



HSBC ETFs Trust

Annual Report 2013

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Investment adviser's report

HSBC MSCI Hong Kong ETF

HSBC MSCI China ETF

HSBC MSCI Taiwan ETF

HSBC MSCI Golden Dragon ETF

For the one-year period ended 31 October 2013, equity markets have recorded another good year with developed markets outperforming emerging markets. Within the Greater China region, MSCI Taiwan index gained the most, around 18% during the period; MSCI China index gained approximately 9.3%, while MSCI HK index posted a return of 14.3% in HKD term. MSCI Golden Dragon index gained approximately 12.9% in HKD term during the same period. 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).

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 year ended 31 October 2013.

Bertha Man Hing TAM
Vincent Hoi Fu YIM

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

27 February 2014

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

Report on the financial statements

We have audited the financial statements of the sub-funds of the Trust set out on pages 4 to 37, which comprise the statement of assets and liabilities as at 31 October 2013, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

In addition, the Manager and the Trustee also have responsibilities to ensure that the financial statements comply with the relevant disclosure provisions of the Trust Deed, as amended, and the relevant disclosure requirements set out in Appendix E to the Hong Kong Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission ("the Code").

Auditor's responsibility

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

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager and the Trustee, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the sub-funds of the Trust as at 31 October 2013 and of their transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

Report on disclosure requirements under the Code

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

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
27 February 2014

Statement of assets and liabilities

As at 31 October 2013

		31 October 2013			
	Note	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
Assets					
Financial assets at fair value					
through profit or loss	4, 12	140,225,423	132,076,128	124,557,663	725,145,650
Dividends receivable		–	91,075	83,792	–
Other receivable		–	–	–	–
Amounts due from brokers	8(d)(ii)	–	153,952	100,298	4,214,971
Cash and cash equivalents	8(d)(i)	123,102	910,144	794,162	2,299,059
Total assets		<u>140,348,525</u>	<u>133,231,299</u>	<u>125,535,915</u>	<u>731,659,680</u>
Liabilities					
Financial liabilities at fair value					
through profit or loss	4,12	–	–	–	44,156
Amounts due to brokers		–	56,623	–	–
Accrued expenses and other payable	7	92,879	367,263	302,053	1,675,921
Total liabilities		<u>92,879</u>	<u>423,886</u>	<u>302,053</u>	<u>1,720,077</u>
Net assets attributable to unitholders	10	<u>140,255,646</u>	<u>132,807,413</u>	<u>125,233,862</u>	<u>729,939,603</u>
Representing:					
Total equity		<u>140,255,646</u>	<u>132,807,413</u>	<u>125,233,862</u>	<u>729,939,603</u>
Total number of units in issue	9	<u>3,600,000</u>	<u>4,500,000</u>	<u>3,600,000</u>	<u>4,000,000</u>
Net asset value per unit – Class A units		<u>38.9599</u>	<u>29.5128</u>	<u>34.7872</u>	<u>182.4849</u>

Statement of assets and liabilities (continued)

As at 31 October 2013

		31 October 2012				
		HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD	
Note						
Assets						
	Financial assets at fair value					
	through profit or loss	4,12	125,037,766	228,881,827	109,486,483	1,077,921,335
	Dividends receivable		–	72,680	36,410	20,323
	Other receivable		–	–	–	79,705
	Amounts due from brokers	8(d)(ii)	–	581,496	170,235	2,000,911
	Cash and cash equivalents	8(d)(i)	1,137	1,045,465	642,327	4,503,069
	Total assets		<u>125,038,903</u>	<u>230,581,468</u>	<u>110,335,455</u>	<u>1,084,525,343</u>
Liabilities						
	Financial liabilities at fair value					
	through profit or loss	4, 12	–	–	–	73,033
	Accrued expenses and other payable	7	65,156	564,165	390,146	2,731,861
	Total liabilities		<u>65,156</u>	<u>564,165</u>	<u>390,146</u>	<u>2,804,894</u>
	Net assets attributable to unitholders	10	<u>124,973,747</u>	<u>230,017,303</u>	<u>109,945,309</u>	<u>1,081,720,449</u>
	Representing:					
	Total equity		<u>124,973,747</u>	<u>230,017,303</u>	<u>109,945,309</u>	<u>1,081,720,449</u>
	Total number of units in issue	9	<u>3,600,000</u>	<u>8,500,000</u>	<u>3,600,000</u>	<u>7,000,000</u>
	Net asset value per unit – Class A units		<u>34.7149</u>	<u>27.0609</u>	<u>30.5404</u>	<u>154.5315</u>

Approved by the Trustee and the Manager on 27 February 2014

)	
Bertha Man Hing TAM)	For and on behalf of
Vincent Hoi Fu YIM)	HSBC Institutional Trust Services (Asia) Limited
)	
)	
)	
Po Yee LAM)	For and on behalf of
Edgar Kai Man NG)	HSBC Investment Funds (Hong Kong) Limited
)	
)	

The notes on pages 11 to 37 form part of these financial statements.

Statement of comprehensive income

For the year ended 31 October 2013

		Year ended 31 October 2013			
		HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
Income	Note				
Dividend income		–	7,703,460	3,361,551	33,238,737
Other income	8(e)	19,385	20,404	19,385	1,759,935
		<u>19,385</u>	<u>7,723,864</u>	<u>3,380,936</u>	<u>34,998,672</u>
Expenses					
Management fees	8(a)	26	110,735	59,160	561,890
Operating expenses	6(a)	396	996,619	532,441	4,466,412
Other expenses	6(b)	41,183	259,271	131,038	3,711,185
		<u>41,605</u>	<u>1,366,625</u>	<u>722,639</u>	<u>8,739,487</u>
(Loss)/income attributable to unitholders before gains on financial instruments at fair value through profit or loss					
		<u>(22,220)</u>	<u>6,357,239</u>	<u>2,658,297</u>	<u>26,259,185</u>
Gains on financial instruments at fair value through profit or loss					
Net gains on financial instruments at fair value through profit or loss	5	15,304,132	14,462,445	12,630,323	164,201,953
Net foreign exchange (losses)/gains		(13)	(1,210)	(67)	13,883
		<u>15,304,119</u>	<u>14,461,235</u>	<u>12,630,256</u>	<u>164,215,836</u>
Income attributable to unitholders before taxation					
		15,281,899	20,818,474	15,288,553	190,475,021
Taxation	3	–	(673,964)	–	(7,753,067)
Income attributable to unitholders and total comprehensive income for the year					
		<u>15,281,899</u>	<u>20,144,510</u>	<u>15,288,553</u>	<u>182,721,954</u>

Statement of comprehensive income (continued)

For the year ended 31 October 2013

		Year ended 31 October 2012			
		HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
Income	Note				
Dividend income		–	7,013,119	3,096,639	38,520,753
Other income	8(e)	–	–	–	739,590
		–	7,013,119	3,096,639	39,260,343
Expenses					
Management fees	8(a)	34	108,003	49,724	537,115
Operating expenses	6(a)	143	971,988	447,480	4,823,638
Other expenses	6(b)	51,918	291,354	119,170	2,041,149
		52,095	1,371,345	616,374	7,401,902
(Loss)/income attributable to unitholders before gains/(losses) on financial instruments at fair value through profit or loss					
		(52,095)	5,641,774	2,480,265	31,858,441
Gains/(losses) on financial instruments at fair value through profit or loss					
Net gains/(losses) on financial instruments at fair value through profit or loss	5	7,884,271	10,359,823	12,148,958	(22,646,814)
Net foreign exchange (losses)/gains		(8)	1,166	(5)	(417,714)
		7,884,263	10,360,989	12,148,953	(23,064,528)
Income attributable to unitholders before taxation					
		7,832,168	16,002,763	14,629,218	8,793,913
Taxation	3	–	(586,374)	–	(8,881,609)
Income/(loss) attributable to unitholders and total comprehensive income for the year					
		7,832,168	15,416,389	14,629,218	(87,696)

The notes on pages 11 to 37 form part of these financial statements.

Statement of changes in equity

For the year ended 31 October 2013

	Year ended 31 October 2013			
	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
Balance at beginning of year	124,973,747	230,017,303	109,945,309	1,081,720,449
Income attributable to unitholders and total comprehensive income for the year	15,281,899	20,144,510	15,288,553	182,721,954
Transactions with owners (i.e. unitholders), recorded directly in equity				
Paid and payable on redemption of units	–	(117,354,400)	–	(534,502,800)
Total transactions with owners (i.e. unitholders)	–	(117,354,400)	–	(534,502,800)
Balance at year end	140,255,646	132,807,413	125,233,862	729,939,603

	Year ended 31 October 2012			
	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
Balance at beginning of year	117,141,579	214,600,914	95,316,091	792,103,945
Income/(loss) attributable to unitholders and total comprehensive income for the year	7,832,168	15,416,389	14,629,218	(87,696)
Transactions with owners (i.e. unitholders), recorded directly in equity				
Received and receivable on issue of units	–	–	–	289,704,200
Total transactions with owners (i.e. unitholders)	–	–	–	289,704,200
Balance at year end	124,973,747	230,017,303	109,945,309	1,081,720,449

The notes on pages 11 to 37 form part of these financial statements.

