



HSBC ETFs Trust

Interim Report 2014

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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 six month period ended 30 April 2014, equity markets have recorded mixed results with developed markets continue to outperform emerging markets. Within the Greater China region, MSCI Golden Dragon Index, MSCI China Index, MSCI Hong Kong Index and MSCI Taiwan Index recorded a return of -2.57%, -6.85%, 0.40% and 5.04% respectively in HKD term (except the MSCI Taiwan Index which is in Taiwan Dollar term). The objective of the ETFs is to track the return of their corresponding benchmark (MSCI Hong Kong, MSCI China, MSCI Taiwan, and MSCI Golden Dragon).

As explained in note 2(b) of the "Notes on the unaudited interim financial Statements", the Manager intends to terminate the Trust, subsequent to the period ended 30 April 2014.

Trustee's report

HSBC ETFs Trust ("the Trust")

We hereby confirm that, in our opinion, the Manager of HSBC MSCI Golden Dragon ETF, HSBC MSCI China ETF, HSBC MSCI Hong Kong ETF and HSBC MSCI Taiwan ETF ("the Sub-Funds") of the Trust has, in all material respects, managed the Sub-Funds in accordance with the provisions of the Trust Deed dated 25 February 2011, as amended, for the period ended 30 April 2014.

Interim statement of assets and liabilities

As at 30 April 2014

		<i>30 April 2014 (unaudited)</i>			
	Note	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
Assets					
Financial assets at fair value through profit or loss	4, 11	22,656,887	27,412,275	20,940,385	95,206,661
Dividends receivable		–	5,987	47,383	–
Cash and cash equivalents	8(d)(i)	159,662	221,595	155,497	993,762
Total assets		<u>22,816,549</u>	<u>27,639,857</u>	<u>21,143,265</u>	<u>96,200,423</u>
Liabilities					
Amounts due to brokers		–	–	–	44,505
Accrued expenses and other payable	7	154,013	233,216	209,918	1,166,373
Total liabilities		<u>154,013</u>	<u>233,216</u>	<u>209,918</u>	<u>1,210,878</u>
Net assets attributable to unitholders		<u>22,662,536</u>	<u>27,406,641</u>	<u>20,933,347</u>	<u>94,989,545</u>
Representing:					
Total equity		<u>22,662,536</u>	<u>27,406,641</u>	<u>20,933,347</u>	<u>94,989,545</u>
Total number of units in issue	9	<u>600,000</u>	<u>1,000,000</u>	<u>600,000</u>	<u>500,000</u>
Net asset value per unit – Class A units		<u>37.7709</u>	<u>27.4066</u>	<u>34.8889</u>	<u>189.9791</u>

The notes on pages 11 to 33 form part of these interim financial statements.

Interim statement of assets and liabilities

As at 30 April 2014

		31 October 2013 (audited)				
		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, 11	140,225,423	132,076,128	124,557,663	725,145,650
	Dividends receivable		–	91,075	83,792	–
	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, 11	–	–	–	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		<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>

The notes on pages 11 to 33 form part of these interim financial statements.

Interim statement of comprehensive income

For the period ended 30 April 2014

		<i>Period from 1 November 2013 to 30 April 2014 (unaudited)</i>			
		HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
Note					
Income					
	Dividend income	–	20,460	485,000	6
	Other income	–	2,753	–	1,968,799
		–	23,213	485,000	1,968,805
Expenses					
	Management fees	8(a) 2	12,159	10,155	50,844
	Operating expenses	6(a) 20	109,424	91,388	343,878
	Other expenses	6(b) 35,717	70,068	36,926	2,876,891
		35,739	191,651	138,469	3,271,613
(Loss)/income attributable to unitholders before gains/(losses) on financial instruments at fair value through profit or loss					
		(35,739)	(168,438)	346,531	(1,302,808)
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 1,783,234	2,598,906	801,785	(2,578,042)
	Net foreign exchange (losses)/gains	(5) (5)	(74)	(31)	91,659
		1,783,229	2,598,832	801,754	(2,486,383)
Income/(loss) attributable to unitholders before taxation					
		1,747,490	2,430,394	1,148,285	(3,789,191)
	Taxation	3 –	(1,766)	–	(54,867)
Income/(loss) attributable to unitholders and total comprehensive income for the period					
		1,747,490	2,428,628	1,148,285	(3,844,058)

The notes on pages 11 to 33 form part of these interim financial statements.

Interim statement of comprehensive income

For the period ended 30 April 2014

		<i>Period from 1 November 2012 to 30 April 2013 (unaudited)</i>			
		HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
Note					
Income					
	Dividend income	–	37,221	1,046,180	–
		–	37,221	1,046,180	–
Expenses					
	Management fees	8(a) 3	59,711	29,025	289,412
	Operating expenses	6(a) 126	537,395	261,224	2,604,704
	Other expenses	6(b) 24,298	99,179	63,854	931,434
		24,427	696,285	354,103	3,825,550
(Loss)/income attributable to unitholders before gains on financial instruments at fair value through profit or loss					
		(24,427)	(659,064)	692,077	(3,825,550)
Gains on financial instruments at fair value through profit or loss					
	Net gains on financial instruments at fair value through profit or loss	5 8,941,021	7,689,396	11,002,566	146,261,547
	Net foreign exchange losses	(4)	(347)	(68)	(42,036)
		8,941,017	7,689,049	11,002,498	146,219,511
Income attributable to unitholders before taxation					
		8,916,590	7,029,985	11,694,575	142,393,961
	Taxation	3 –	–	–	(61,687)
Income attributable to unitholders and total comprehensive income for the period					
		8,916,590	7,029,985	11,694,575	142,332,274

The notes on pages 11 to 33 form part of these interim financial statements.

Interim statement of changes in equity

For the period ended 30 April 2014

	<i>Period from 1 November 2013 to 30 April 2014 (unaudited)</i>			
	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 period	140,255,646	132,807,413	125,233,862	729,939,603
Income/(loss) attributable to unitholders and total comprehensive income for the period	1,747,490	2,428,628	1,148,285	(3,844,058)
Transactions with owners (i.e. unitholders), recorded directly in equity				
Paid and payable on redemption of units	(119,340,600)	(107,829,400)	(105,448,800)	(631,106,000)
Total transactions with owners (i.e. unitholders)	(119,340,600)	(107,829,400)	(105,448,800)	(631,106,000)
Balance at period end	22,662,536	27,406,641	20,933,347	94,989,545

The notes on pages 11 to 33 form part of these interim financial statements.

Interim statement of changes in equity

For the period ended 30 April 2014

	<i>Period from 1 November 2012 to 30 April 2013 (unaudited)</i>			
	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 period	124,973,747	230,017,303	109,945,309	1,081,720,449
Income attributable to unitholders and total comprehensive income for the period	8,916,590	7,029,985	11,694,575	142,332,274
Balance at period end	133,890,337	237,047,288	121,639,884	1,224,052,723

The notes on pages 11 to 33 form part of these interim financial statements.

