund has a diversified portfolio of investments, no single investment accounts for more than 10% of the Sub-Fund's income and no single investment holding accounts for more than 10% of the Sub-Fund's net assets.

As at 30th September 2012, there were 3 unitholders (2011: 4 unitholders) each holding more than 10% of the Sub-Fund's units.

**14 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Trustee and the Manager on 30th January 2013.

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## INVESTMENT PORTFOLIO

As at 30th September 2012 (Unaudited)

	Holding at 30th September 2012	Fair value at 30th September 2012 HK\$	Percentage of total net assets at 30th September 2012 (%)
<b>CHINA (1.33%)</b>			
Denominated in HKD			
ANHUI GUJING DISTILLERY CO – B	1,200	27,360	0.02
BENGANG STEEL PLATES CO – B	5,900	13,629	0.01
BOE TECHNOLOGY GROUP CO LTD – B	25,520	30,879	0.02
CHINA INTERNATIONAL MARINE CONTAINER GROUP CO LTD – B	21,300	205,758	0.18
CHINA MERCHANTS PROPERTY DEVELOPMENT CO LTD – B	2,500	37,275	0.03
CHINA VANKE CO LTD – B	13,900	134,691	0.11
CHONGQING CHANGAN AUTOMOBILE CO LTD – B	19,580	55,999	0.05
CSG HOLDING CO LTD – B	7,600	37,468	0.03
DAZHONG TRANSPORTATION GROUP – B	10,200	37,562	0.03
DOUBLE COIN HOLDINGS LTD – B	3,600	14,485	0.01
FOSHAN ELECTRICAL & LIGHTING CO LTD – B	3,100	14,353	0.01
GUANGDONG ELECTRIC POWER DEVELOPMENT CO LTD – B	12,700	46,482	0.04
GUANGDONG PROVINCIAL EXPRESSWAY DEVELOPMENT CO LTD – B	6,600	15,180	0.01
HAINAN AIRLINES CO LTD – B	1,800	7,564	0.01
HUADIAN ENERGY CO LTD – B	8,200	14,304	0.01
INNER MONGOLIA EERDUOSI RESOURCES CO LTD – B	8,000	56,254	0.05
INNER MONGOLIA YITAI COAL CO LTD – B	7,900	328,958	0.28
JIANGLING MOTORS CORP LTD – B	2,000	29,120	0.02
JINZHOU PORT CO LTD – B	4,200	11,234	0.01
SHANGHAI JINJIANG INTERNATIONAL HOTEL DEVELOPMENT CO LTD – B	3,000	30,189	0.02
SHANDONG CHENMING PAPER HOLDINGS LTD – B	10,600	28,832	0.02
SHANGHAI CHLOR-ALKALI CHEMICAL CO LTD – B	7,800	26,608	0.02
SHANGHAI FRIENDSHIP GROUP INC CO – B	3,400	29,813	0.02
SHANGHAI HAIXIN GROUP CO LTD – B	8,900	26,979	0.02
SHANGHAI JINJIANG INTERNATIONAL INDUSTRIAL INVESTMENT CO LTD – B	2,300	12,268	0.01
SHANGHAI JINQIAO EXPORT PROCESSING ZONE DEVELOPMENT CO LTD – B	7,400	38,037	0.03
SHANGHAI LUJIAZUI FINANCE & TRADE ZONE DEVELOPMENT CO LTD – B	5,000	38,493	0.03
SHANGHAI MECHANICAL & ELECTRICAL INDUSTRY CO LTD – B	4,100	32,867	0.03
SHANGHAI WAIGAOQIAO FREE TRADE ZONE DEVELOPMENT CO LTD – B	2,900	15,356	0.01