Cash flow statement

For the year ended 31 October 2013

	Year ended 31 October 2013			
	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
Operating activities				
Dividend income received	–	7,685,065	3,314,169	33,259,060
Other income received	–	1,019	–	1,685,784
Net foreign exchange (losses)/gains	(13)	(1,210)	(67)	13,883
Payment for management fees	(13)	(115,292)	(58,799)	(578,565)
Payment for operating expenses	(383,453)	(1,077,808)	(1,033,079)	(4,201,956)
Reimbursements from Manager	430,551	(101,105)	442,427	(1,164,969)
Payment for other expenses	(41,583)	(244,632)	(141,029)	(3,763,020)
Margin deposit withdrawn from/(paid to) broker	–	494,000	100,000	(1,487,368)
Proceeds from sale of financial instruments at fair value through profit or loss	3,573,550	20,042,297	6,594,326	701,934,766
Payment on purchase of financial instruments at fair value through profit or loss	(3,457,074)	(24,469,288)	(9,066,113)	(185,645,758)
Tax paid	–	(673,964)	–	(7,753,067)
Net cash generated from operating activities	<u>121,965</u>	<u>1,539,082</u>	<u>151,835</u>	<u>532,298,790</u>
Financing activity				
Payments on redemption of units	–	(1,674,403)	–	(534,502,800)
Net cash used in financing activity	<u>–</u>	<u>(1,674,403)</u>	<u>–</u>	<u>(534,502,800)</u>
Net increase/(decrease) in cash and cash equivalents	121,965	(135,321)	151,835	(2,204,010)
Cash and cash equivalents at the beginning of the year	<u>1,137</u>	<u>1,045,465</u>	<u>642,327</u>	<u>4,503,069</u>
Cash and cash equivalents at the end of the year	<u><u>123,102</u></u>	<u><u>910,144</u></u>	<u><u>794,162</u></u>	<u><u>2,299,059</u></u>

Major non-cash transactions:

During the year, the participating dealer, The Hong Kong and Shanghai Banking Corporation Limited, redeemed 4,000,000 units of the HSBC MSCI China ETF by receiving a basket of constituent stocks of the MSCI China Index with a market value of HK\$115,679,997.

Cash flow statement (continued)

For the year ended 31 October 2013

	Year ended 31 October 2012			
	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
Operating activities				
Dividend income received	–	7,004,733	3,165,149	38,526,124
Other income received	–	–	–	739,590
Net foreign exchange (losses)/gains	(8)	1,166	(5)	(417,714)
Payment for management fees	(41)	(106,182)	(48,567)	(522,324)
Payment for operating expenses	(324,104)	(930,070)	(868,245)	(3,665,473)
Reimbursements from Manager	370,646	221,663	610,180	259,101
Payment for other expenses	(51,337)	(266,436)	(99,377)	(1,926,955)
Margin deposit (paid to)/withdrawn from broker	–	(400,000)	–	3,272,175
Proceeds from sale of financial instruments at fair value through profit or loss	2,561,091	14,381,582	4,052,753	69,772,003
Payment on purchase of financial instruments at fair value through profit or loss	(2,725,790)	(19,760,573)	(6,992,405)	(384,633,812)
Tax paid	–	(586,374)	–	(8,881,609)
Net cash used in operating activities	(169,543)	(440,491)	(180,517)	(287,478,894)
Financing activity				
Proceeds on issue of units	–	–	–	289,704,200
Net cash generated from financing activity	–	–	–	289,704,200
Net (decrease)/increase in cash and cash equivalents	(169,543)	(440,491)	(180,517)	2,225,306
Cash and cash equivalents at the beginning of the year	170,680	1,485,956	822,844	2,277,763
Cash and cash equivalents at the end of the year	1,137	1,045,465	642,327	4,503,069

The notes on pages 11 to 37 form part of these financial statements.

Notes to the financial statements

For the year ended 31 October 2013

1 The Trust

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

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

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

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

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

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

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

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

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

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

As explained in note 2(b), the Manager intends to terminate the Trust subsequent to the year ended 31 October 2013.

2 Significant accounting policies

(a) Statement of compliance

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

Notes to the financial statements

For the year ended 31 October 2013

2 Significant accounting policies (continued)

(a) Statement of compliance (continued)

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Sub-Funds. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Sub-Funds for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

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

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

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

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

As disclosed in the Announcement and Notice of the Proposed Cessation of Trading, Termination, Voluntary Deauthorisation and Delisting and Waiver from Strict Compliance of Certain Provisions of the Code issued by the Manager on 17 February 2014 (the "Announcement"), the Manager decided to exercise its power under clause 35.6(A) of the Trust Deed to propose to terminate the Trust and the Sub-Funds.

Accordingly, the Manager has determined that the Trust is no longer a going concern and therefore the financial statements of the Trust have been prepared on a break-up basis. The relevant costs and expenses in connection with the termination of the Trust will be borne by the Manager in accordance with the terms set out in the Announcement.

(c) Changes in accounting policies

The Sub-Funds have early adopted HKFRS 13, *Fair value measurement*, with effect from 1 November 2012. In accordance with the transitional provisions, HKFRS 13 has been applied prospectively from that date. As a result, the Sub-Funds have adopted a new definition of fair value, as set out in note 2(e)(iv). The Sub-Funds have included new disclosures in the financial statements which are required under HKFRS 13.

The Sub-funds have not adopted any new standard or interpretations that is not yet effective for the current accounting period except as stated above.

(d) 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.

Notes to the financial statements

For the year ended 31 October 2013

2 Significant accounting policies (continued)

(e) Financial instruments

(i) Classification

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

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

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

(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

Policy applicable until 31 October 2012

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 price.

If a quoted market price is not available on a recognised stock exchange or from a broker/dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including use of recent arm's length market transaction, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where pricing models are used, inputs are based on market data at the date of the statement of assets and liabilities. Fair values for unquoted equity instruments are estimated, if possible, using applicable price/earnings ratio for similar listed companies adjusted to reflect the specific circumstances of the issuer.

Investment in other unlisted open ended investment funds are recorded at the net asset value per share as reported by the managers of such funds.

Notes to the financial statements

For the year ended 31 October 2013

2 Significant accounting policies (continued)

(e) Financial instruments (continued)

- (iv) Fair value measurement principles (continued)

Policy applicable from 1 November 2012

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Sub-Funds have access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Sub-Funds measure the fair value of an instrument using the quoted closing price in an active market for that instrument provided such price is within the bid-ask spread. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. In circumstances where the quoted closing price is not within the bid-ask spread, the manager of the Sub-Funds will determine the points within the bid-ask spread that are most representative of the fair value.

When there is no quoted price in an active market, the Sub-Funds use valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Sub-Funds determine that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Sub-Funds on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) or a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Sub-Funds recognise transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

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.

Notes to the financial statements

For the year ended 31 October 2013

2 Significant accounting policies (continued)

(e) Financial instruments (continued)

(v) Derecognition (continued)

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.

(f) Foreign currency translation

Foreign currency transactions during the year 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 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.

(g) Related parties

(1) A person, or a close member of that person's family, is related to the Trust and its Sub-Funds if that person:

- (i) has control or joint control over the Trust and its Sub-Funds;
- (ii) has significant influence over the Trust and its Sub-Funds; or
- (iii) is a member of the key management personnel of the Trust and its Sub-Funds.

(2) An entity is related to the Trust and its Sub-Funds if any of the following conditions applies:

- (i) The entity and the Trust and its 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 controlled or jointly-controlled by a person identified in (1); or
- (vi) A person identified in (1)(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.

Notes to the financial statements

For the year ended 31 October 2013

2 Significant accounting policies (continued)

(h) 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.

(i) Units in issue

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

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

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

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

(j) Expenses

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

(k) Taxation

Taxation for the year 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.

(l) 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.

Notes to the financial statements

For the year ended 31 October 2013

3 Taxation

Hong Kong

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

China

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

Taiwan

The HSBC Taiwan ETF invests in shares of companies in Taiwan listed on Taiwan Stock Exchange or quoted on the Greta Securities Market, which is a market regulated and supervised by the Taiwan Financial Supervisory Commission. Capital gain derived from Taiwan securities is exempted from income tax pursuant to Article 4-1 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:

	Year ended 31 October 2013			
	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
Withholding tax – PRC	–	673,964	–	–
Withholding tax – Taiwan	–	–	–	7,753,067
	–	673,964	–	7,753,067
	Year ended 31 October 2012			
	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
Withholding tax – PRC	–	586,374	–	–
Withholding tax – Taiwan	–	–	–	8,881,609
	–	586,374	–	8,881,609

Notes to the financial statements

For the year ended 31 October 2013

4 Financial instruments and associated risks

The Sub-Funds maintain investment portfolios in the constituent stocks of the underlying indices as dictated by their respective 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 stocks of the index or the weighting of the constituent stocks in the index, the Manager will be responsible for implementing any adjustment to the Sub-Funds' portfolio of stocks to ensure that the Sub-Funds' investment portfolio closely corresponds to the composition of the index and the weighting of each constituent stock. Details of such investments held as at 31 October 2013 are shown in the Investment Portfolio.

The nature and extent of the financial instruments outstanding at the year end date and the risk management policies employed by the Sub-Funds 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 majority of 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 15% increase in the index at 31 October 2013, 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. The analysis is performed on the basis of a 1% increase in the index for 2012.