Interim cash flow statement

For the period ended 30 April 2014

Period from 1 November 2013 to 30 April 2014 (unaudited)

	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	–	105,548	521,409	6
Other income received	–	2,753	–	1,968,799
Net foreign exchange (losses)/gains	(5)	(74)	(31)	91,659
Payment for management fees	(14)	(15,432)	(13,720)	(73,666)
Payment for operating expenses	(163,871)	(514,766)	(489,553)	(2,041,683)
Reimbursements from Manager	198,444	268,234	298,739	943,838
Payment for other expenses	(9,163)	(63,566)	(25,968)	(2,609,302)
Margin deposit withdrawn from broker	–	204,294	111,396	4,012,787
Proceeds from sale of financial instruments at fair value through profit or loss	119,692,452	109,705,056	107,807,936	632,687,187
Payment on purchase of financial instruments at fair value through profit or loss	(340,683)	(2,549,430)	(3,400,073)	(5,124,055)
Tax paid	–	(1,766)	–	(54,867)
Net cash generated from operating activities	119,377,160	107,140,851	104,810,135	629,800,703
Financing activities				
Payments on redemption of units	(119,340,600)	(107,829,400)	(105,448,800)	(631,106,000)
Net cash used in financing activities	(119,340,600)	(107,829,400)	(105,448,800)	(631,106,000)
Net increase/(decrease) in cash and cash equivalents	36,560	(688,549)	(638,665)	(1,305,297)
Cash and cash equivalents at the beginning of the period	123,102	910,144	794,162	2,299,059
Cash and cash equivalents at the end of the period	159,662	221,595	155,497	993,762

The notes on pages 11 to 33 form part of these interim financial statements.

Interim cash flow statement

For the period ended 30 April 2014

	<i>Period from 1 November 2012 to 30 April 2013 (unaudited)</i>			
	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	-	109,901	829,409	20,323
Net foreign exchange losses	(4)	(347)	(68)	(42,036)
Payment for management fees	(3)	(59,458)	(28,617)	(282,970)
Payment for operating expenses	(215,544)	(695,041)	(667,339)	(2,698,614)
Reimbursements from Manager	122,917	(134,376)	98,036	(1,058,578)
Payment for other expenses	(24,491)	(108,608)	(73,415)	(785,611)
Margin deposit withdrawn from broker	-	550,000	100,000	1,454,524
Proceeds from sale of financial instruments at fair value through profit or loss	1,471,317	11,911,749	4,872,880	21,073,307
Payment on purchase of financial instruments at fair value through profit or loss	(1,347,142)	(12,566,154)	(5,540,591)	(20,641,091)
Tax paid	-	-	-	(61,687)
Net cash generated from/(used in) operating activities	7,050	(992,334)	(409,705)	(3,022,433)
Net increase/(decrease) in cash and cash equivalents	7,050	(992,334)	(409,705)	(3,022,433)
Cash and cash equivalents at the beginning of the period	1,137	1,045,465	642,327	4,503,069
Cash and cash equivalents at the end of the period	8,187	53,131	232,622	1,480,636

The notes on pages 11 to 33 form part of these interim financial statements.

Notes on the unaudited interim financial statements

For the period ended 30 April 2014

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 interim 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 China ETF	HK\$
– HSBC MSCI Hong Kong ETF	HK\$
– HSBC MSCI Taiwan ETF	TWD

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

As explained in note 2(b), the Manager intends to terminate the Trust, subsequent to the period ended 30 April 2014.

2 Significant accounting policies

(a) Statement of compliance

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

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 October 2013, except for the accounting policy changes that are expected to be reflected in the 2014 interim financial statements.

Notes on the unaudited interim financial statements

For the period ended 30 April 2014

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 periods reflected in these financial statements.

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

The interim financial statements are unaudited.

(b) Basis of preparation of the interim financial statements

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

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

The preparation of interim financial statements in conformity with HKFRSs requires management to make judgments, 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 judgments 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 HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Sub-Funds. Of these, the following developments are relevant to the Sub-Funds' financial statements:

- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- Amendments to HKFRS 7, *Financial instruments: Disclosures – Offsetting financial assets and financial liabilities*

Notes on the unaudited interim financial statements

For the period ended 30 April 2014

2 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

HKFRS 10, 'Consolidated financial statements', HKFRS 11, 'Joint arrangements', HKAS 27 (revised 2011), 'Separate financial statements', HKAS 28 (revised 2011), 'Associates and joint ventures' and the Transition Guidance Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 have also been adopted as required by HKFRS 12, however these standards and amendments have had no significant impact on the Sub-funds.

HKFRS 12, 'Disclosure of interests in other entities', requires entities to disclose significant judgments and assumptions made in determining whether the entity controls, jointly controls, significantly influences or has some other interests in other entities. Entities are also required to provide more disclosures around certain 'structured entities'. Adoption of the standard has impacted the Sub-funds' level of disclosures in certain of the above noted areas, but has not impacted the Sub-funds' financial position or results of operations, however has resulted in additional disclosure in the notes to financial statements.

Amendments to HKFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' require additional disclosures to enable users of financial statements to evaluate the effect or the potential effects of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The amendments did not have any impact on the Sub-funds' financial position or performance.

The Sub-funds have not adopted any new standard or interpretations that are 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.

(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.

Notes on the unaudited interim financial statements

For the period ended 30 April 2014

2 Significant accounting policies (continued)

(e) Financial instruments (continued)

(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

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 spreads 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 the 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 is sold are derecognised and corresponding receivables from brokers are recognised as of the date the Sub-Funds commit to sell the assets.

Notes on the unaudited interim financial statements

For the period ended 30 April 2014

2 Significant accounting policies (continued)

(e) *Financial instruments (continued)*

(v) Derecognition (continued)

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

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

(vi) Offsetting

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

(f) *Foreign currency translation*

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

(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 on the unaudited interim financial statements

For the period ended 30 April 2014

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

Notes on the unaudited interim financial statements

For the period ended 30 April 2014

2 Significant accounting policies (continued)

(i) Segment reporting

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

3 Taxation

Hong Kong

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

China

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

Taiwan

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

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

Taxation in the statement of comprehensive income represents:

	<i>Period from 1 November 2013 to 30 April 2014 (unaudited)</i>			
	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	–	1,766	–	–
Withholding tax – Taiwan	–	–	–	54,867

Notes on the unaudited interim financial statements

For the period ended 30 April 2014

3 Taxation (continued)

	<i>Period from 1 November 2012 to 30 April 2013 (unaudited)</i>			
	HSBC MSCI	HSBC MSCI	HSBC MSCI	HSBC MSCI
	Golden Dragon	China	Hong Kong	Taiwan
	ETF	ETF	ETF	ETF
	HK\$	HK\$	HK\$	TWD
Withholding tax – Taiwan	–	–	–	61,687

4 Financial instruments and associated risks

The Sub-Funds maintain investment portfolio 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 stock of the index or the weighting of the constituent stocks in the index, the Manager will be responsible for implementing any adjustment to the Sub-Funds' portfolio of stocks to ensure that the Sub-Funds' investment portfolio closely corresponds to the composition of the index and the weighting of each constituent stock. Details of such investments held as at 30 April 2014 are shown in the Investment Portfolio.

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

(a) Market risk

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

(i) Currency risk

As the 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.

Notes on the unaudited interim financial statements

For the period ended 30 April 2014

4 Financial instruments and associated risks (continued)

(a) Market risk (continued)

(iii) Price risk (continued)

Price sensitivity

The impact on a 15% increase in the index at 30 April 2014, 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 15% increase in the index for 2013.