**INVESTMENT PORTFOLIO** *(Continued)*  
*As at 30th September 2012 (Unaudited)*

	Holding at 30th September 2012	Fair value at 30th September 2012 HK\$	Percentage of total net assets at 30th September 2012 (%)
<b>CHINA (1.33%)</b> <i>(Continued)</i>			
SHANGHAI ZHENHUA HEAVY INDUSTRY CO LTD – B	23,200	55,219	0.04
SHENZHEN CHIWAN WHARF HOLDINGS LTD – B	3,400	30,532	0.02
WEIFU HIGH-TECHNOLOGY CO LTD – B	2,200	38,192	0.03
YANTAI CHANGYU PIONEER WINE CO LTD – B	2,420	92,129	0.07
ZHEJIANG SOUTHEAST ELECTRIC POWER CO LTD – B	7,800	31,566	0.03
		<u>1,645,635</u>	<u>1.33</u>
		-----	-----
<b>HONG KONG (66.58%)</b>			
Denominated in HKD			
AAC TECHNOLOGIES HOLDINGS INC CO	9,180	255,663	0.21
AGILE PROPERTY HOLDINGS LTD	11,986	104,518	0.08
AGRICULTURAL BANK OF CHINA – H	239,130	722,173	0.58
AIA GROUP LTD	123,082	3,538,608	2.85
AIR CHINA LTD – H	23,021	111,882	0.09
ALUMINUM CORP OF CHINA LTD – H	38,872	124,390	0.10
ANGANG STEEL CO LTD – H	7,970	31,800	0.03
ANHUI CONCH CEMENT CO LTD – H	13,749	332,038	0.27
ANHUI EXPRESSWAY CO LTD – H	6,369	21,018	0.02
ANTA SPORTS PRODUCTS LTD	9,822	58,441	0.05
ASM PACIFIC TECHNOLOGY	1,949	178,723	0.14
BANK OF CHINA LTD – H	856,416	2,526,427	2.04
BANK OF COMMUNICATIONS CO – H	104,498	548,615	0.44
BANK OF EAST ASIA	21,958	637,880	0.51
BBMG CORPORATION – H	9,975	58,952	0.05
BEIJING CAPITAL INTERNATIONAL AIRPORT CO LTD – H	16,328	85,069	0.07
BEIJING ENTERPRISES HOLDINGS LTD	5,353	275,947	0.22
BEIJING NORTH STAR CO LTD – H	9,112	12,392	0.01
BELLE INTERNATIONAL HOLDINGS LTD	61,654	863,156	0.70
BOC HONG KONG (HOLDINGS) LTD	42,543	1,046,558	0.84
BOSIDENG INTERNATIONAL HOLDINGS LTD	22,348	48,495	0.04
BRIGHTOILPETROLEUM HOLDINGS LTD	14,477	20,847	0.02
BRILLIANCE CHINA AUTOMOTIVE	25,932	220,681	0.18
BYD CO LTD – H	5,995	80,933	0.07
CAFE DE CORAL HOLDINGS LTD	3,276	71,253	0.06

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### INVESTMENT PORTFOLIO (Continued)

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	Holding at 30th September 2012	Fair value at 30th September 2012 HK\$	Percentage of total net assets at 30th September 2012 (%)
<b>HONG KONG (66.58%) (Continued)</b>			
CATHAY PACIFIC AIRWAYS LTD	15,283	192,566	0.16
CHAMPION REIT	25,813	91,120	0.07
CHEUNG KONG HOLDINGS LTD	17,382	1,974,594	1.60
CHEUNG KONG INFRASTRUCTURE HOLDINGS LTD	4,389	205,844	0.17
CHINA AGRI INDUSTRIES HOLDINGS LTD	12,662	55,586	0.04
CHINA BLUECHEMICAL LTD – H	17,775	81,232	0.07
CHINA CITIC BANK CORP LTD – H	109,966	402,476	0.32
CHINA COAL ENERGY CO – H	39,943	282,397	0.23
CHINA COMMUNICATIONS CONSTRUCTION CO LTD – H	44,590	279,133	0.22
CHINA COMMUNICATIONS SERVICES CORP LTD – H	18,778	83,750	0.07
CHINA CONSTRUCTION BANK – H	736,864	3,956,960	3.19
CHINA COSCO HOLDINGS – H	23,785	75,636	0.06
CHINA DONGXIANG GROUP CO	36,525	29,951	0.02
CHINA EASTERN AIRLINES CO – H	16,516	38,978	0.03
CHINA EVERBRIGHT LTD	7,870	76,260	0.06
CHINA FOODS LTD	10,396	83,480	0.07
CHINA HIGH SPEED TRANSMISSION EQUIPMENT GROUP CO LTD	11,762	26,700	0.02
CHINA HUIYUAN JUICE GROUP	7,591	17,611	0.01
CHINA LIFE INSURANCE CO – H	76,944	1,715,850	1.39
CHINA LONGYUAN POWER GROUP – H	15,253	77,638	0.06
CHINA MENGNIU DAIRY CO	13,569	314,801	0.25
CHINA MERCHANTS BANK – H	38,924	506,790	0.41
CHINA MERCHANTS HOLDINGS INTERNATIONAL CO LTD	13,055	312,667	0.25
CHINA MINSHENG BANKING – H	57,021	347,828	0.28
CHINA MOBILE LTD	61,458	5,279,242	4.25
CHINA MOLYBDENUM CO LTD – H	12,582	42,024	0.03
CHINA NATIONAL BUILDING MATERIAL CO LTD – H	26,759	229,057	0.18
CHINA NATIONAL MATERIALS CO – H	14,439	31,333	0.03
CHINA OILFIELD SERVICES – H	13,810	194,445	0.16
CHINA OVERSEAS LAND & INVEST – H	40,648	800,766	0.65