Notes to the financial statements

For the year ended 31 October 2013

4 Financial instruments and associated risks (continued)

(a) Market risk (continued)

(iii) Price risk (continued)

Price sensitivity (continued)

As at 31 October 2013

Sub-Funds	Underlying Index	Impact on net assets attributable to unitholders
HSBC MSCI Golden Dragon ETF	MSCI Golden Dragon Index ¹	HK\$21,033,813
HSBC MSCI China ETF	MSCI China Index ²	HK\$19,811,419
HSBC MSCI Hong Kong ETF	MSCI Hong Kong Index ³	HK\$18,683,649
HSBC MSCI Taiwan ETF	MSCI Taiwan Index ⁴	TWD108,765,224

As at 31 October 2012

Sub-Funds	Underlying Index	Impact on net assets attributable to unitholders
HSBC MSCI Golden Dragon ETF	MSCI Golden Dragon Index ¹	HK\$1,250,378
HSBC MSCI China ETF	MSCI China Index ²	HK\$2,288,818
HSBC MSCI Hong Kong ETF	MSCI Hong Kong Index ³	HK\$1,094,865
HSBC MSCI Taiwan ETF	MSCI Taiwan Index ⁴	TWD10,778,483

Notes:

- ¹ The MSCI Golden Dragon Index consists of (i) Chinese securities (H shares, Red chips and P chips) listed on The Stock Exchange of Hong Kong Limited ("SEHK") and B shares listed on the 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 the Greta Securities Market, which is a market regulated and supervised by the Taiwan Financial Supervisory Commission.
- ² The MSCI China Index consists of Chinese securities (H shares, Red chips and P chips) listed on the SEHK and B shares listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange.
- ³ The MSCI Hong Kong Index consists of Hong Kong securities listed on the SEHK.
- ⁴ The MSCI Taiwan Index consists of Taiwanese securities listed on the Taiwan Stock Exchange and Taiwanese securities traded or quoted on the Greta Securities Market, which is a market regulated and supervised by the Taiwan Financial Supervisory Commission.

Notes to the financial statements

For the year ended 31 October 2013

4 Financial instruments and associated risks (continued)

(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.

All of the cash held by the Sub-Funds is deposited with the HSBC Group. Bankruptcy or insolvency of the bank may cause the Sub-Funds' rights with respect to the cash held by the bank to be delayed or limited. The Sub-Funds monitor their risk by monitoring the credit rating of these bank on an on-going basis.

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 warrant issuer if such warrant issuer fails to perform its obligations to HSBC MSCI China ETF.

The table below sets out the net exposure of the HSBC MSCI China ETF to counterparties as at 31 October 2013 and 2012 together with the credit ratings provided by Standard & Poor's Rating Services:

Warrant issuer	Credit rating	Net exposure to counterparties at 31 October 2013
Morgan Stanley BV	A-	1,160,961

Warrant issuer	Credit rating	Net exposure to counterparties at 31 October 2012
Morgan Stanley BV	A-	7,027,999

Other than outlined above, there were no significant concentrations of credit risk to counterparties at 31 October 2013 and 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.

Notes to the financial statements

For the year ended 31 October 2013

4 Financial instruments and associated risks (continued)

(c) Liquidity risk (continued)

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 SEHK is closed; dealings on the SEHK or the Hong Kong Futures Exchange Limited are restricted or suspended; or the underlying Index is not compiled or published, etc. in accordance with the Offering Document.

(d) Specific instrument risk

(i) Derivatives

At 31 October 2013 and 2012, the Sub-Funds' holdings in derivatives were as specified in the following table.

As at 31 October 2013

HSBC MSCI China ETF

Type of contract	Expiration	Underlying	Fair value assets HK\$	Fair value liabilities HK\$
Futures	December 2013	Hang Seng China Enterprises Index	3,690	–

HSBC MSCI Hong Kong ETF

Type of contract	Expiration	Underlying	Fair value assets HK\$	Fair value liabilities HK\$
Futures	December 2013	Mini Hang Seng Index	1,300	–

HSBC MSCI Taiwan ETF

Type of contract	Expiration	Underlying	Fair value assets TWD	Fair value liabilities TWD
Futures	December 2013	MSCI Taiwan Index	–	(44,156)

Notes to the financial statements

For the year ended 31 October 2013

4 Financial instruments and associated risks (continued)

(d) Specific instrument risk (continued)

(i) Derivatives (continued)

As at 31 October 2012

HSBC MSCI China ETF

Type of contract	Expiration	Underlying	Fair value assets HK\$	Fair value liabilities HK\$
Futures	December 2012	Hang Seng China Enterprises Index	71,900	–

HSBC MSCI Hong Kong ETF

Type of contract	Expiration	Underlying	Fair value assets HK\$	Fair value liabilities HK\$
Futures	December 2012	Mini Hang Seng Index	16,640	–

HSBC MSCI Taiwan ETF

Type of contract	Expiration	Underlying	Fair value assets TWD	Fair value liabilities TWD
Futures	November 2012	MSCI Taiwan Index	–	(73,033)

(ii) 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.

(iii) Rights

Rights are securities that give holders entitlement to purchase new shares issued by the corporation at a predetermined price, normally at a discount to the current market price, in proportion to the number of shares already owned. Rights are issued only for a short period of time, after which they expire.

Notes to the financial statements

For the year ended 31 October 2013

4 Financial instruments and associated risks (continued)

(d) Specific instrument risk (continued)

(iii) Rights (continued)

Rights can trade independently of the underlying stock on an exchange. The price of a right is determined by a number of factors including its subscription price, the price and/or the volatility of the underlying stock, interest rate and time to expiration.

(e) Capital management

The Sub-Funds' capital as at the year 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 year 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.

During the year, no distributions were made to the unitholders of the Sub-Funds.

5 Net gains/(losses) on financial instruments at fair value through profit or loss

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

	Year ended 31 October 2013			
	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
Realised (losses)/gains	(191,886)	(11,333,178)	(496,126)	1,160,336
Movement on unrealised gains or losses	15,496,018	25,795,623	13,126,449	163,041,617
Net gains on financial instruments at fair value through profit or loss	15,304,132	14,462,445	12,630,323	164,201,953

Notes to the financial statements

For the year ended 31 October 2013

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

	Year ended 31 October 2012			
	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
Realised losses	(500,038)	(7,314,113)	(1,403,399)	(13,096,521)
Movement on unrealised gains or losses	8,384,309	17,673,936	13,552,357	(9,550,293)
Net gains/(losses) on financial instruments at fair value through profit or loss	<u>7,884,271</u>	<u>10,359,823</u>	<u>12,148,958</u>	<u>(22,646,814)</u>

6 Expenses

(a) Operating expenses

In accordance with the prospectus of the Trust dated 12 April 2011 as amended by the addendum dated 19 May 2011 (together 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 year is comprised of the following fees, including reimbursement from or payment to the Manager for covering the shortfall from its own assets or retaining the surplus for its own benefits.

Notes to the financial statements

For the year ended 31 October 2013

6 Expenses (continued)

(a) Operating expenses (continued)

Operating Expenses for the year is comprised of the following fees, including reimbursement from or payment to the Manager for covering the shortfall from its own assets or retaining the surplus for its own benefits.

						Year ended 31 October 2013			
		HSBC MSCI Golden Dragon	HSBC MSCI China	HSBC MSCI Hong Kong	HSBC MSCI Taiwan				
		ETF	ETF	ETF	ETF				
Note		HK\$	HK\$	HK\$	TWD				
Accounting service fees	8(b)	48,001	48,001	48,001	183,192				
Auditors' fee		39,193	195,985	195,985	748,946				
Trustee's fee	8(b)	240,000	600,000	600,000	2,292,111				
Register and transfer agent fees	8(b)	29,999	29,999	29,999	114,490				
Information services		–	110,735	59,160	561,890				
(Reimbursement from)/ payment to Manager	8(b)	(356,797)	11,899	(400,704)	565,783				
Total operating expenses		<u>396</u>	<u>996,619</u>	<u>532,441</u>	<u>4,466,412</u>				
						Year ended 31 October 2012			
		HSBC MSCI Golden Dragon	HSBC MSCI China	HSBC MSCI Hong Kong	HSBC MSCI Taiwan				
		ETF	ETF	ETF	ETF				
Note		HK\$	HK\$	HK\$	TWD				
Accounting service fees	8(b)	45,566	45,567	45,435	174,170				
Auditors' fee		57,688	288,438	288,438	1,106,142				
Trustee's fee	8(b)	240,000	600,000	600,000	2,296,293				
Register and transfer agent fees	8(b)	29,891	29,891	29,891	115,205				
Information services		–	108,003	49,724	537,184				
(Reimbursement from)/ payment to Manager	8(b)	(373,002)	(99,911)	(566,008)	594,644				
Total operating expenses		<u>143</u>	<u>971,988</u>	<u>447,480</u>	<u>4,823,638</u>				

Notes to the financial statements

For the year ended 31 October 2013

6 Expenses (continued)

(b) Other expenses

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

	Year ended 31 October 2013			
	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
Annual fee	–	15,355	15,355	58,583
Safe custody and bank charges	26,478	79,049	40,050	687,930
Professional fees	–	–	–	128,881
Miscellaneous expenses	–	15,964	14,376	56,082
Administration fee	–	–	–	228,414
Commission and transaction expenses	14,705	148,903	61,257	2,551,295
Total other expenses	<u>41,183</u>	<u>259,271</u>	<u>131,038</u>	<u>3,711,185</u>
	Year ended 31 October 2012			
	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
Annual fee	–	19,192	19,140	73,391
Printing and advertising	18,454	18,454	18,454	70,490
Safe custody and bank charges	24,306	74,214	35,637	646,518
Professional fees	–	–	–	202,289
Miscellaneous expenses	–	15,651	1,762	–
Administration fee	–	–	–	233,981
Commission and transaction expenses	9,158	163,843	44,177	814,480
Total other expenses	<u>51,918</u>	<u>291,354</u>	<u>119,170</u>	<u>2,041,149</u>