Sub-Funds	Underlying Index	Impact on net assets attributable to unitholders	
		30 April 2014 (unaudited)	31 October 2013 (audited)
HSBC MSCI Golden Dragon ETF	MSCI Golden Dragon Index ¹	HK\$3,398,533	HK\$21,033,813
HSBC MSCI China ETF	MSCI China Index ²	HK\$4,111,841	HK\$19,811,419
HSBC MSCI Hong Kong ETF	MSCI Hong Kong Index ³	HK\$3,141,058	HK\$18,683,649
HSBC MSCI Taiwan ETF	MSCI Taiwan Index ⁴	TWD14,280,999	TWD108,765,224

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

(b) Credit risk

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

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

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 banks on an on-going basis.

Notes on the unaudited interim financial statements

For the period ended 30 April 2014

4 Financial instruments and associated risks (continued)

(b) Credit risk (continued)

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

The table below sets out the net exposure of the HSBC MSCI China ETF and HSBC MSCI Hong Kong ETF to counterparties as at 30 April 2014 together with the credit ratings provided by Standard & Poor's Rating Services:

30 April 2014 (unaudited)

Warrant issuer	Credit rating	Net exposure to Counterparties
HSBC MSCI China ETF Morgan Stanley BV	A-	<u>218,259</u>
HSBC MSCI Hong Kong ETF Sun Hung Kai Properties Limited	A+	<u>5,053</u>

31 October 2013 (audited)

Warrant issuer	Credit rating	Net exposure to Counterparties
HSBC MSCI China ETF Morgan Stanley BV	A-	<u>1,160,961</u>

Other than outlined above, there were no significant concentrations of credit risk to counterparties at 30 April 2014 and 31 October 2013.

(c) Liquidity risk

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

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

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

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

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

Notes on the unaudited interim financial statements

For the period ended 30 April 2014

4 Financial instruments and associated risks (continued)

(c) Liquidity risk (continued)

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

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

(d) Specific instrument risk

(i) Derivatives

At 30 April 2014, the Sub-Funds' did not held any investments in derivatives. As at 31 October 2013, the Sub-Funds' holdings in derivatives were as specified in the following table.

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	<u>3,690</u>	<u>–</u>

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	<u>1,300</u>	<u>–</u>

HSBC MSCI Taiwan ETF

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

(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.

Notes on the unaudited interim financial statements

For the period ended 30 April 2014

4 Financial instruments and associated risks (continued)

(d) *Specific instrument risk (continued)*

(ii) Futures contracts (continued)

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 unfavorable 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.

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 period end date is represented by their redeemable units.

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

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

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

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

During the period, no distributions were made to the unitholders of the Sub-Fund.

Notes on the unaudited interim financial statements

For the period ended 30 April 2014

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

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

	<i>Period from 1 November 2013 to 30 April 2014 (unaudited)</i>			
	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
Realised gains	4,892,935	370,515	9,611,445	27,668,659
Movement on unrealised gains or losses	(3,109,701)	2,228,391	(8,809,660)	(30,246,701)
Net gains/(losses) on financial instruments at fair value through profit or loss	<u>1,783,234</u>	<u>2,598,906</u>	<u>801,785</u>	<u>(2,578,042)</u>

	<i>Period from 1 November 2012 to 30 April 2013 (unaudited)</i>			
	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
Realised losses	(84,724)	(4,268,002)	(401,287)	(7,463,337)
Movement on unrealised gains or losses	9,025,745	11,957,398	11,403,853	153,724,884
Net gains on financial instruments at fair value through profit or loss	<u>8,941,021</u>	<u>7,689,396</u>	<u>11,002,566</u>	<u>146,261,547</u>

6 Expenses

(a) Operating expenses

In accordance with the prospectus of the Trust, 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.

Notes on the unaudited interim financial statements

For the period ended 30 April 2014

6 Expenses(continued)

(a) Operating expenses(continued)

Operating Expenses for the period is comprised of Accounting service fees, Auditors' fee, Trustee's fee, Register and transfer agent fees, Information services, Listing fee, Printing fee, such fees included reimbursements from or payment to the Manager for covering the shortfall from its own assets or retaining the surplus for its own benefits.

(b) Other expenses

Other expenses comprise of Safe custody and bank charges, Miscellaneous expenses, and Commission and transaction expenses, which are not part of Operating expenses or management fee expense.

7 Accrued expenses and other payable

The following is a summary of accrued expenses and other payable at the end of the period, including reimbursement from 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.

	30 April 2014 (unaudited)			
	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	212,925	357,031	338,413	1,699,264
Reimbursement from Manager	(58,912)	(123,815)	(128,495)	(532,891)
Total accrued expenses and other payable	<u>154,013</u>	<u>233,216</u>	<u>209,918</u>	<u>1,166,373</u>
	31 October 2013 (audited)			
	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>

Notes on the unaudited interim financial statements

For the period ended 30 April 2014

8 Transactions with related parties

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

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

Period from 1 November 2013 to 30 April 2014 (unaudited)

	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
(i) Management fee for the period	2	12,159	10,155	50,844
(ii) Management fee payable at period end	1	2,328	1,743	7,865

Period from 1 November 2012 to 30 April 2013 (unaudited)

	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
(i) Management fee for the period	3	59,711	29,025	289,412

31 October 2013 (audited)

	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
(ii) Management fee payable at year end	13	5,601	5,308	30,688

Notes on the unaudited interim financial statements

For the period ended 30 April 2014

8 Transactions with related parties (continued)

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

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

	<i>Period from 1 November 2013 to 30 April 2014 (unaudited)</i>			
	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 for the period				
Accounting service fees	23,803	23,803	23,803	92,256
Trustee's fee	120,000	300,000	300,000	1,165,552
Register and transfer agent fees	14,877	14,877	14,877	57,657
Reimbursement from Manager	(195,953)	(348,505)	(364,538)	(1,437,441)
(ii) Operating expenses payable at period end				
Accounting service fee payable	119,804	119,804	119,804	466,896
Trustee fees payable	40,000	100,000	100,000	391,266
Registrar and transfer agent fees	9,863	9,863	9,863	38,437
Reimbursement from Manager	(58,911)	(123,815)	(128,495)	(532,891)

	<i>Period from 1 November 2012 to 30 April 2013 (unaudited)</i>			
	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 for the period				
Accounting service fees	23,803	23,803	23,803	90,268
Trustee's fee	120,000	300,000	300,000	1,139,193
Register and transfer agent fees	14,877	14,877	14,877	56,415
(Reimbursement from)/ payment to Manager	(199,649)	12,072	(233,414)	546,281

Notes on the unaudited interim financial statements

For the period ended 30 April 2014

8 Transactions with related parties (continued)

	<i>31 October 2013 (audited)</i>			
	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
(ii) Operating expenses payable at period end				
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)

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 Hong Kong and Shanghai Banking Corporation Limited which is a member of HSBC Group. Details of such transactions executed and fees paid during the period are shown below.