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	Holding at 30th September 2012	Fair value at 30th September 2012 HK\$	Percentage of total net assets at 30th September 2012 (%)
<b>HONG KONG (66.58%)</b> <i>(Continued)</i>			
CHINA PACIFIC INSURANCE GROUP – H	22,774	532,912	0.43
CHINA PETROLEUM & CHEMICAL CORP – H	172,423	1,248,342	1.02
CHINA RAILWAY CONSTRUCTION – H	19,760	138,122	0.11
CHINA RAILWAY GROUP LTD – H	42,244	143,207	0.12
CHINA RESOURCES CEMENT HOLDING LTD	19,595	88,569	0.07
CHINA RESOURCES ENTERPRISE	11,396	294,587	0.24
CHINA RESOURCES GAS GROUP LTD	6,498	102,928	0.08
CHINA RESOURCES LAND LTD	23,284	395,828	0.32
CHINA RESOURCES POWER HOLDINGS CO LTD	17,096	288,922	0.23
CHINA RONGSHENG HEAVY INDUSTRIES GROUP HOLDINGS LTD	34,185	34,869	0.03
CHINA SHENHUA ENERGY CO – H	34,844	1,045,320	0.84
CHINA SHIPPING CONTAINER – H	33,366	52,385	0.04
CHINA SHIPPING DEVELOPMENT – H	12,714	40,939	0.03
CHINA SOUTHERN AIRLINES CO – H	20,742	70,523	0.06
CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LTD	12,445	113,623	0.09
CHINA TAIPING INSURANCE HOLDINGS CO LTD	8,755	106,286	0.09
CHINA TELECOM CORP LTD – H	160,768	718,633	0.58
CHINA TRAVEL INTERNATIONAL INV HK	36,701	51,014	0.04
CHINA UNICOM HONG KONG LTD	69,640	878,857	0.71
CHINA YURUN FOOD GROUP LTD	13,879	77,028	0.06
CHINA ZHONGWANG HOLDINGS LTD	20,926	61,313	0.05
CHONGQING RURAL COMMERCIAL BANK CO LTD – H	28,116	85,473	0.07
CHOW TAI FOOK JEWELLERY GROUP	11,132	122,452	0.10
CITIC PACIFIC LTD	10,092	93,654	0.08
CITIC RESOURCES HOLDINGS LTD	30,415	31,327	0.03
CITIC SECURITIES CO LTD – H	5,151	70,466	0.06
CLP HOLDINGS LTD	18,940	1,244,357	1.01
CNOOC LTD	182,468	2,897,592	2.34
COSCO PACIFIC LTD	11,474	124,837	0.10
COUNTRY GARDEN HOLDINGS CO	30,119	91,261	0.07
CSR CORP LTD – H	19,082	97,700	0.08
DAH SING BANKING GROUP LTD	4,703	33,862	0.03
DAH SING FINANCIAL HOLDINGS	1,892	50,611	0.04
DATANG INTERNATIONAL POWER GEN CO LTD – H	28,759	75,061	0.06

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	Holding at 30th September 2012	Fair value at 30th September 2012 HK\$	Percentage of total net assets at 30th September 2012 (%)
<b>HONG KONG (66.58%) (Continued)</b>			
DONGFANG ELECTRIC CORP LTD – H	3,401	35,915	0.03
DONGFENG MOTOR GROUP CO LTD – H	25,307	228,775	0.18
ENN ENERGY HOLDINGS LTD	7,921	257,433	0.21
ESPRIT HOLDINGS LTD	12,184	144,990	0.12
EVERGRANDE REAL ESTATE GROUP	61,382	188,443	0.15
FAR EAST HORIZON LTD	8,875	41,979	0.03
FIRST PACIFIC CO	28,628	240,761	0.19
FOSUN INTERNATIONAL	19,896	74,013	0.06
FOXCONN INTERNATIONAL HOLDINGS	20,485	51,827	0.04
FRANSHION PROPERTIES	35,262	83,571	0.07
GALAXY ENTERTAINMENT GROUP LTD	11,528	299,152	0.24
GCL POLY ENERGY HOLDINGS LTD	73,765	87,043	0.07
GEELY AUTOMOBILE HOLDINGS LTD	35,081	103,138	0.08
GOLDEN EAGLE RETAIL GROUP	5,482	82,888	0.07
GOME ELECTRICAL APPLIANCES	127,284	104,373	0.08
GREAT EAGLE HOLDINGS LTD	2,943	69,455	0.06
GREAT WALL MOTOR COMPANY – H	10,016	204,326	0.16
GREENTOWN CHINA HOLDINGS	7,233	60,468	0.05
GUANGDONG INVESTMENT LTD	18,360	111,996	0.09
GUANGSHEN RAILWAY CO LTD – H	18,472	45,811	0.04
GUANGZHOU AUTOMOBILE GROUP – H	20,682	104,858	0.08
GUANGZHOU PHARMACEUTICAL – H	2,816	41,170	0.03
GUANGZHOU R&F PROPERTIES – H	8,885	79,254	0.06
GUANGZHOU SHIPYARD INTERNATIONAL CO LTD – H	2,607	13,895	0.01
HAITONG SECURITIES CO LTD – H	9,013	86,885	0.07
HANG LUNG GROUP LTD	9,929	486,521	0.39
HANG LUNG PROPERTIES LTD	22,414	593,971	0.48
HANG SENG BANK LTD	7,655	910,180	0.73
HARBIN ELECTRIC CO LTD – H	5,117	30,395	0.02
HENDERSON LAND DEVELOPMENT	12,674	704,674	0.57
HENGAN INTL GROUP CO LTD	8,811	645,846	0.52
HIDILI INDUSTRY INTERNATIONAL DEVELOPMENT LTD	13,295	24,596	0.02
HONG KONG & CHINA GAS	63,686	1,244,424	1.01
HONG KONG EXCHANGES AND CLEARING LTD	10,550	1,234,350	0.99
HOPEWELL HIGHWAY INFRASTRUCTURE LTD	11,466	46,208	0.04
HOPEWELL HOLDINGS LTD	6,499	174,173	0.14