Notes to the financial statements

For the year ended 31 October 2013

7 Accrued expenses and other payable

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

	Year ended 31 October 2013			
	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
Accrued expenses and other payable	154,281	410,807	364,749	1,715,208
Reimbursement from Manager	(61,402)	(43,544)	(62,696)	(39,287)
Total accrued expenses and other payable	<u>92,879</u>	<u>367,263</u>	<u>302,053</u>	<u>1,675,921</u>
	Year ended 31 October 2012			
	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
Accrued expenses and other payable	129,914	448,104	424,167	1,903,947
(Reimbursement from)/payable to Manager	(64,758)	116,061	(34,021)	827,914
Total accrued expenses and other payable	<u>65,156</u>	<u>564,165</u>	<u>390,146</u>	<u>2,731,861</u>

8 Transactions with related parties

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

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

	Year ended 31 October 2013			
	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
(i) Management fee for the year	26	110,735	59,160	561,890
(ii) Management fee payable at year end	<u>13</u>	<u>5,601</u>	<u>5,308</u>	<u>30,688</u>

Notes to the financial statements

For the year ended 31 October 2013

8 Transactions with related parties (continued)

	Year ended 31 October 2012			
	HSBC MSCI	HSBC MSCI	HSBC MSCI	HSBC MSCI
	Golden Dragon	China	Hong Kong	Taiwan
	ETF	ETF	ETF	ETF
	HK\$	HK\$	HK\$	TWD
(i) Management fee for the year	34	108,003	49,724	537,115
(ii) Management fee payable at year end	–	10,158	4,947	47,363

- (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 year, including the reimbursements to or payment from Manager as described in note 6(a).

	Year ended 31 October 2013			
	HSBC MSCI	HSBC MSCI	HSBC MSCI	HSBC MSCI
	Golden Dragon	China	Hong Kong	Taiwan
	ETF	ETF	ETF	ETF
	HK\$	HK\$	HK\$	TWD
(i) Operating expenses				
Accounting service fees	48,001	48,001	48,001	183,192
Trustee's fee	240,000	600,000	600,000	2,292,111
Register and transfer agent fees	29,999	29,999	29,999	114,490
(Reimbursement from)/payment to Manager	(356,797)	11,899	(400,704)	565,783
(ii) Operating expenses payable				
Accounting service fee payable	96,001	96,001	96,001	364,500
Trustee fees payable	20,000	50,000	50,000	189,841
Registrar and transfer agent fees	2,499	2,499	2,499	9,489
Reimbursement from Manager	(61,402)	(43,544)	(62,696)	(39,287)

Notes to the financial statements

For the year ended 31 October 2013

8 Transactions with related parties (continued)

	Year ended 31 October 2012			
	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
(i) Operating expenses				
Accounting service fees	45,566	45,567	45,435	174,170
Trustee's fee	240,000	600,000	600,000	2,296,293
Register and transfer agent fees (Reimbursement from)/payment to Manager	29,891 (373,002)	29,891 (99,911)	29,891 (566,008)	115,205 594,644
(ii) Operating expenses payable				
Accounting service fee payable	48,000	48,000	48,000	180,926
Trustee fees payable	21,333	53,334	53,333	201,030
Registrar and transfer agent fees (Reimbursement from)/payment to Manager	2,500 (64,758)	2,500 116,061	2,500 (34,021)	9,423 827,914

Total Expense Ratio (TER)

The estimated total expense ratio ("TER") of a Sub-Fund is 0.50% per annum which comprises the Operating Expenses payable by each Sub-Fund set out as 0.45% per annum of the Net Asset Value and the level of the Management Fee payable by each Sub-Fund set out as 0.05% per annum of the Net Asset Value. Increase beyond this rate requires approval by unitholders.

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

	Year ended 31 October 2013			
	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	6,884,201	10,509,430	3,959,768	542,231,235
% of total value of transactions of the Sub-Funds	97.97%	23.58%	25.17%	84.32%
Commission and transaction expenses	1,103	7,007	1,906	115,301
Average investment transaction commission rate	0.02%	0.07%	0.05%	0.02%

Notes to the financial statements

For the year ended 31 October 2013

8 Transactions with related parties (continued)

	Year ended 31 October 2012			
	HSBC MSCI	HSBC MSCI	HSBC MSCI	HSBC MSCI
	Golden Dragon	China	Hong Kong	Taiwan
	ETF	ETF	ETF	ETF
	HK\$	HK\$	HK\$	TWD
Value of transactions executed	5,284,150	32,291,406	9,735,664	396,262,658
% of total value of transactions of the Sub-Funds	100%	96.65%	99.79%	100%
Commission and transaction expenses	1,467	17,972	5,019	101,955
Average investment transaction commission rate	0.03%	0.06%	0.05%	0.03%

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 year are shown below.

	Year ended 31 October 2013			
	HSBC MSCI	HSBC MSCI	HSBC MSCI	HSBC MSCI
	Golden Dragon	China	Hong Kong	Taiwan
	ETF	ETF	ETF	ETF
	HK\$	HK\$	HK\$	TWD
Transaction handling expense	7,755	87,957	37,627	653,763
Safe custody, bank charges and other expense	26,877	79,449	40,450	687,930
Annual fee on bank overdraft facility	–	15,355	15,355	58,583

	Year ended 31 October 2012			
	HSBC MSCI	HSBC MSCI	HSBC MSCI	HSBC MSCI
	Golden Dragon	China	Hong Kong	Taiwan
	ETF	ETF	ETF	ETF
	HK\$	HK\$	HK\$	TWD
Transaction handling expense	4,075	107,233	28,326	583,849
Safe custody, bank charges and other expense	24,306	74,214	35,637	646,518
Annual fee on bank overdraft facility	–	19,193	19,140	73,391

Notes to the financial statements

For the year ended 31 October 2013

8 Transactions with related parties (continued)

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

	31 October 2013				
	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 year end	123,102	910,144	794,162	2,299,059
	31 October 2012				
	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 year end	1,137	1,045,465	642,327	4,503,069

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

	31 October 2013				
	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD	
	Margin deposits held at the year end	–	153,952	100,298	4,214,971
	31 October 2012				
	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD	
	Margin deposits held at the year end	–	581,496	170,235	2,000,911

Notes to the financial statements

For the year ended 31 October 2013

8 Transactions with related parties (continued)

- (e) Other income during the year includes charges to the participating dealer, The Hongkong and Shanghai Banking Corporation Limited, in connection with the creation and issue of units and relates to reimbursements from the Manager, HSBC Investment Funds (Hong Kong) Limited. Details of such income received during the year as shown below.

	Year ended 31 October 2013			
	HSBC MSCI	HSBC MSCI	HSBC MSCI	HSBC MSCI
	Golden Dragon	China	Hong Kong	Taiwan
	ETF	ETF	ETF	ETF
	HK\$	HK\$	HK\$	TWD
Charge to participating dealer in connection with redemption & cancelation of units	–	1,019	–	1,686,333
	<u>–</u>	<u>1,019</u>	<u>–</u>	<u>1,686,333</u>
	Year ended 31 October 2012			
	HSBC MSCI	HSBC MSCI	HSBC MSCI	HSBC MSCI
	Golden Dragon	China	Hong Kong	Taiwan
	ETF	ETF	ETF	ETF
	HK\$	HK\$	HK\$	TWD
Charge to participating dealer in connection with creation & issue of units	–	–	–	739,590
	<u>–</u>	<u>–</u>	<u>–</u>	<u>739,590</u>

- (f) Only the Participating Dealer, The Hongkong and Shanghai Banking Corporation Limited, which is a member of the HSBC Group, may submit creation and redemption orders directly to the Sub-Funds. The Participating Dealer may subsequently sell and buy those units on the secondary market.

The Participating Dealer did not enter into transactions to create units of the HSBC MSCI Golden Dragon ETF during the year (2012: nil), there were no units redeemed for the years ended 31 October 2013 and 2012. As at 31 October 2013, the Participating Dealer held 3,456,000 units (31 October 2012: 2,510,500 units) of the HSBC MSCI Golden Dragon ETF.

The Participating Dealer did not enter into transactions to create units of the HSBC MSCI China ETF during the year (2012: nil), there were 4,000,000 (2012: nil) units redeemed for the year ended 31 October 2013. As at 31 October 2013, the Participating Dealer held 1,855,742 units (31 October 2012: 4,681,742 units) of the HSBC MSCI China ETF.

The Participating Dealer did not enter into transactions to create units of the HSBC MSCI Hong Kong ETF during the year (2012: nil), there were no units redeemed for the years ended 31 October 2013 and 2012. As at 31 October 2013, the Participating Dealer held 2,400,134 units (31 October 2012: 1,615,134 units) of the HSBC MSCI Hong Kong ETF.