	<i>Period from 1 November 2013 to 30 April 2014 (unaudited)</i>			
	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	652,931	3,642,985	3,495,255	634,756,861
% of total value of transactions of the Sub-Funds	0.54%	3.25%	3.21%	99.74%
Commission and transaction expenses	204	802	748	127,100
Average investment transaction commission rate	0.03%	0.02%	0.02%	0.02%

	<i>Period from 1 November 2012 to 30 April 2013 (unaudited)</i>			
	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	2,817,076	9,970,370	3,478,666	10,098,200
% of total value of transactions of the Sub-Funds	100.00%	40.75%	33.33%	28.16%
Commission and transaction expenses	282	4,523	1,425	4,604
Average investment transaction commission rate	0.01%	0.05%	0.04%	0.05%

Notes on the unaudited interim financial statements

For the period ended 30 April 2014

8 Transactions with related parties (continued)

Also, the Sub-Funds utilise the services of The Hong Kong 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 Hong Kong and Shanghai Banking Corporation Limited. Details of such fees paid during the period are shown below.

Period from 1 November 2013 to 30 April 2014 (unaudited)

	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
Transaction handling expense	2,134	30,611	15,704	398,650
Safe custody, bank charges and other expense	6,442	7,135	8,327	92,174

Period from 1 November 2012 to 30 April 2013 (unaudited)

	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
Transaction handling expense	2,907	31,602	17,252	263,169
Safe custody, bank charges and other expense	13,181	24,024	15,869	349,725
Annual fee on bank overdraft facility	-	9,615	9,615	36,465

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

30 April 2014 (unaudited)

	HSBC MSCI Golden Dragon ETF HK\$	HSBC MSCI China ETF HK\$	HSBC MSCI Hong Kong ETF HK\$	HSBC MSCI Taiwan ETF TWD
Cash held at the period end	159,662	221,595	155,497	993,762

31 October 2013 (audited)

	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

Notes on the unaudited interim financial statements

For the period ended 30 April 2014

8 Transactions with related parties (continued)

- (d) (ii) Margin accounts are maintained with HSBC Bank Plc Futures Wholesale Trading Operations, which is a fellow subsidiary of the Manager within the HSBC Group. No Margin deposit have been held by the Sub-Funds as at 30 April 2014. The details of Margin Deposit held by the Sub-Funds as at 31 October 2013 are set out below:

	31 October 2013 (audited)			
	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

- (e) Other income during the period relates to charges to the participating dealer, The Hong Kong and Shanghai Banking Corporation Limited, in connection with the creation and issue of units.
- (f) Only the Participating Dealer, The Hong Kong 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 period (period ended 31 October 2013: nil), there were 3,000,000 units redeemed for the period ended 30 April 2014 (period ended 31 October 2013: nil). As at 30 April 2014, the Participating Dealer held 495,000 units (31 October 2013: 3,456,000 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 period (period ended 31 October 2013: nil), there were 3,500,000 units redeemed for the period ended 30 April 2014 (period ended 31 October 2013: 4,000,000). As at 30 April 2014, the Participating Dealer held 261,453 units (31 October 2013: 1,855,742 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 period (period ended 31 October 2013: nil), there were 3,000,000 units redeemed for the period ended 30 April 2014 (period ended 31 October 2013: nil). As at 30 April 2014, the Participating Dealer held 220,042 units (31 October 2013: 2,400,134 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 period (period ended 31 October 2013: nil), there were 3,500,000 units redeemed for the period ended 30 April 2014 (period ended 31 October 2013: 3,000,000). As at 30 April 2014, the Participating Dealer held 255,812 units (31 October 2013: 2,985,162 units) of the HSBC MSCI Taiwan ETF.

- (g) As at 30 April 2014, The HSBC Bank Plc, which is a member of the HSBC Group, held 39,000 units of the HSBC MSCI Hong Kong ETF.

Notes on the unaudited interim financial statements

For the period ended 30 April 2014

9 Units in issue

The movements of units in issue are shown as below.

	<i>Period from 1 November 2013 to 30 April 2014 (unaudited)</i>			
	HSBC MSCI Golden Dragon ETF	HSBC MSCI China ETF	HSBC MSCI Hong Kong ETF	HSBC MSCI Taiwan ETF
Balance brought forward	3,600,000	4,500,000	3,600,000	4,000,000
Redeemed during the period	(3,000,000)	(3,500,000)	(3,000,000)	(3,500,000)
Balance carried forward	<u>600,000</u>	<u>1,000,000</u>	<u>600,000</u>	<u>500,000</u>

10 Soft commission arrangements

For the six months ended 30 April 2014, with regards to the HSBC MSCI China ETF and the HSBC MSCI Hong Kong ETF, the Manager has not entered into any soft commission arrangements with brokers.

For the six months ended 30 April 2014, with regards to the HSBC MSCI Taiwan ETF and the HSBC MSCI Golden Dragon 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.

For the six months ended 30 April 2013, 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.

For the six months ended 30 April 2013, with regards to the HSBC MSCI China ETF and the HSBC MSCI Taiwan 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.

In relation to the soft commission arrangements, the Manager has not made direct payments for these services but transacts an agreed amount of business with the brokers on behalf of the relevant funds.

The goods and services utilised for the relevant funds 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.

11 Fair value information

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

Notes on the unaudited interim financial statements

For the period ended 30 April 2014

11 Fair value information (continued)

Valuation of financial instruments

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

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

HSBC MSCI Golden Dragon ETF

30 April 2014 (unaudited)

	Level 1 HK\$	Level 2 HK\$	Total HK\$
<i>Financial assets at fair value through profit or loss</i>			
Exchange traded funds	22,656,887	–	22,656,887

31 October 2013 (audited)

	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

Notes on the unaudited interim financial statements

For the period ended 30 April 2014

11 Fair value information (continued)

Valuation of financial instruments (continued)

HSBC MSCI China ETF

30 April 2014 (unaudited)

	Level 1 HK\$	Level 2 HK\$	Total HK\$
<i>Financial assets at fair value through profit or loss</i>			
Listed equities	27,193,993	-	27,193,993
Rights	23	-	23
Warrants	-	218,259	218,259
	<u>27,194,016</u>	<u>218,259</u>	<u>27,412,275</u>

31 October 2013 (audited)

	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
	<u>130,915,167</u>	<u>1,160,961</u>	<u>132,076,128</u>

HSBC MSCI Hong Kong ETF

30 April 2014 (unaudited)

	Level 1 HK\$	Level 2 HK\$	Total HK\$
<i>Financial assets at fair value through profit or loss</i>			
Listed equities	20,935,332	-	20,935,332
Warrants	-	5,053	5,053
	<u>20,935,332</u>	<u>5,053</u>	<u>20,940,385</u>

31 October 2013 (audited)

	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>

Notes on the unaudited interim financial statements

For the period ended 30 April 2014

11 Fair value information (continued)

Valuation of financial instruments (continued)

HSBC MSCI Taiwan ETF

30 April 2014 (unaudited)

	Level 1 TWD	Level 2 TWD	Total TWD
<i>Financial assets at fair value through profit or loss</i>			
Listed equities	95,206,661	–	95,206,661

31 October 2013 (audited)

	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)

12 Segment information

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

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

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

Investment portfolio

As at 30 April 2014 (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			
Exchange traded funds			
HSBC ETFs Trust – HSBC MSCI China ETF	379,047	10,388,390	45.84
HSBC ETFs Trust – HSBC MSCI Hong Kong ETF	158,458	5,528,425	24.40
HSBC ETFs Trust – HSBC MSCI Taiwan ETF	138,263	6,740,072	29.74
Total investments		22,656,887	99.98
<i>(Total cost of investments: HK\$22,873,402)</i>			
Other net assets		5,649	0.02
Total net assets attributable to unitholders		22,662,536	100.00