**INVESTMENT PORTFOLIO** *(Continued)*  
*As at 30th September 2012 (Unaudited)*

	Holding at 30th September 2012	Fair value at 30th September 2012 HK\$	Percentage of total net assets at 30th September 2012 (%)
<b>HONG KONG (66.58%)</b> <i>(Continued)</i>			
HOPSON DEVELOPMENT HOLDINGS	6,122	35,079	0.03
HUABAO INTERNATIONAL HOLDING	23,099	101,636	0.08
HUADIAN POWER INTERNATIONAL CORP – H	18,447	39,108	0.03
HUANENG POWER INTERNATIONAL INC – H	36,934	217,172	0.18
HUTCHISON HARBOUR RING LTD	46,147	29,534	0.02
HUTCHISON TELECOMMUNICATIONS			
HONG KONG HOLDINGS LTD	18,629	63,711	0.05
HUTCHISON WHAMPOA LTD	32,235	2,417,625	1.95
HYSAN DEVELOPMENT CO	7,141	251,363	0.20
INDUSTRIAL AND COMMERCIAL			
BANK OF CHINA – H	666,510	3,045,951	2.45
INNER MONGOLIA YITAI COAL – H	1,275	55,144	0.04
JIANGSU EXPRESS CO LTD – H	11,748	75,892	0.06
JIANGXI COPPER CO LTD – H	13,902	272,479	0.22
JOHNSON ELECTRIC HOLDINGS	16,021	80,906	0.07
KERRY PROPERTIES LTD	6,705	261,495	0.21
KINGBOARD CHEMICAL HOLDINGS	6,061	112,492	0.09
KINGBOARD LAMINATES HOLDINGS	8,874	28,397	0.02
KOWLOON DEVELOPMENT CO LTD	4,442	39,578	0.03
KUNLUN ENERGY CO LTD	34,719	470,790	0.38
KWG PROPERTY HOLDING LTD	14,934	63,918	0.05
LOCCITANE INTERNATIONAL SA	4,423	90,008	0.07
LEE & MANPAPER MANUFACTURIN	19,593	66,616	0.05
LENOVO GROUP LTD	76,641	492,035	0.40
LI & FUNGLTD	64,795	777,540	0.63
LI NING CO LTD	7,124	29,351	0.02
LIANHUA SUPERMARKET HOLDINGS – H	5,753	35,266	0.03
LIFESTYLE INTERNATIONAL HOLDINGS LTD	6,627	105,634	0.09
LINK REIT	23,475	861,533	0.69
LONGFOR PROPERTIES	10,587	126,832	0.10
MAANSHAN IRON & STEEL – H	22,357	40,466	0.03
MELCO INTERNATIONAL DEVELOPMENT LTD	7,840	54,174	0.04
METALLURGICAL CORP OF CHINA LTD – H	28,030	43,447	0.04
MGM CHINA HOLDINGS LTD	7,099	94,843	0.08
MONGOLIA ENERGY CORP LTD	18,664	5,972	0.00
MONGOLIAN MINING CORP	10,392	36,788	0.03
MTR CORP	18,005	526,646	0.42