The Participating Dealer did not enter into transactions to create units of the HSBC MSCI Taiwan ETF during the year (2012: 2,000,000 units), there were 3,000,000 (2012: nil) units redeemed for the years ended 31 October 2013. As at 31 October 2013, the Participating Dealer held 2,985,162 units (31 October 2012: 3,109,244 units) of the HSBC MSCI Taiwan ETF.

- (g) As at 31 October 2013, the HSBC Bank Plc, which is a member of the HSBC Group, held 39,000 units of the HSBC MSCI Hong Kong ETF.

Notes to the financial statements

For the year ended 31 October 2013

9 Units in issue

The movements of units in issue are shown as below.

	Year ended 31 October 2013			
	HSBC MSCI Golden Dragon ETF	HSBC MSCI China ETF	HSBC MSCI Hong Kong ETF	HSBC MSCI Taiwan ETF
Balance brought forward	3,600,000	8,500,000	3,600,000	7,000,000
Redeemed during the year	–	(4,000,000)	–	(3,000,000)
Balance carried forward	<u>3,600,000</u>	<u>4,500,000</u>	<u>3,600,000</u>	<u>4,000,000</u>
	Year ended 31 October 2012			
	HSBC MSCI Golden Dragon ETF	HSBC MSCI China ETF	HSBC MSCI Hong Kong ETF	HSBC MSCI Taiwan ETF
Balance brought forward	3,600,000	8,500,000	3,600,000	5,000,000
Issued during the year	–	–	–	2,000,000
Balance carried forward	<u>3,600,000</u>	<u>8,500,000</u>	<u>3,600,000</u>	<u>7,000,000</u>

10 Reconciliation of net assets values

Prior to 1 November 2012, the Sub-Funds priced its financial assets at current bid prices and financial liabilities at current asking prices in accordance with HKAS 39, *Financial instrument: Recognition and measurement*. As a result, the net assets attributable to unitholders presented in the financial statements as at 31 October 2012 and that the adjusted total net assets for valuation purposes were different as the principles for calculating the published unit price as set out in the Offering document were different from those required for financial reporting purposes under HKFRSs. The following reconciliation provides details of the difference:

	Year ended 31 October 2012			
	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
Net assets attributable to unitholders as reported in the financial statements	124,973,747	230,017,303	109,945,309	1,081,720,449
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	–	505,563	177,364	895,861
Adjusted total net assets for valuation purposes	<u>124,973,747</u>	<u>230,522,866</u>	<u>110,122,673</u>	<u>1,082,616,310</u>

Notes to the financial statements

For the year ended 31 October 2013

11 Soft commission arrangements

With regards to the HSBC MSCI Golden Dragon ETF and the HSBC MSCI Hong Kong ETF, the Manager has not entered into any soft commission arrangements with brokers (2012: Nil).

With regards to the HSBC MSCI Taiwan ETF and the HSBC MSCI China ETF, the Manager has entered into soft commission arrangements with brokers under which certain goods and services used to support investment decision making are received by the Manager (2012: Nil). The Manager has not made direct payments for these services but transacts an agreed amount of business with the brokers on behalf of the HSBC MSCI Taiwan ETF and the HSBC MSCI China ETF.

The good and services utilised for the HSBC MSCI Taiwan ETF and the HSBC MSCI China ETF include the following:

- 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; and
- clearing and custodian services and investment-related publications.

12 Fair value information

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

Valuation of financial instruments

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

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

- Level 1: Quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs.

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.

Notes to the financial statements

For the year ended 31 October 2013

12 Fair value information (continued)

Valuation of financial instruments (continued)

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

31 October 2013

	Level 1 HK\$	Level 2 HK\$	Total HK\$
<i>Financial assets at fair value through profit or loss</i>			
Exchange traded funds	140,225,423	–	140,225,423

31 October 2012

	Level 1 HK\$	Level 2 HK\$	Total HK\$
<i>Financial assets at fair value through profit or loss</i>			
Exchange traded funds	125,037,766	–	125,037,766

HSBC MSCI China ETF

31 October 2013

	Level 1 HK\$	Level 2 HK\$	Total HK\$
<i>Financial assets at fair value through profit or loss</i>			
Listed equities	130,911,477	–	130,911,477
Futures	3,690	–	3,690
Warrants	–	1,160,961	1,160,961
	130,915,167	1,160,961	132,076,128

31 October 2012

	Level 1 HK\$	Level 2 HK\$	Total HK\$
<i>Financial assets at fair value through profit or loss</i>			
Listed equities	221,781,928	–	221,781,928
Futures	71,900	–	71,900
Warrants	–	7,027,999	7,027,999
	221,853,828	7,027,999	228,881,827

Notes to the financial statements

For the year ended 31 October 2013

12 Fair value information (continued)

Valuation of financial instruments (continued)

HSBC MSCI Hong Kong ETF

31 October 2013

	Level 1 HK\$	Level 2 HK\$	Total HK\$
<i>Financial assets at fair value through profit or loss</i>			
Listed equities	124,556,363	–	124,556,363
Futures	1,300	–	1,300
	<u>124,557,663</u>	<u>–</u>	<u>124,557,663</u>

31 October 2012

	Level 1 HK\$	Level 2 HK\$	Total HK\$
<i>Financial assets at fair value through profit or loss</i>			
Listed equities	109,469,843	–	109,469,843
Futures	16,640	–	16,640
	<u>109,486,483</u>	<u>–</u>	<u>109,486,483</u>

HSBC MSCI Taiwan ETF

31 October 2013

	Level 1 TWD	Level 2 TWD	Total TWD
<i>Financial assets at fair value through profit or loss</i>			
Listed equities	724,996,713	–	724,996,713
Rights	–	148,937	148,937
	<u>724,996,713</u>	<u>148,937</u>	<u>725,145,650</u>
<i>Financial liabilities at fair value through profit or loss</i>			
Futures	(44,156)	–	(44,156)

31 October 2012

	Level 1 TWD	Level 2 TWD	Total TWD
<i>Financial assets at fair value through profit or loss</i>			
Listed equities	1,077,921,335	–	1,077,921,335
<i>Financial liabilities at fair value through profit or loss</i>			
Futures	(73,033)	–	(73,033)

Notes to the financial statements

For the year ended 31 October 2013

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 year.

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 year ended 31 October 2013

As disclosed in note 2(c), the Sub-Funds have early adopted HKFRS 13, *Fair value measurement*, with effect from 1 November 2012.

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 October 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Sub-Funds:

	Effective for accounting periods beginning on or after
Amendments to HKFRS 7, <i>Financial instruments: Disclosures</i> – <i>Offsetting financial assets and financial liabilities</i>	1 January 2013
HKFRS 10, <i>Consolidated financial statements</i>	1 January 2013
HKFRS 12, <i>Disclosure of interests in other entities</i>	1 January 2013
Amendments to HKAS 32, <i>Financial instruments: Presentation</i> – <i>Offsetting financial assets and financial liabilities</i>	1 January 2014
HKFRS 9, <i>Financial instruments</i>	1 January 2015

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. The Sub-funds are therefore unable to disclose the impact that adopting the amendments, new standards and interpretations will have on their results of operations and financial position.

Investment portfolio

As at 31 October 2013 (Unaudited)

HSBC MSCI Golden Dragon ETF

	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
Listed investments			
<i>Exchange traded funds</i>			
HSBC ETFs Trust – HSBC MSCI China ETF	2,246,258	66,293,363	47.27
HSBC ETFs Trust – HSBC MSCI Hong Kong ETF	984,866	34,260,730	24.43
HSBC ETFs Trust – HSBC MSCI Taiwan ETF	825,413	39,671,330	28.28
Total investments		140,225,423	99.98
<i>(Total cost of investments: HK\$137,332,238)</i>			
Other net assets		30,223	0.02
Total net assets attributable to unitholders		140,255,646	100.00

Investment portfolio

As at 31 October 2013 (Unaudited)

	<i>HSBC MSCI China ETF</i>		
	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
Listed Investments			
Equities			
Agile Property Holdings Ltd	32,136	300,472	0.23
Agricultural Bank of China H Shares	503,918	1,879,614	1.41
Air China Ltd H Shares	43,225	228,660	0.17
Aluminum Corp of China Ltd H Shares	91,964	266,696	0.20
Anhui Conch Cement Co Ltd H Shares	28,862	780,717	0.59
Anta Sports Products Ltd	20,469	227,615	0.17
Avichina Industry & Technology Co Ltd	47,885	176,217	0.13
Bank of China Ltd H Shares	1,761,923	6,395,780	4.82
BBMG Corp H Shares	27,396	152,322	0.11
Beijing Capital International Airport Co Ltd H Shares	44,234	241,960	0.18
Beijing Enterprises Holdings Ltd	12,094	769,783	0.58
Belle International Holdings Ltd	108,764	1,189,878	0.90
Bosideng International Holdings Ltd	65,973	118,092	0.09
Brilliance China Automotive	70,132	950,990	0.72
Byd Co Ltd H Shares	12,185	467,904	0.35
China Agri-Ind Holdings Ltd	49,351	179,638	0.13
China Bluechemical Ltd H Shares	41,554	206,939	0.16
China Citic Bank Corp Ltd H Shares	191,444	832,781	0.63
China Coal Energy Co H Shares	95,976	456,846	0.34
China Communications Construction Co Ltd H Shares	103,888	657,611	0.49
China Communications Services Corp Ltd H Shares	55,591	264,057	0.20
China Construction Bank H Shares	1,688,880	10,167,058	7.65
China COSCO Holdings Co Ltd H Shares	60,463	222,504	0.17
China Everbright International Ltd	52,304	404,310	0.30
China Everbright Ltd	20,515	235,512	0.18
China Gas Holdings Ltd	53,430	461,635	0.35
China International Marine Containers Group Co Ltd H Shares	11,700	169,650	0.13
China Life Insurance Co H Shares	173,975	3,583,885	2.70
China Longyuan Power Group Corp H Shares	62,312	555,200	0.42
China Mengniu Dairy Co Ltd	31,067	1,059,385	0.80
China Merchants Bank Co Ltd H Shares	107,571	1,656,593	1.25
China Merchants Holdings International Co Ltd	26,623	732,132	0.55
China Minsheng Banking Co Ltd H Shares	121,775	1,082,580	0.81
China Mobile Ltd	141,144	11,489,122	8.65
China National Building Material Co Ltd H Shares	67,826	514,121	0.39
China Oilfield Services Ltd	35,738	775,515	0.58
China Overseas Grand Oceans Group Ltd	15,776	145,770	0.11
China Overseas Land & Investment Ltd	95,473	2,291,352	1.72
China Pacific Insurance (Gr) Co Ltd H Shares	61,756	1,729,168	1.30