Investment portfolio

As at 30 April 2014 (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			
AAC Technologies Holdings Inc	3,823	165,536	0.60
Agile Property Holdings Ltd	7,139	44,904	0.16
Agricultural Bank of China H Shares	109,312	355,264	1.30
Air China Ltd H Shares	9,378	41,263	0.15
Aluminum Corp of China Ltd H Shares	20,438	56,613	0.21
Anhui Conch Cement Co Ltd H Shares	6,413	184,694	0.67
Anta Sports Products Ltd	4,551	51,608	0.19
Avichina Industry & Technology Co Ltd	10,292	42,609	0.16
Bank of China Ltd H Shares	382,317	1,303,701	4.76
BBMG Corp H Shares	6,088	33,180	0.12
Beijing Capital International Airport Co Ltd H Shares	7,829	42,120	0.15
Beijing Enterprises Holdings Ltd	2,686	181,036	0.66
Beijing Enterprises Water Group Ltd	16,754	82,430	0.30
Belle International Holdings Ltd	23,946	192,286	0.70
Biostime International Holdings Ltd	931	47,947	0.17
Brilliance China Automotive	15,588	186,744	0.68
Byd Co Ltd H Shares	2,649	110,596	0.40
China Agri-Ind Holdings Ltd	10,970	34,007	0.12
China Bluechemical Ltd H Shares	9,235	38,418	0.14
China Cinda Asset Management Co Ltd H Shares	20,800	81,120	0.30
China Citic Bank Corp Ltd H Shares	41,324	190,917	0.70
China Coal Energy Co H Shares	21,328	89,364	0.33
China Communications Construction Co Ltd H Shares	22,864	115,921	0.42
China Communications Services Corp Ltd H Shares	12,352	48,543	0.18
China Construction Bank H Shares	366,086	1,958,560	7.15
China COSCO Holdings Co Ltd H Shares	13,322	40,899	0.15
China Everbright International Ltd	13,823	134,360	0.49
China Everbright Ltd	4,420	45,791	0.17
China Gas Holdings Ltd	9,851	124,123	0.45
China International Marine Containers Group Co Ltd H Shares	2,500	38,150	0.14
China Life Insurance Co H Shares	37,442	748,091	2.73
China Longyuan Power Group Corp H Shares	13,844	110,475	0.40
China Mengniu Dairy Co Ltd	7,126	283,971	1.04
China Merchants Bank Co Ltd H Shares	23,292	322,361	1.18
China Merchants Holdings International Co Ltd	5,833	141,450	0.52
China Minsheng Banking Co Ltd H Shares	26,450	206,310	0.75
China Mobile Ltd	30,486	2,246,818	8.20
China National Building Material Co Ltd H Shares	14,794	108,440	0.40
China Oilfield Services Ltd	9,306	171,975	0.63

Investment portfolio

As at 30 April 2014 (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 Overseas Grand Oceans Group Ltd	3,505	16,123	0.06
China Overseas Land & Investment Ltd	20,997	399,363	1.46
China Pacific Insurance (Gr) Co Ltd H Shares	13,437	326,519	1.19
China Petroleum & Chemical Corp H Shares	129,786	889,034	3.24
China Railway Construction Corp H Shares	10,167	65,170	0.24
China Railway Group Ltd H Shares	20,623	71,149	0.26
China Resources Cement Holding Ltd	10,050	54,069	0.20
China Resources Enterprise Ltd	6,217	137,085	0.50
China Resources Gas Group Ltd	4,610	105,800	0.39
China Resources Land Ltd	10,566	168,633	0.61
China Resources Power Holdings Co Ltd	9,833	191,744	0.70
China Shenhua Energy Co Ltd H Shares	17,069	358,449	1.31
China Shipping Container Lines Co Ltd H Shares	19,305	35,714	0.13
China State Construction International Holdings Ltd	9,030	116,848	0.43
China Taiping Insurance Holdings Co Ltd	3,992	49,102	0.18
China Telecom Corp Ltd H Shares	69,839	277,959	1.01
China Unicom (Hong Kong)	24,514	291,717	1.06
Chongqing Rural Commercial Bank Co Ltd H Shares	12,396	42,146	0.15
CITIC Pacific Ltd	7,589	103,210	0.38
CITIC Securities Co Ltd H Shares	5,449	84,786	0.31
CNOOC Ltd	90,430	1,159,313	4.23
COSCO Pacific Ltd	8,679	90,088	0.33
Country Garden Holdings Co	22,967	71,427	0.26
CSPC Pharmaceutical Group Ltd	8,600	55,470	0.20
CSR Corporation Ltd H Shares	9,951	56,323	0.21
Datang International Power Gen Co Ltd H Shares	15,416	44,552	0.16
Dongfeng Motor Group Co Ltd H Shares	13,940	144,140	0.53
ENN Energy Holdings Ltd	3,895	211,109	0.77
Evergrande Real Estate Group	32,139	111,201	0.41
Far East Horizon Ltd	6,800	35,700	0.13
Fosun International	8,329	78,126	0.28
Franshion Properties China Ltd	19,141	46,704	0.17
GCL Poly Energy Holdings Ltd	51,056	118,450	0.43
Geely Automobile Holdings Ltd	27,252	73,308	0.27
Golden Eagle Retail Group Ltd	3,268	32,680	0.12
GOME Electrical Appliances Holdings Ltd	51,491	75,177	0.27
Great Wall Motor Co Ltd H Shares	5,367	188,382	0.69
Greentown China Holdings Ltd	3,342	26,068	0.09
Guangdong Investments Ltd	12,955	109,211	0.40

Investment portfolio

As at 30 April 2014 (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	11,421	89,312	0.33
Guangzhou R&F Properties Co Ltd H Shares	4,769	48,262	0.18
Haier Electronics Group Co Ltd	4,925	93,772	0.34
Haitian International Holdings	3,646	56,951	0.21
Haitong Securities Co Ltd	6,525	70,731	0.26
Hanergy Solar Group Ltd	57,646	63,987	0.23
Hengan International Group Co Ltd	3,796	309,943	1.13
Huaneng Power International Inc H Shares	16,592	125,601	0.46
Industrial and Commercial Bank of China Ltd	374,589	1,730,601	6.31
Intime Retail Group Co Ltd	5,233	39,823	0.14
Jiangsu Expressway Co Ltd H Shares	6,279	54,816	0.20
Jiangxi Copper Co Ltd H Shares	7,129	91,251	0.33
Kingboard Chemical Holdings Ltd	3,425	50,622	0.18
Kunlun Energy Co Ltd	16,687	201,913	0.74
Lee & Man Paper Manufacturing Ltd	8,523	35,882	0.13
Lenovo Group Ltd	32,165	283,695	1.03
Longfor Properties	7,064	70,781	0.26
New China Life Insurance Co Ltd	4,172	95,330	0.35
New World China Land Ltd	12,708	81,712	0.30
Nine Dragons Paper Holdings Ltd	8,469	43,107	0.16
People's Insurance Co (Group) of China Ltd	23,915	71,028	0.26
Petrochina Co Ltd H Shares	107,294	963,500	3.52
PICC Property and Casualty Co Ltd	16,262	166,198	0.61
Ping An Insurance (Group) Co of China Ltd	9,649	553,370	2.02
Poly Property Group Co Ltd	10,408	34,971	0.13
Shandong Weigao Group Medical Polymer Co Ltd H Shares	8,711	67,946	0.25
Shanghai Electric Grp Corp H Shares	14,655	44,551	0.16
Shanghai Industrial Holdings Ltd	2,486	59,664	0.22
Shanghai Pharmaceuticals Holding Co Ltd H Shares	3,467	49,231	0.18
Shenzhen International Group Holdings Ltd	2,875	76,763	0.28
Shimao Property Holdings Ltd	7,224	110,527	0.40
Shougang Fushan Resources Group Ltd	16,453	38,336	0.14
Shui On Land Ltd	18,137	37,181	0.14
Sihuan Pharmaceutical Holdings	10,776	92,027	0.34
Sino Biopharmaceutical Ltd	15,235	92,476	0.34
Sino-Ocean Land Holdings Ltd	16,744	68,650	0.25
Sinopec Engineering Group Co Ltd	5,431	47,032	0.17
Sinopec Shanghai Petrochemical Co Ltd	18,095	34,200	0.12
Sinopharm Group Co H Shares	5,161	105,284	0.38