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	Holding at 30th September 2012	Fair value at 30th September 2012 HK\$	Percentage of total net assets at 30th September 2012 (%)
<b>HONG KONG (66.58%) (Continued)</b>			
NEW CHINALIFE INSURANCE CO – H	4,155	102,836	0.08
NEW WORLD CHINA LAND LTD	32,242	96,404	0.08
NEW WORLD DEVELOPMENT	46,671	560,052	0.45
NINE DRAGONS PAPER HOLDINGS	12,360	48,080	0.04
NWS HOLDINGS LTD	10,206	126,554	0.10
ORIENT OVERSEAS INTERNATIONAL LTD	2,233	95,572	0.08
PARKSON RETAIL GROUP LTD	13,601	87,998	0.07
PCCW LTD	51,273	162,535	0.13
PETROCHINA CO LTD – H	216,121	2,191,466	1.78
PICC PROPERTY + CASUALTY – H	36,598	347,681	0.28
PING AN INSURANCE GROUP CO – H	23,174	1,357,995	1.10
POLY PROPERTY GROUP CO LTD	18,045	75,067	0.06
POWER ASSETS HOLDINGS LTD	16,618	1,092,634	0.88
PRADA S.P.A.	4,937	284,865	0.23
RENHE COMMERCIAL HOLDINGS	69,615	21,581	0.02
SANDS CHINA LTD	25,115	725,824	0.58
SANY HEAVY EQUIPMENT INTERNATIONAL HOLDINGS CO LTD	8,265	34,878	0.03
SEMICONDUCTOR MANUFACTURING	171,059	47,897	0.04
SHANDONG CHENMING PAPER – H	3,716	9,736	0.01
SHANDONG WEIGAO GROUP MEDICAL – H	18,142	181,783	0.15
SHANGHAI ELECTRIC GROUP CO LTD – H	22,334	61,195	0.05
SHANGHAI INDUSTRIAL HOLDINGS LTD	4,888	112,424	0.09
SHANGHAI PHARMACEUTICALS – H	5,026	71,771	0.06
SHANGRI LA ASIA LTD	15,944	239,160	0.19
SHENZHEN EXPRESSWAY CO – H	9,626	26,857	0.02
SHENZHEN INTERNATIONAL HOLDINGS	80,015	41,608	0.03
SHENZHEN INVESTMENT LTD	33,207	59,441	0.05
SHIMAO PROPERTY HOLDINGS LTD	14,134	188,265	0.15
SHOUGANG FUSHAN RESOURCES GR	26,668	55,469	0.04
SHUI ON LAND LTD	22,509	65,726	0.05
SHUN TAK HOLDINGS LTD	21,862	65,149	0.05
SICHUAN EXPRESSWAY CO – H	11,555	24,959	0.02
SINO LAND CO	29,416	424,767	0.34
SINO OCEAN LAND HOLDINGS	40,861	177,337	0.14
SINOFERT HOLDINGS LTD	27,130	40,966	0.03
SINOPEC SHANGHAI PETROCHEMICAL – H	22,030	44,280	0.04



**INVESTMENT PORTFOLIO** *(Continued)*  
*As at 30th September 2012 (Unaudited)*

	Holding at 30th September 2012	Fair value at 30th September 2012 HK\$	Percentage of total net assets at 30th September 2012 (%)
<b>HONG KONG (66.58%)</b> <i>(Continued)</i>			
SINOPEC YIZHENG CHEMICAL – H	18,032	27,048	0.02
SINOPHARM GROUP CO – H	7,151	176,987	0.14
SINOTRANS LTD – H	21,897	21,897	0.02
SINOTRUK HONG KONG LTD	8,733	39,299	0.03
SJM HOLDINGS LTD	21,620	364,513	0.29
SOHO CHINA LTD	21,252	101,372	0.08
SUN ART RETAIL GROUP LTD	27,950	269,718	0.22
SUN HUNG KAI PROPERTIES	20,306	2,304,731	1.86
SWIRE PACIFIC LTD A	8,687	825,265	0.67
SWIRE PROPERTIES LTD	8,661	207,431	0.17
TECHTRONIC INDUSTRIES CO	11,248	158,597	0.13
TELEVISION BROADCASTS LTD	3,235	182,454	0.15
TENCENT HOLDINGS LTD	9,393	2,487,266	2.00
TEXWINCA HOLDINGS LTD	8,090	40,369	0.03
TIANJIN CAPITAL ENVIRON – H	4,401	7,262	0.01
TINGYI (CAYMAN ISLN) HLDG CO	22,820	532,847	0.43
TRAVELSKY TECHNOLOGY LTD – H	11,789	48,335	0.04
TSINGTAO BREWERY CO LTD – H	4,346	185,792	0.15
UNITED CORUSAL PLC	11,118	49,809	0.04
VTECH HOLDINGS LTD	1,891	179,267	0.14
WANT WANT CHINA HOLDINGS LTD	65,156	645,044	0.52
WEICHAI POWER CO LTD – H	4,997	118,679	0.10
WEIQIAO TEXTILE CO LTD – H	7,691	21,612	0.02
WHARF HOLDINGS LTD	15,304	819,529	0.66
WHEELOK & CO LTD	7,470	248,751	0.20
WING HANG BANK LTD	2,305	167,113	0.13
WUMART STORES INC – H	4,473	51,797	0.04
WYNN MACAU LTD	15,952	332,599	0.27
XINJIANG GOLDWIND SCI+TEC – H	131	347	0.00
XINYI GLASS HOLDINGS LTD	25,012	89,793	0.07
YANZHOU COAL MINING CO – H	19,260	227,268	0.18
YUE YUEN INDUSTRIAL HLDG	7,463	194,038	0.16
YUEXIU PROPERTY CO LTD	63,524	125,142	0.10
ZHAOJIN MINING INDUSTRY – H	8,287	116,018	0.09
ZHEJIANG EXPRESSWAY CO – H	16,378	88,441	0.07
ZHONGSHENG GROUP HOLDINGS	5,601	54,218	0.04
ZHUZHOU CSR TIMES ELECTRIC CO LTD – H	5,160	102,787	0.08