Investment portfolio

As at 31 October 2013 (Unaudited)

<i>HSBC MSCI China ETF</i>			
	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
Listed Investments			
Equities (continued)			
China Petroleum & Chemical Corp H Shares	597,037	3,779,244	2.85
China Railway Construction Corp H Shares	46,262	393,227	0.30
China Railway Group Ltd H Shares	93,800	410,844	0.31
China Resources Cement Holding Ltd	46,110	239,311	0.18
China Resources Enterprise Ltd	27,987	768,243	0.58
China Resources Gas Group Ltd	20,752	416,078	0.31
China Resources Land Ltd	47,554	1,067,587	0.80
China Resources Power Holdings Co Ltd	45,015	913,804	0.69
China Shanshui Cement Group Co Ltd	42,730	117,935	0.09
China Shenhua Energy Co Ltd H Shares	79,571	1,877,876	1.41
China Shipping Container Lines Co Ltd H Shares	87,876	168,722	0.13
China Southern Airlines Co Ltd H Shares	42,681	122,068	0.09
China State Construction International Holdings Ltd	40,642	530,785	0.40
China Taiping Insurance Holdings Co Ltd	19,964	241,564	0.18
China Telecom Corp Ltd H Shares	325,279	1,317,380	0.99
China Unicom (Hong Kong)	110,320	1,350,317	1.02
Chongqing Rural Commercial Bank Co Ltd H Shares	55,782	218,108	0.16
CITIC Pacific Ltd	34,140	376,906	0.28
CITIC Securities Co Ltd H Shares	24,880	404,051	0.30
CNOOC Ltd	417,921	6,653,302	5.01
COSCO Pacific Ltd	39,066	441,446	0.33
Country Garden Holdings Co	106,841	566,257	0.43
CSR Corporation Ltd H Shares	44,769	289,208	0.22
Dah Chong Hong Holdings Ltd	19,272	126,810	0.09
Daphne International Holdings Ltd	22,768	91,983	0.07
Datang International Power Gen Co Ltd H Shares	69,358	246,221	0.18
Dongfeng Motor Group Co Ltd H Shares	63,726	698,437	0.53
ENN Energy Holdings Ltd	18,128	832,982	0.63
Evergrande Real Estate Group	150,115	490,876	0.37
Far East Horizon Ltd	30,600	173,502	0.13
Fosun International	37,470	279,151	0.21
Franshion Properties China Ltd	86,131	231,692	0.17
GCL Poly Energy Holdings Ltd	217,266	517,093	0.39
Geely Automobile Holdings Ltd	107,634	420,849	0.32
Golden Eagle Retail Group Ltd	15,713	182,899	0.14
GOME Electrical Appliances Holdings Ltd	237,206	284,647	0.21
Great Wall Motor Co Ltd H Shares	24,155	1,100,260	0.83
Greentown China Holdings Ltd	15,032	226,382	0.17
Guangdong Investments Ltd	58,287	388,774	0.29

Investment portfolio

As at 31 October 2013 (Unaudited)

	<i>HSBC MSCI China ETF</i>		
	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
Listed Investments			
Equities (continued)			
Guangzhou Automobile Group Co Ltd H Shares	51,405	472,926	0.36
Guangzhou R&F Properties Co Ltd H Shares	21,457	291,815	0.22
Haier Electronics Group Co Ltd	18,104	299,440	0.23
Haitong Securities Co Ltd	29,752	349,884	0.26
Hengan International Group Co Ltd	17,318	1,644,344	1.24
Huaneng Power International Inc H Shares	74,678	604,892	0.46
Industrial and Commercial Bank of China Ltd	1,727,147	9,378,408	7.06
Intime Retail Group Co Ltd (formerly known as Intime Department Store Group Co Ltd)	23,552	217,385	0.16
Jiangsu Expressway Co Ltd H Shares	29,071	283,733	0.21
Jiangxi Copper Co Ltd H Shares	32,632	486,217	0.37
Kingboard Chemical Holdings Ltd	15,691	320,096	0.24
Kunlun Energy Co Ltd	75,088	952,116	0.72
Lee & Man Paper Manufacturing Ltd	38,357	213,265	0.16
Lenovo Group Ltd	146,746	1,217,992	0.92
Longfor Properties	31,781	401,712	0.30
New China Life Insurance Co Ltd	15,724	343,569	0.26
Nine Dragons Paper Holdings Ltd	38,121	243,974	0.18
Parkson Retail Group Ltd	29,626	78,805	0.06
People's Insurance Co (Group) of China Ltd	112,128	410,388	0.31
Petrochina Co Ltd H Shares	493,837	4,385,273	3.30
PICC Property and Casualty Co Ltd	74,380	883,634	0.66
Ping An Insurance (Group) Co of China Ltd	43,868	2,678,141	2.02
Poly Property Group Co Ltd	46,822	222,404	0.17
Shandong Weigao Group Medical Polymer Co Ltd H Shares	40,128	292,132	0.22
Shanghai Electric Grp Corp H Shares	65,944	180,687	0.14
Shanghai Industrial Holdings Ltd	11,194	287,126	0.22
Shanghai Pharmaceuticals Holding Co Ltd H Shares	16,148	258,045	0.19
Shenzhen International Group Holdings Ltd	13,344	356,285	0.27
Shimao Property Holdings Ltd	32,494	634,283	0.48
Shougang Fushan Resources Group Ltd	74,042	193,250	0.15
Shui On Land Ltd	84,356	227,761	0.17
Sihuan Pharmaceutical Holdings	48,478	280,203	0.21
Sino Biopharmaceutical Ltd	70,408	385,132	0.29
Sino-Ocean Land Holdings Ltd	68,605	337,537	0.25
Sinopec Shanghai Petrochemical Co Ltd	81,424	166,919	0.13
Sinopharm Group Co H Shares	23,214	487,494	0.37
Soho China Ltd	46,672	316,903	0.24
Sun Art Retail Group Ltd	55,852	709,320	0.53

Investment portfolio

As at 31 October 2013 (Unaudited)

	HSBC MSCI China ETF		
	Holdings	Market value HK\$	% of total net assets attributable to unitholders
Listed Investments			
Equities (continued)			
Tencent Holdings Ltd	23,843	10,090,358	7.60
Tingyi (Cayman) Holdings Corp	46,101	1,009,612	0.76
Tsingtao Brewery Co Ltd H Shares	8,333	529,145	0.40
Uni-President China Holdings	25,304	196,106	0.15
Want Want China Holdings Ltd	139,197	1,659,228	1.25
Weichai Power Co Ltd H Shares	11,346	352,293	0.26
Wumart Stores Inc H Shares	12,176	157,557	0.12
Yanzhou Coal Mining Co Ltd H Shares	46,175	371,247	0.28
Yingde Gases Group Co Ltd	25,252	201,006	0.15
Yuexiu Property Co Ltd	119,562	258,254	0.19
Zhaojin Mining Industry Co Ltd H Shares	20,506	128,778	0.10
Zhejiang Expressway Co Ltd H Shares	33,240	237,334	0.18
Zhongsheng Group Holdings Ltd	13,500	167,670	0.13
Zhuzhou CSR Times Electric Co Ltd H Shares	12,720	353,616	0.27
Zijin Mining Group Co Ltd H Shares	140,756	251,953	0.19
Zoomlion Heavy Industry Science and Technology Co Ltd H Shares	31,842	227,670	0.17
ZTE Corporation H Shares	14,750	249,275	0.19
		130,911,477	98.57
Futures			
Mini H-Shares Index Futures 30/12/2013	7	3,690	0.00
Unlisted Investments			
Warrants			
Morgan Stanley (Bank of Communication Ltd H Shares) CWTS 14/3/2014	204,755	1,160,961	0.88
Total investments		132,076,128	99.45
<i>(Total cost of investments: HK\$136,811,503)</i>			
Other net assets		731,285	0.55
Total net assets attributable to unitholders		132,807,413	100.00

Investment portfolio

As at 31 October 2013 (Unaudited)