Investment portfolio

As at 30 April 2014 (unaudited)

	HSBC MSCI China ETF		
	Holdings	Market value HK\$	% of total net assets attributable to unitholders
Listed Investments			
Equities (continued)			
Soho China Ltd	9,039	55,771	0.20
Sun Art Retail Group Ltd	12,302	124,250	0.45
Tencent Holdings Ltd	5,161	2,493,795	9.10
Tingyi (Cayman) Holdings Corp	10,061	216,815	0.79
Tsingtao Brewery Co Ltd H Shares	1,851	104,489	0.38
Uni-President China Holdings	5,620	36,080	0.13
Want Want China Holdings Ltd	30,712	373,458	1.36
Weichai Power Co Ltd H Shares	2,519	68,013	0.25
Wumart Stores Inc H Shares	2,619	19,931	0.07
Yanzhou Coal Mining Co Ltd H Shares	10,063	58,768	0.21
Yingde Gases Group Co Ltd	5,610	43,926	0.16
Yuexiu Property Co Ltd	26,567	39,851	0.14
Zhejiang Expressway Co Ltd H Shares	7,389	49,580	0.18
Zhongsheng Group Holdings Ltd	3,500	32,970	0.12
Zhuzhou CSRTimes Electric Co Ltd H Shares	2,829	64,360	0.23
Zijin Mining Group Co Ltd H Shares	31,276	59,112	0.22
Zoomlion Heavy Industry Science and Technology Co Ltd H Shares	6,830	35,311	0.13
ZTE Corporation H Shares	3,277	51,842	0.19
		27,193,993	99.22
		27,193,993	99.22
Rights			
Fosun International Nil Paid Rights 13/5/2014	649	23	0.00
		23	0.00

Investment portfolio

As at 30 April 2014 (unaudited)

	HSBC MSCI China ETF		
	Holdings	Market value HK\$	% of total net assets attributable to unitholders
Unlisted Investments			
Warrants			
Morgan Stanley (Bank of Communication Ltd H Shares) CWTS 14/3/2017	45,282	218,259	0.80
Total investments			
<i>(Total cost of investments: HK\$29,919,259)</i>		27,412,275	100.02
Other net liabilities		(5,634)	(0.02)
Total net assets attributable to unitholders		27,406,641	100.00

Investment portfolio

As at 30 April 2014 (unaudited)

HSBC MSCI Hong Kong ETF

	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
Listed Investments			
Equities			
AIA Group Ltd	87,276	3,281,578	15.68
ASM Pacific Technology	1,723	148,523	0.71
Bank of East Asia	9,149	292,310	1.40
BOC Hong Kong (Holdings) Ltd	26,839	609,245	2.91
Cathay Pacific Airways Ltd	8,501	124,455	0.59
Cheung Kong Holdings Ltd	10,079	1,330,428	6.36
Cheung Kong Infrastructure Holdings Ltd	4,534	229,420	1.10
CLP Holdings Ltd	12,827	795,274	3.80
First Pacific Co	17,116	147,026	0.70
Galaxy Entertainment Group Ltd	15,326	932,587	4.45
Hang Lung Properties Ltd	16,273	375,093	1.79
Hang Seng Bank Ltd	5,547	700,586	3.35
Henderson Land Development	7,845	362,439	1.73
HKT Trust and HKT Ltd	16,175	131,179	0.63
Hong Kong & China Gas	41,601	743,826	3.55
Hong Kong Exchanges and Clearing Ltd	8,018	1,120,115	5.35
Hopewell Holdings Ltd	4,076	108,829	0.52
Hutchison Whampoa Ltd	15,461	1,638,866	7.83
Hysan Development Co Ltd	4,597	152,390	0.73
Kerry Properties Ltd	4,673	118,928	0.57
Li & Fung Ltd	42,526	478,843	2.29
Link REIT	16,761	646,137	3.09
MGM China Holdings Ltd	6,905	186,435	0.89
MTR Corp Ltd	10,533	308,090	1.47
New World Development Ltd	36,693	293,544	1.40
NWS Holdings Ltd	10,589	140,622	0.67
PCCW Ltd	28,813	119,286	0.57
Power Assets Holdings Ltd	10,062	674,154	3.22
Sands China Ltd	17,535	992,481	4.74
Shangri-La Asia Ltd	11,282	144,184	0.69
Sino Land Co	21,733	252,103	1.20
SJM Holdings Ltd	14,124	303,666	1.45
Sun Hung Kai Properties Ltd	11,623	1,134,986	5.42
Swire Pacific Ltd A	4,935	441,682	2.11
Swire Properties Ltd	8,427	196,349	0.94
Wharf Holdings Ltd	10,987	596,045	2.85
Wheelock & Co Ltd	6,587	210,125	1.00
Wynn Macau Ltd	11,309	345,490	1.65

Investment portfolio

As at 30 April 2014 (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)			
Yue Yuen Industrial Holdings Ltd	5,345	128,013	0.61
		20,935,332	100.01
Warrants			
Sun Hung Kai Properties Ltd CWTS 22/4/2016	968	5,053	0.02
Total investments		20,940,385	100.03
<i>(Total cost of investments: HK\$19,023,538)</i>			
Other net liabilities		(7,038)	(0.03)
Total net assets attributable to unitholders		20,933,347	100.00