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	Holding at 30th September 2012	Fair value at 30th September 2012 HK\$	Percentage of total net assets at 30th September 2012 (%)
<b>HONG KONG (66.58%) (Continued)</b>			
ZIJIN MINING GROUP CO LTD – H	56,489	176,811	0.14
ZOOMLION HEAVY INDUSTRY – H	14,538	127,934	0.10
ZTE CORP – H	6,184	76,682	0.06
		<hr/>	<hr/>
		82,618,886	66.58
		-----	-----
<b>SINGAPORE (2.20%)</b>			
Denominated in HKD			
HONGKONG LAND HOLDINGS LTD	18,000	837,302	0.67
JARDINE MATHESON HOLDINGS LTD	2,800	1,235,176	1.00
JARDINE STRATEGIC HOLDINGS LTD	2,500	657,244	0.53
		<hr/>	<hr/>
		2,729,722	2.20
		-----	-----
<b>TAIWAN (28.33%)</b>			
Denominated in HKD			
ACER INCORPORATED	30,000	228,335	0.18
ADVANCED SEMICONDUCTOR ENGINEERING INC	75,644	451,580	0.36
ADVANTECH CO LTD	4,200	118,417	0.10
ASIA CEMENT CORP	26,038	255,393	0.21
ASUSTEK COMPUTER INC	7,740	650,576	0.52
AU OPTRONICS CORP	94,000	262,539	0.21
CAPITAL SECURITIES CORP	23,960	70,725	0.06
CATCHER TECHNOLOGY CO LTD	8,000	291,210	0.23
CATHAY FINANCIAL HOLDING CO	81,502	679,661	0.55
CATHAY REAL ESTATE DEVELOPMENT CO LTD	18,000	67,190	0.05
CHANG HWA COMMERCIAL BANK	44,940	188,571	0.15
CHENG SHIN RUBBER IND CO LTD	22,464	457,327	0.37
CHENG UEI PRECISION INDUSTRY CO	4,180	77,572	0.06
CHICONY ELECTRONICS CO LTD	7,039	128,394	0.10
CHIMEI INNOLUX CORP	76,725	215,306	0.17
CHINA AIRLINES LTD	22,025	71,427	0.06

**INVESTMENT PORTFOLIO** *(Continued)*  
*As at 30th September 2012 (Unaudited)*

	Holding at 30th September 2012	Fair value at 30th September 2012 HK\$	Percentage of total net assets at 30th September 2012 (%)
<b>TAIWAN (28.33%)</b> <i>(Continued)</i>			
CHINA DEVELOPMENT FINANCIAL HOLDING CO INC	163,294	313,416	0.25
CHINA MOTOR CO LTD	7,000	52,352	0.04
CHINA STEEL CORP	118,585	838,213	0.68
CHINATRUST FINANCIAL HOLDING CO LTD	122,593	572,828	0.47
CHUNGHWA TELECOM CO LTD	37,200	923,760	0.74
COMPAL COMMUNICATIONS INC	6,000	50,750	0.04
COMPAL ELECTRONICS INC	48,000	334,203	0.27
CORETRONIC CORP	11,000	81,393	0.07
DELTA ELECTRONICS INC	24,000	717,965	0.58
E.SUN FINANCIAL HOLDING CO	38,134	167,080	0.13
EPISTAR CORP	9,000	149,152	0.12
ETERNAL CHEMICAL CO LTD	7,150	47,322	0.04
EVA AIRWAYS CORP	16,500	75,132	0.06
EVERGREEN MARINE CORP	17,599	71,983	0.06
FAR EASTERN INTERNATIONAL BANK	18,622	56,941	0.05
FAR EASTERN NEW CENTURY CORP	41,169	360,209	0.29
FAR EASTONE TELECOMMUNICATION CO LTD	17,000	324,487	0.26
FENG HSIN IRON & STEEL CO LTD	6,000	80,215	0.06
FIRST FINANCIAL HOLDING CO	65,140	312,133	0.25
FORMOSA CHEMICALS & FIBRE CORP	42,000	875,059	0.71
FORMOSA PETROCHEMICAL CORP	19,000	442,639	0.36
FORMOSA PLASTICS CORP	60,000	1,326,328	1.07
FORMOSA TAFFETA CO.	12,000	88,951	0.07
FOXCONN TECHNOLOGY CO LTD	13,125	394,374	0.32
FUBON FINANCIAL HOLDING CO	69,477	585,820	0.47
GIANT MANUFACTURING CO LTD	3,000	123,499	0.10
HON HAI PRECISION INDUSTRY	120,270	2,926,080	2.36
HOTAI MOTOR COMPANY LTD	4,000	221,319	0.18
HTC CORP	8,100	608,999	0.49
HUA NAN FINANCIAL HOLDINGS CO LTD	69,842	303,231	0.24
INOTERA MEMORIES INC	34,000	45,455	0.04
INVENTEC CORP	35,785	108,473	0.09
LARGAN PRECISION CO LTD	1,000	160,695	0.13