HSBC MSCI Hong Kong ETF

	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
Listed Investments			
Equities			
AAC Technologies Holdings Inc	31,259	1,070,621	0.85
AIA Group Ltd	511,971	20,146,059	16.09
ASM Pacific Technology	10,163	759,684	0.61
Bank of East Asia	52,967	1,777,043	1.42
BOC Hong Kong (Holdings) Ltd	157,494	3,984,598	3.18
Cathay Pacific Airways Ltd	50,068	770,046	0.61
Cheung Kong Holdings Ltd	58,958	7,145,710	5.71
Cheung Kong Infrastructure Holdings Ltd	26,472	1,428,164	1.14
CLP Holdings Ltd	75,530	4,713,072	3.76
First Pacific Co	100,535	886,719	0.71
Galaxy Entertainment Group Ltd	89,228	5,161,840	4.12
Hang Lung Properties Ltd	94,968	2,426,432	1.94
Hang Seng Bank Ltd	32,644	4,211,076	3.36
Henderson Land Development	45,078	2,071,334	1.65
HKT Trust and HKT Ltd	95,281	685,070	0.55
Hong Kong & China Gas	244,343	4,427,495	3.53
Hong Kong Exchanges and Clearing Ltd	46,742	5,842,750	4.66
Hopewell Holdings Ltd	24,128	629,741	0.50
Hutchison Whampoa Ltd	90,837	8,774,854	7.01
Hysan Development Co Ltd	27,059	980,889	0.78
Kerry Properties Ltd	27,489	923,630	0.74
Li & Fung Ltd	250,285	2,743,124	2.19
Link REIT	97,572	3,815,065	3.05
MGM China Holdings Ltd	40,304	1,076,117	0.86
MTR Corp Ltd	61,962	1,861,958	1.49
New World Development Ltd	161,433	1,733,790	1.38
NWS Holdings Ltd	62,837	760,328	0.61
Orient Overseas International Ltd	9,292	372,145	0.30
PCCW Ltd	170,691	597,418	0.48
Power Assets Holdings Ltd	58,855	3,802,033	3.04
Sands China Ltd	102,929	5,671,388	4.53
Shangri-La Asia Ltd	66,442	943,476	0.75
Sino Land Co	126,008	1,370,967	1.09
SJM Holdings Ltd	82,379	2,063,594	1.65
Sun Hung Kai Properties Ltd	68,133	6,922,313	5.53
Swire Pacific Ltd A	28,815	2,580,383	2.06
Swire Properties Ltd	49,838	1,046,598	0.84
Wharf Holdings Ltd	64,258	4,196,047	3.35
Wheelock & Co Ltd	38,791	1,536,124	1.23

Investment portfolio

As at 31 October 2013 (Unaudited)

HSBC MSCI Hong Kong ETF

	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
Listed Investments			
Equities (continued)			
Wynn Macau Ltd	66,425	1,976,144	1.58
Yue Yuen Industrial Holdings Ltd	31,480	670,524	0.53
		<u>124,556,363</u>	<u>99.46</u>
Futures			
Mini Hang Seng Index Futures 30/12/2013	2	1,300	0.00
Unlisted Investments			
Rights			
New World Development Ltd Nil Paid Rights 31/12/2013	2,017	–	0.00
Total investments		124,557,663	99.46
<i>(Total cost of investments: HK\$113,831,156)</i>			
Other net assets		<u>676,199</u>	<u>0.54</u>
Total net assets attributable to unitholders		<u><u>125,233,862</u></u>	<u><u>100.00</u></u>

Investment portfolio

As at 31 October 2013 (Unaudited)

<i>HSBC MSCI Taiwan ETF</i>			
	<i>Holdings</i>	<i>Market value TWD</i>	<i>% of total net assets attributable to unitholders</i>
Listed Investments			
Equities			
Acer Inc	142,550	2,736,960	0.37
Advanced Semiconductor Engineering Inc	340,067	9,810,933	1.34
Advantech Co Ltd	15,515	2,924,577	0.40
Asia Cement Corp	119,822	4,774,907	0.65
Asustek Computer Inc	37,898	8,527,050	1.17
Au Optronics Corp	483,717	4,706,566	0.65
Catcher Technology Co Ltd	37,762	6,457,302	0.88
Cathay Financial Holding Co Ltd	432,355	19,153,326	2.62
Chailease Holding Co Ltd	41,484	2,961,958	0.41
Chang Hwa Commercial Bank	259,626	4,569,418	0.63
Cheng Shin Rubber Industry Co Ltd	90,657	7,107,509	0.97
Cheng Uei Precision Industry Co	21,853	1,346,145	0.18
Chicony Electronics Co Ltd	26,465	1,934,591	0.27
China Airlines	145,010	1,544,356	0.21
China Development Financial Holding Co Inc	762,907	6,690,694	0.92
China Life Insurance Co Ltd	121,847	3,509,194	0.48
China Motor Co Ltd	31,048	872,449	0.12
China Petrochemical Develop Corp	97,403	1,436,694	0.20
China Steel Corp	646,650	16,521,907	2.26
Chunghwa Telecom Co Ltd	212,363	20,089,540	2.75
CLEVO Co	27,204	1,700,250	0.23
Compal Electronics Inc	234,304	5,388,992	0.74
CTBC Financial Holding Co Ltd (formerly known as Chinatrust Financial Holding Co Ltd)	739,689	14,719,811	2.02
CTCI Corp	33,142	1,703,499	0.23
Delta Electronics Inc	101,685	15,506,962	2.12
E.Sun Financial Holding Co	261,979	5,147,887	0.71
Eclat Textile Co Ltd	9,142	2,957,437	0.41
Epistar Corp	47,042	2,403,846	0.33
Eva Airways Corp	90,788	1,484,384	0.20
Evergreen Marine Corp	93,269	1,613,554	0.22
Far Eastern Department Stores Ltd	55,409	1,750,924	0.24
Far Eastern New Century Corp	172,521	5,822,584	0.80
Far Eastone Telecommunication Co Ltd	89,402	6,034,635	0.83
Farglory Land Developers Co Ltd	19,142	1,031,754	0.14
Feng Hsin Iron & Steel Co Ltd	24,632	1,320,275	0.18
First Financial Holding	386,629	7,036,648	0.96
Formosa Chemicals & Fibre Corp	180,180	15,297,282	2.10
Formosa International Hotels Corp	2,059	727,857	0.10

Investment portfolio

As at 31 October 2013 (Unaudited)

<i>HSBC MSCI Taiwan ETF</i>			
	<i>Holdings</i>	<i>Market value TWD</i>	<i>% of total net assets attributable to unitholders</i>
Listed Investments			
Equities (continued)			
Formosa Petrochemical Corp	63,829	5,055,257	0.69
Formosa Plastics Corp	231,148	18,445,610	2.53
Formosa Taffeta Co Ltd	42,218	1,543,068	0.21
Foxconn Technology Co Ltd	47,293	3,490,223	0.48
Fubon Financial Holding Co	371,725	15,984,175	2.19
Giant Manufacturing Co Ltd	15,561	3,431,200	0.47
Hermes Microvision Inc	1,645	1,580,845	0.22
Highwealth Construction Corp	18,219	1,155,085	0.16
Hiwin Technologies Corp	9,707	2,252,024	0.31
Hon Hai Precision Industry	618,579	46,084,136	6.31
Hotai Motor Co Ltd	13,716	4,800,600	0.66
HTC Corp	40,672	5,877,104	0.81
Hua Nan Financial Holdings Co Ltd	303,323	5,277,820	0.72
Innolux Corp (formerly known as Chimei Innolux Corp)	381,177	4,440,712	0.61
Inventec Co Ltd	130,122	3,422,209	0.47
Kinsus Interconnect Technology Corp	15,195	1,595,475	0.22
Largan Precision Co Ltd	5,612	5,612,000	0.77
LCY Chemical Corp	28,659	1,111,969	0.15
Lite-On Technology Corp	116,216	5,973,502	0.82
Mediatek Inc	67,765	27,241,530	3.73
Mega Financial Holding Co Ltd	479,698	12,184,329	1.67
Merida Industry Co Ltd	10,858	2,421,334	0.33
Mstar Semiconductor Inc	10,680	3,241,380	0.44
Nan Kang Rubber Tire Co Ltd	31,975	1,207,056	0.17
Nan Ya Plastic Corp	266,075	17,827,025	2.44
Novatek Microelectronics Ltd	30,187	3,516,786	0.48
Pegatron Corp	89,484	3,659,896	0.50
Phison Electronics Corp	7,357	1,559,684	0.21
Pou Chen Corp	114,939	4,114,816	0.56
Powertech Technology Inc	37,240	1,973,720	0.27
President Chain Store Corp	32,040	6,856,560	0.94
Quanta Computer Inc	139,659	9,734,232	1.33
Radiant Opto-Electronics Corp	24,818	2,729,980	0.37
Realtek Semiconductor Corp	25,545	1,747,278	0.24
Ruentex Development Co Ltd	35,154	2,161,971	0.30
Ruentex Industries Ltd	25,644	1,943,815	0.27
ScinoPharm Taiwan Ltd	11,294	1,106,812	0.15
Shin Kong Financial Holdings	358,136	3,652,987	0.50
Siliconware Precision Industries Co	165,294	5,900,996	0.81

Investment portfolio

As at 31 October 2013 (Unaudited)