Investment portfolio

As at 30 April 2014 (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	17,703	330,161	0.35
Advanced Semiconductor Engineering Inc	43,054	1,506,890	1.59
Advantech Co Ltd	1,971	384,345	0.40
Asia Cement Corp	14,864	590,101	0.62
Asia Pacific Telecom Co Ltd	11,239	162,404	0.17
Asustek Computer Inc	4,638	1,447,056	1.52
Au Optronics Corp	60,103	685,174	0.72
Catcher Technology Co Ltd	4,688	1,193,096	1.26
Cathay Financial Holding Co Ltd	53,711	2,288,089	2.41
Chailease Holding Co Ltd	5,182	371,549	0.39
Chang Hwa Commercial Bank	32,261	566,181	0.60
Cheng Shin Rubber Industry Co Ltd	11,246	973,904	1.03
Cheng Uei Precision Industry Co	2,748	166,804	0.18
Chicony Electronics Co Ltd	3,336	261,876	0.28
China Airlines	18,041	182,214	0.19
China Development Financial Holding Co Inc	93,867	811,950	0.85
China Life Insurance Co Ltd	15,111	398,930	0.42
China Motor Co Ltd	3,866	105,542	0.11
China Petrochemical Develop Corp	12,073	143,669	0.15
China Steel Corp	80,276	2,034,997	2.14
Chunghwa Telecom Co Ltd	26,375	2,484,525	2.62
CLEVO Co	3,405	188,977	0.20
Compal Electronics Inc	29,088	626,846	0.66
CTBC Financial Holding Co Ltd	91,881	1,649,264	1.74
CTCI Corp	4,129	199,018	0.21
Delta Electronics Inc	12,648	2,339,880	2.46
E.Sun Financial Holding Co	35,549	648,769	0.68
Eclat Textile Co Ltd	1,131	373,230	0.39
Epistar Corp	5,829	384,131	0.40
Eva Airways Corp	11,307	172,997	0.18
Evergreen Marine Corp	11,574	198,494	0.21
Far Eastern Department Stores Ltd	6,853	192,569	0.20
Far Eastern New Century Corp	21,420	661,878	0.70
Far Eastone Telecommunication Co Ltd	11,079	723,459	0.76
Farglory Land Developers Co Ltd	2,609	129,145	0.14
Feng Hsin Iron & Steel Co Ltd	3,027	153,166	0.16
First Financial Holding	48,036	850,237	0.90
Formosa Chemicals & Fibre Corp	22,368	1,632,864	1.72
Formosa International Hotels Corp	260	92,300	0.10

Investment portfolio

As at 30 April 2014 (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	7,932	602,039	0.63
Formosa Plastics Corp	28,711	2,233,716	2.35
Formosa Taffeta Co Ltd	5,260	165,953	0.17
Foxconn Technology Co Ltd	5,893	441,975	0.47
Fubon Financial Holding Co	46,156	1,800,084	1.89
Giant Manufacturing Co Ltd	1,952	460,672	0.49
Hermes Microvision Inc	273	341,250	0.36
Highwealth Construction Corp	2,283	153,646	0.16
Hiwin Technologies Corp	1,233	353,871	0.37
Hon Hai Precision Industry	77,433	6,705,698	7.06
Hotai Motor Co Ltd	1,705	603,570	0.64
HTC Corp	4,968	770,040	0.81
Hua Nan Financial Holdings Co Ltd	37,704	640,968	0.67
Innolux Corp	47,362	492,565	0.52
Inventec Co Ltd	16,180	449,804	0.47
Kinsus Interconnect Technology Corp	1,857	211,698	0.22
Largan Precision Co Ltd	698	1,315,730	1.39
LCY Chemical Corp	3,552	110,290	0.12
Lite-On Technology Corp	14,517	669,234	0.70
Mediatek Inc	9,808	4,629,376	4.87
Mega Financial Holding Co Ltd	64,790	1,496,649	1.58
Merida Industry Co Ltd	1,383	279,366	0.29
Nan Kang Rubber Tire Co Ltd	3,994	136,994	0.14
Nan Ya Plastic Corp	33,018	2,182,490	2.30
Novatek Microelectronics Ltd	3,804	530,658	0.56
Pegatron Corp	11,250	514,687	0.54
Phison Electronics Corp	939	192,495	0.20
Pou Chen Corp	14,300	549,120	0.58
Powertech Technology Inc	4,595	224,466	0.24
President Chain Store Corp	3,968	890,816	0.94
Quanta Computer Inc	17,378	1,438,898	1.51
Radiant Opto-Electronics Corp	3,065	372,397	0.39
Realtek Semiconductor Corp	3,153	271,473	0.29
Ruentex Development Co Ltd	4,518	241,261	0.25
Ruentex Industries Ltd	3,593	257,618	0.27
ScinoPharm Taiwan Ltd	1,407	115,515	0.12
Shin Kong Financial Holdings	45,292	413,969	0.44
Siliconware Precision Industries Co	20,543	909,028	0.96
Simplo Technology Co Ltd	1,925	302,225	0.32

Investment portfolio

As at 30 April 2014 (unaudited)

	HSBC MSCI Taiwan ETF		
	Holdings	Market value TWD	% of total net assets attributable to unitholders
Listed Investments			
Equities (continued)			
Sinopac Financial Holdings Co Ltd	45,561	612,795	0.65
Standard Foods Corp	2,064	171,312	0.18
Synnex Tech International Corp	8,813	413,770	0.44
Taishin Financial Holdings Co Ltd	46,412	635,844	0.67
Taiwan Business Bank	22,976	202,189	0.21
Taiwan Cement Corp	23,057	1,104,430	1.16
Taiwan Cooperative Financial Holding	38,852	623,575	0.66
Taiwan Fertilizer Co Ltd	5,440	326,400	0.34
Taiwan Glass Industrial Corp	6,600	182,160	0.19
Taiwan Mobile Co Ltd	11,631	1,132,859	1.19
Taiwan Semiconductor Manufacturing Co Ltd	170,793	20,238,970	21.31
Teco Electric & Machinery Co Ltd	13,140	430,992	0.45
TPK Holding Co Ltd	1,599	367,770	0.39
Transcend Information Inc	1,354	134,858	0.14
Tsrc Corp	4,092	181,276	0.19
U-Ming Marine Transport Corp	2,995	152,146	0.16
Unimicron Technology Corp	9,075	232,774	0.25
Uni-President Enterprises Corp	30,399	1,553,389	1.64
United Microelectronics Corp	83,664	1,091,815	1.15
Vanguard International Semiconductor Corp	5,122	211,026	0.22
Walsin Lihwa Corp	22,332	221,087	0.23
Wan Hai Lines Ltd	3,877	58,349	0.06
Wistron Corp	15,676	395,035	0.42
WPG Holdings Co Ltd	9,765	362,282	0.38
Yang Ming Marine Transport	9,848	121,623	0.13
Yuanta Financial Hldg Co Ltd	58,374	878,529	0.92
Yulon Motor Co Ltd	5,457	255,933	0.27
Zhen Ding Technology Holding	1,537	134,488	0.14
		<u>95,206,661</u>	<u>100.23</u>
Total investments			
<i>(Total cost of investments: TWD85,208,511)</i>		95,206,661	100.23
Other net liabilities		<u>(217,116)</u>	<u>(0.23)</u>
Total net assets attributable to unitholders		<u><u>94,989,545</u></u>	<u><u>100.00</u></u>

Statement of movements in portfolio holdings

For the period ended 30 April 2014 (unaudited)

HSBC MSCI Golden Dragon ETF

	<i>% of net asset attributable to unitholders</i>	
	30 April 2014	31 October 2013
Listed investments		
Exchange traded funds	99.98	99.98
Total investments	99.98	99.98
Other net assets	0.02	0.02
Total net assets attributable to unitholders	100.00	100.00

HSBC MSCI China ETF

	<i>% of net asset attributable to unitholders</i>	
	30 April 2014	31 October 2013
Listed investments		
Equities	99.22	98.57
Futures	–	0.00
Rights	0.00	–
Unlisted investments		
Warrants	0.80	0.88
Total investments	100.02	99.45
Other net (liabilities)/assets	(0.02)	0.55
Total net assets attributable to unitholders	100.00	100.00