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### INVESTMENT PORTFOLIO (Continued)

As at 30th September 2012 (Unaudited)

	Holding at 30th September 2012	Fair value at 30th September 2012 HK\$	Percentage of total net assets at 30th September 2012 (%)
<b>TAIWAN (28.33%) (Continued)</b>			
LITE-ON IT CORP	4,099	29,353	0.02
LITE-ON TECHNOLOGY CORP	24,486	245,032	0.20
MACRONIX INTERNATIONAL CO LTD	34,899	90,173	0.07
MEDIATEK INC	13,000	1,063,445	0.86
MEGA FINANCIAL HOLDING CO LTD	86,029	513,576	0.41
MSTAR SEMICONDUCTOR INC	4,412	274,484	0.22
NAN YA PLASTICS CORP	78,000	1,212,121	0.98
NAN YA PRINTED CIRCUIT BOARD	5,240	66,309	0.05
NOVATEK MICROELECTRONICS COR	5,000	139,648	0.11
ORIENTAL UNION CHEMICAL	7,200	63,759	0.05
PEGATRON CORP	18,000	181,794	0.15
POU CHEN CORP	31,000	245,384	0.20
PRESIDENT CHAIN STORE CORP	8,000	331,450	0.27
PRESIDENT SECURITIES CORP	14,214	59,267	0.05
QUANTA COMPUTER INC	28,000	574,478	0.46
REALTEK SEMICONDUCTOR CORP	5,181	79,553	0.06
SHIN KONG FINANCIAL HOLDING	67,839	146,549	0.12
SILICONWARE PRECISION INDUSTRIES CO	34,000	293,434	0.24
SINOPAC FINANCIAL HOLDINGS	81,752	266,205	0.21
SYNNEX TECHNOLOGY INTERNATIONAL COR	17,000	297,934	0.24
TAISHIN FINANCIAL HOLDING	74,093	220,670	0.18
TAIWAN BUSINESS BANK	35,844	83,695	0.07
TAIWAN CEMENT	39,482	378,374	0.30
TAIWAN COOPERATIVE FINANCIAL	63,553	272,561	0.22
TAIWAN FERTILIZER CO LTD	8,000	168,372	0.14
TAIWAN GLASS INDUSTRIAL CORP	18,752	147,689	0.12
TAIWAN MOBILE CO LTD	16,500	467,392	0.38
TAIWAN SECOM	4,000	67,878	0.05
TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	263,000	6,245,418	5.03
TATUNG COLTD	23,013	46,058	0.04
TECO ELECTRIC & MACHINERY CO LTD	18,000	96,496	0.08
TON YI INDUSTRIAL CORP	11,850	53,488	0.04
TPK HOLDING CO LTD	1,887	192,080	0.15
TRANSCEND INFORMATION INC	2,000	41,934	0.03
U-MING MARINE TRANSPORT CORP	5,000	62,014	0.05
UNI PRESIDENT ENTERPRISES CO	47,579	653,727	0.54

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**INVESTMENT PORTFOLIO** *(Continued)*  
*As at 30th September 2012 (Unaudited)*

	Holding at 30th September 2012	Fair value at 30th September 2012 HK\$	Percentage of total net assets at 30th September 2012 (%)
<b>TAIWAN (28.33%)</b> <i>(Continued)</i>			
UNIMICRON TECHNOLOGY CORP	16,000	147,405	0.12
UNITED MICROELECTRONICS CORP	128,000	413,412	0.33
VANGUARD INTERNATIONAL SEMICONDUCTOR CORP	15,000	71,677	0.06
WALSIN LIHWA CORP	36,000	97,688	0.08
WAN HAI LINES LTD	11,450	49,712	0.04
WATERLAND FINANCIAL HOLDINGS	27,772	65,509	0.05
WINBOND ELECTRONICS CORP	27,000	31,451	0.03
WISTRON CORP	23,230	215,859	0.17
YAGEO CORPORATION	22,000	51,894	0.04
YANG MING MARINE TRANSPORT	14,500	46,640	0.04
YUANTA FINANCIAL HOLDING CO	98,469	400,149	0.32
YUEN FOONG YU PAPER MANUFACTURING CO LTD	16,675	55,181	0.04
YULON MOTOR CO LTD	12,000	187,116	0.15
		<u>35,160,166</u>	<u>28.33</u>
Total listed equities		<u>122,154,409</u>	<u>98.44</u>
Derivative Financial Instruments			
HANG SENG INDEX FUT 30/10/2012	1	5,373	0.01
HANG SENG CHINA ENT INDEX FUT 30/10/2012	1	3,400	–
Total future contracts		<u>8,773</u>	<u>0.01</u>
Total investments		<u>122,163,182</u>	<u>98.45</u>
Total investments, at cost		<u>126,463,206</u>	