<i>HSBC MSCI Taiwan ETF</i>			
	<i>Holdings</i>	<i>Market value TWD</i>	<i>% of total net assets attributable to unitholders</i>
Listed Investments			
Equities (continued)			
Simplo Technology Co Ltd	15,359	2,219,376	0.30
Sinopac Financial Holdings Co Ltd	367,306	5,325,937	0.73
Standard Foods Corp	16,866	1,517,940	0.21
Synnex Tech International Corp	70,726	3,320,586	0.45
Taishin Financial Holdings Co Ltd	356,367	5,292,050	0.72
Taiwan Business Bank	185,238	1,670,847	0.23
Taiwan Cement Corp	185,533	7,931,536	1.09
Taiwan Cooperative Financial Holding	313,025	5,164,912	0.71
Taiwan Fertilizer Co Ltd	43,816	3,067,120	0.42
Taiwan Glass Industrial Corp	53,164	1,581,629	0.22
Taiwan Mobile Co Ltd	93,595	9,406,298	1.29
Taiwan Semiconductor Manufacturing Co Ltd	1,374,410	150,497,895	20.62
Teco Electric & Machinery Co Ltd	99,581	3,121,864	0.43
TPK Holding Co Ltd	12,855	2,654,558	0.36
Transcend Information Inc	11,013	1,022,006	0.14
Tripod Technology Corp	23,546	1,368,023	0.19
Tsrc Corp	33,185	1,801,946	0.25
U-Ming Marine Transport Corp	24,239	1,171,956	0.16
Unimicron Technology Corp	73,237	1,702,760	0.23
Uni-President Enterprises Corp	244,853	13,711,768	1.88
United Microelectronics Corp	671,841	8,364,420	1.15
Vanguard International Semiconductor Corp	41,142	1,308,316	0.18
Walsin Lihwa Corp	182,094	1,658,876	0.23
Wan Hai Lines Ltd	61,972	982,256	0.13
Wistron Corp	122,703	3,386,603	0.46
WPG Holdings Co Ltd	78,580	2,813,164	0.39
Yang Ming Marine Transport	78,761	1,027,831	0.14
Yuanta Financial Hldg Co Ltd	469,768	7,516,288	1.03
Yulon Motor Co Ltd	44,065	2,286,974	0.31
Zhen Ding Technology Holding	12,480	861,120	0.12
		724,996,713	99.32
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Investment portfolio

As at 31 October 2013 (Unaudited)

	HSBC MSCI Taiwan ETF		
	Holdings	Market value TWD	% of total net assets attributable to unitholders
Listed Investments			
Futures			
MSCI Taiwan Index 30/12/2013	5	(44,156)	(0.00)
Unlisted Investments			
Rights			
Mega Financial Holding Co Ltd Nil Paid Rights 2013 06/12/2013	38,189	148,937	0.02
Total investments		725,101,494	99.34
<i>(Total cost of investments: TWD684,856,644)</i>			
Other net assets		4,838,109	0.66
Total net assets attributable to unitholders		729,939,603	100.00

Statement of movements in portfolio holdings

For the year ended 31 October 2013 (Unaudited)

HSBC MSCI Golden Dragon ETF

	<i>% of net asset attributable to unitholders 2013</i>	<i>% of net asset attributable to unitholders 2012</i>
Listed investments		
Exchange traded funds	99.98	100.05
Total investments	99.98	100.05
Other net assets/(liabilities)	0.02	(0.05)
Total net assets attributable to unitholders	100.00	100.00

HSBC MSCI China ETF

	<i>% of net asset attributable to unitholders 2013</i>	<i>% of net asset attributable to unitholders 2012</i>
Listed investments		
Equities	98.57	96.42
Futures	0.00	0.03
Unlisted investments		
Warrants	0.88	3.06
Total investments	99.45	99.51
Other net assets	0.55	0.49
Total net assets attributable to unitholders	100.00	100.00

Statement of movements in portfolio holdings

For the year ended 31 October 2013 (Unaudited)

HSBC MSCI Hong Kong ETF

	<i>% of net asset attributable to unitholders 2013</i>	<i>% of net asset attributable to unitholders 2012</i>
Listed investments		
Equities	99.46	99.57
Futures	0.00	0.01
Total investments	99.46	99.58
Other net assets	0.54	0.42
Total net assets attributable to unitholders	100.00	100.00

HSBC MSCI Taiwan ETF

	<i>% of net asset attributable to unitholders 2013</i>	<i>% of net asset attributable to unitholders 2012</i>
Listed investments		
Equities	99.32	99.65
Futures	(0.00)	(0.01)
Unlisted investments		
Rights	0.02	0.00
Total investments	99.34	99.64
Other net assets	0.66	0.36
Total net assets attributable to unitholders	100.00	100.00

Performance of the underlying index and the Sub-Funds

For the year ended 31 October 2013 (Unaudited)

Fund/Index	Performance in HK Dollar	
	2013	2012
HSBC MSCI Golden Dragon ETF	12.23%	6.69%
MSCI Golden Dragon Index	12.94%	7.40%

Fund/Index	Performance in HK Dollar	
	2013	2012
HSBC MSCI China ETF	8.83%	7.10%
MSCI China Index	9.32%	7.71%

Fund/Index	Performance in HK Dollar	
	2013	2012
HSBC MSCI Hong Kong ETF	13.72%	15.32%
MSCI Hong Kong Index	14.30%	16.12%

Fund/Index	Performance in Taiwan Dollar	
	2013	2012
HSBC MSCI Taiwan ETF	17.99%	(2.46%)
MSCI Taiwan Index	18.76%	(1.78%)

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)

Year/period	Class A units	
	Lowest HK\$	Highest HK\$
Year ended 31 October 2013	32.9803	39.2638
Year ended 31 October 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

	2013 HK\$ (at last traded prices)	2012 HK\$ (at bid prices)	2011 HK\$ (at bid prices)
Total net asset value	140,255,646	124,973,747	117,141,579

(c) Net asset value per unit

	2013 HK\$ (at last traded prices)	2012 HK\$ (at bid prices)	2011 HK\$ (at bid prices)
Net asset value per unit – Class A units	38.9599	34.7149	32.5393

Performance record (Unaudited)

HSBC MSCI China ETF

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

Year/period	Class A units	
	Lowest HK\$	Highest HK\$
Year ended 31 October 2013	24.0817	30.3654
Year ended 31 October 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

	2013 HK\$ (at last traded prices)	2012 HK\$ (at bid prices)	2011 HK\$ (at bid prices)
Total net asset value	132,807,413	230,017,303	214,600,914

(c) Net asset value per unit

	2013 HK\$ (at last traded prices)	2012 HK\$ (at bid prices)	2011 HK\$ (at bid prices)
Net asset value per unit – Class A units	29.5128	27.0609	25.2472

Performance record (Unaudited)

HSBC MSCI Hong Kong ETF

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

Year/period	Class A units	
	Lowest HK\$	Highest HK\$
Year ended 31 October 2013	30.2138	35.2933
Year ended 31 October 2012	24.1201	31.1155
Period from 12 April 2011 (date of inception) to 31 October 2011	21.7842	30.8569

(b) Total net asset value

	2013 HK\$ (at last traded prices)	2012 HK\$ (at bid prices)	2011 HK\$ (at bid prices)
Total net asset value	125,233,862	109,945,309	95,316,091

(c) Net asset value per unit

	2013 HK\$ (at last traded prices)	2012 HK\$ (at bid prices)	2011 HK\$ (at bid prices)
Net asset value per unit – Class A units	34.7872	30.5404	26.4767

Performance record (Unaudited)

HSBC MSCI Taiwan ETF

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

Year/period	Class A units	
	Lowest TWD	Highest TWD
Year ended 31 October 2013	153.5805	182.8053
Year ended 31 October 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

	2013 TWD (at last traded prices)	2012 TWD (at bid prices)	2011 TWD (at bid prices)
Total net asset value	729,939,603	1,081,720,449	792,103,945

(c) Net asset value per unit

	2013 TWD (at last traded prices)	2012 TWD (at bid prices)	2011 TWD (at bid prices)
Net asset value per unit – Class A units	182.4849	154.5315	158.4208

Underlying index constituent stocks disclosure (Unaudited)

Those constituent stocks held by HSBC MSCI Golden Dragon ETF, HSBC MSCI China ETF, HSBC MSCI Hong Kong ETF and HSBC MSCI Taiwan ETF that accounted for more than 10% of the underlying index as at 31 October 2013 are shown below.

HSBC MSCI Golden Dragon ETF

Constituent stocks	Weighting of the underlying index (%)	
	2013	2012
HSBC MSCI China ETF	47.18%	48.42%
HSBC MSCI Hong Kong ETF	24.32%	23.90%
HSBC MSCI Taiwan ETF	28.50%	27.68%

HSBC MSCI China ETF

As at 31 October 2013, no individual constituent stock held by HSBC MSCI China ETF accounted for more than 10% of the underlying index. As at 31 October 2012, only one constituent stock, i.e. China Mobile Ltd accounted for more than 10% (10.02%) of the underlying index.

HSBC MSCI Hong Kong ETF

Constituent stocks	Weighting of the underlying index (%)	
	2013	2012
AIA Group Ltd	16.18%	12.35%

HSBC MSCI Taiwan ETF

Constituent stocks	Weighting of the underlying index (%)	
	2013	2012
Taiwan Semiconductor Manufacturing Co Ltd	20.75%	19.74%

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