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### INVESTMENT PORTFOLIO (Continued)

As at 30th September 2012 (Unaudited)

	Fair value at 30th September 2012 HK\$	Percentage of total net assets at 30th September 2012 (%)
<b>PORTFOLIO OF INVESTMENTS</b>		
(a) By asset class		
Listed equities	122,154,409	98.44
(b) By industry		
CONSUMER DISCRETIONARY	8,372,681	6.75
CONSUMER STAPLES	4,044,352	3.27
ENERGY	9,373,382	7.55
FINANCIALS	8,330,064	6.71
FINANCIALS EXCLUDING PROPERTY	36,709,727	29.58
HEALTH CARE	399,940	0.32
INDUSTRIALS	9,216,354	7.43
INFORMATION TECHNOLOGY	22,103,969	17.81
LISTED PROPERTY TRUST	952,652	0.77
MATERIALS	7,987,561	6.44
TELECOMMUNICATION SERVICES	8,902,367	7.17
UNAVAILABLE	919,153	0.74
UTILITIES	4,842,207	3.90
	122,154,409	98.44

#### Top Ten holdings

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	6,245,418	5.03
CHINA MOBILE LTD	5,279,242	4.25
CHINA CONSTRUCTION BANK – H	3,956,960	3.19
AIA GROUP LTD	3,538,608	2.85
INDUSTRIAL AND COMMERCIAL BANK OF CHINA – H	3,045,951	2.45
HON HAI PRECISION INDUSTRY	2,926,080	2.36
CNOOC LTD	2,897,592	2.34
BANK OF CHINA LTD – H	2,526,427	2.04
TENCENT HOLDINGS LTD	2,487,266	2.00
HUTCHISON WHAMPOA LTD	2,417,625	1.95
	35,321,169	28.46



**STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS**

*For the year ended 30th September 2012 (Unaudited)*

	Percentage of total net assets at 30th September 2012 (%)	Percentage of total net assets at 30th September 2011 (%)
<b>Listed Equities</b>		
China	1.33	1.34
Hong Kong	66.58	65.29
Singapore	2.20	1.95
Taiwan	28.33	30.00
<b>Total listed equities</b>	<b>98.44</b>	<b>98.58</b>
<b>Derivative Financial Instruments</b>		
Future contracts	0.01	(0.01)
<b>Total investments</b>	<b>98.45</b>	<b>98.57</b>

## SPDR® FTSE® Greater China ETF

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### PERFORMANCE RECORD (UNAUDITED)

#### NET ASSET VALUES

	Net asset value of the Sub-Fund HK\$	Net asset value per unit HK\$
<b>At the end of financial year dated</b>		
30th September 2012	123,922,937	24.7845
30th September 2011	251,074,775	20.9229

#### HIGHEST AND LOWEST NET ASSET VALUE PER UNIT SINCE INCEPTION

	Highest net asset value per unit HK\$	Lowest net asset value per unit HK\$
<b>Financial year ended</b>		
30th September 2012	25.8337	19.5497
30th September 2011	28.2411	20.4530

#### FUND PERFORMANCE

During the year, the FTSE® Greater China HKD Index increased by 19.09% (2011: decreased by 12.30%) while the net asset value (at last traded market prices) per unit of the Sub-Fund increased by 18.60% (2011: decreased by 12.41%).

#### TOTAL EXPENSE RATIO

##### Financial year ended

30th September 2012

0.63%\*

- \* Total expense ratio ("TER") is the ratio of total estimated expenses to average net asset value per daily valuation report for the year. Total estimated expenses exclude transaction costs on investments and are net of reimbursements from the Manager. During the period from 3rd January 2012 to 30th September 2012, the Manager intended to maintain the TER to be no more than 0.48% and therefore reimbursed certain expenses of the Sub-Fund.

## **ADMINISTRATION AND MANAGEMENT**

### **Directors of the Manager**

Mr. Bernard Patrick Reilly  
Ms. Kelly Quinn Driscoll  
(resigned on 19th December 2011)  
Ms. Ting Li  
Ms. Susana Yeong  
(appointed on 25th November 2011)

### **Manager and Listing Agent**

State Street Global Advisors Asia Limited  
68th Floor Two International Finance Centre  
8 Finance Street, Central  
Hong Kong

### **Custodian, Trustee, Administrator and Registrar**

Up to 2nd January 2012  
HSBC Institutional Trust Services (Asia) Limited  
1 Queen's Road Central, Central  
Hong Kong

With effect from 3rd January 2012  
State Street Trust (HK) Limited  
68th Floor  
Two International Finance Centre  
8 Finance Street, Central  
Hong Kong

### **Legal Advisers as to Hong Kong Law**

King and Wood Mallesons  
13th Floor  
Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

### **Auditor**

PricewaterhouseCoopers  
22nd Floor  
Prince's Building  
Central  
Hong Kong