Statement of movements in portfolio holdings

For the period ended 30 April 2014 (unaudited)

HSBC MSCI Hong Kong ETF

	<i>% of net asset attributable to unitholders</i>	
	30 April 2014	31 October 2013
Listed investments		
Equities	100.01	99.46
Warrants	0.02	–
	<hr/>	<hr/>
Total investments	100.03	99.46
Other net (liabilities)/assets	(0.03)	0.54
	<hr/>	<hr/>
Total net assets attributable to unitholders	<u>100.00</u>	<u>100.00</u>

HSBC MSCI Taiwan ETF

	<i>% of net asset attributable to unitholders</i>	
	30 April 2014	31 October 2013
Listed investments		
Equities	100.23	99.32
Futures	–	(0.00)
	<hr/>	<hr/>
Unlisted investments		
Rights	–	0.02
	<hr/>	<hr/>
Total investments	100.23	99.34
Other net (liabilities)/assets	(0.23)	0.66
	<hr/>	<hr/>
Total net assets attributable to unitholders	<u>100.00</u>	<u>100.00</u>

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

	Performance in HK Dollar
Fund/Index	
<i>Period from 1 November 2013 to 30 April 2014</i>	
HSBC MSCI Golden Dragon ETF	(3.05%)
MSCI Golden Dragon Index	(2.57%)
<i>Period from 1 November 2012 to 31 October 2013</i>	
HSBC MSCI Golden Dragon ETF	12.23%
MSCI Golden Dragon Index	12.94%
<i>Period from 1 November 2011 to 31 October 2012</i>	
HSBC MSCI Golden Dragon ETF	6.69%
MSCI Golden Dragon Index	7.40%
Performance in HK Dollar	
Fund/Index	
<i>Period from 1 November 2013 to 30 April 2014</i>	
HSBC MSCI China ETF	(7.14%)
MSCI China Index	(6.85%)
<i>Period from 1 November 2012 to 31 October 2013</i>	
HSBC MSCI China ETF	8.83%
MSCI China Index	9.32%
<i>Period from 1 November 2011 to 31 October 2012</i>	
HSBC MSCI China ETF	7.10%
MSCI China Index	7.71%
Performance in HK Dollar	
Fund/Index	
<i>Period from 1 November 2013 to 30 April 2014</i>	
HSBC MSCI Hong Kong ETF	0.29%
MSCI Hong Kong Index	0.40%
<i>Period from 1 November 2012 to 31 October 2013</i>	
HSBC MSCI Hong Kong ETF	13.72%
MSCI Hong Kong Index	14.30%
<i>Period from 1 November 2011 to 31 October 2012</i>	
HSBC MSCI Hong Kong ETF	15.32%
MSCI Hong Kong Index	16.12%

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

Fund/Index	Performance in Taiwan Dollar
<i>Period from 1 November 2013 to 30 April 2014</i>	
HSBC MSCI Taiwan ETF	4.11%
MSCI Taiwan Index	5.04%
<i>Period from 1 November 2012 to 31 October 2013</i>	
HSBC MSCI Taiwan ETF	17.99%
MSCI Taiwan Index	18.76%
<i>Period from 1 November 2011 to 31 October 2012</i>	
HSBC MSCI Taiwan ETF	(2.46%)
MSCI Taiwan Index	(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)

Period	Class A units	
	Lowest HK\$	Highest HK\$
Period from 1 November 2013 to 30 April 2014	35.9157	39.9902
Period from 1 November 2012 to 31 October 2013	32.9803	39.2638
Period from 1 November 2011 to 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

	HK\$
30 April 2014 (at last traded prices)	22,662,536
31 October 2013 (at last traded prices)	140,255,646
31 October 2012 (at bid prices)	124,973,747

(c) Net asset value per unit

	Class A units HK\$
30 April 2014 (at last traded prices)	37.7709
31 October 2013 (at last traded prices)	38.9599
31 October 2012 (at bid prices)	34.7149

HSBC MSCI China ETF

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

Period	Class A units	
	Lowest HK\$	Highest HK\$
Period from 1 November 2013 to 30 April 2014	26.4809	31.1355
Period from 1 November 2012 to 31 October 2013	24.0817	30.3654
Period from 1 November 2011 to 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

	HK\$
30 April 2014 (at last traded prices)	27,406,641
31 October 2013 (at last traded prices)	132,807,413
31 October 2012 (at bid prices)	230,017,303

(c) Net asset value per unit

	Class A units HK\$
30 April 2014 (at last traded prices)	27.4066
31 October 2013 (at last traded prices)	29.5128
31 October 2012 (at bid prices)	27.0609

Performance record (Unaudited)

HSBC MSCI Hong Kong ETF

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

Period	Class A units	
	Lowest HK\$	Highest HK\$
Period from 1 November 2013 to 30 April 2014	32.3592	36.3618
Period from 1 November 2012 to 31 October 2013	30.2138	35.2933
Period from 1 November 2011 to 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

	HK\$
30 April 2014 (at last traded prices)	20,933,347
31 October 2013 (at last traded prices)	125,233,862
31 October 2012 (at bid prices)	109,945,309

(c) Net asset value per unit

	Class A units HK\$
30 April 2014 (at last traded prices)	34.8889
31 October 2013 (at last traded prices)	34.7872
31 October 2012 (at bid prices)	30.5404

HSBC MSCI Taiwan ETF

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

Period	Class A units	
	Lowest TWD	Highest TWD
Period from 1 November 2013 to 30 April 2014	173.7795	193.0841
Period from 1 November 2012 to 31 October 2013	153.5805	182.8053
Period from 1 November 2011 to 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

	TWD
30 April 2014 (at last traded prices)	94,989,545
31 October 2013 (at last traded prices)	729,939,603
31 October 2012 (at bid prices)	1,081,720,449

(c) Net asset value per unit

	Class A units TWD
30 April 2014 (at last traded prices)	189.9791
31 October 2013 (at last traded prices)	182.4849
31 October 2012 (at bid prices)	154.5315

Underlying index constituent stocks disclosure (unaudited)

As at 30 April 2014 and 31 October 2013, the Sub-Funds' holdings in constituent stocks were as specified in the following table.

As at 30 April 2014

HSBC MSCI China ETF has no constituent stocks that accounted for more than 10% of the underlying index as at 30 April 2014. Those constituent stocks held by HSBC MSCI Golden Dragon ETF, HSBC MSCI Hong Kong ETF and HSBC MSCI Taiwan ETF that accounted for more than 10% of the underlying index as at 30 April 2014 is shown below.

Constituent stocks	Weighting of the underlying index (%)
HSBC MSCI Golden Dragon ETF	
HSBC MSCI China ETF	45.84%
HSBC MSCI Hong Kong ETF	24.39%
HSBC MSCI Taiwan ETF	29.74%
HSBC MSCI Hong Kong ETF	
AIA Group Ltd	15.68%
HSBC MSCI Taiwan ETF	
Taiwan Semiconductor Manufacturing Co Ltd	21.31%

As at 31 October 2013

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.

Constituent stocks	Weighting of the underlying index (%)
HSBC MSCI Golden Dragon ETF	
HSBC MSCI China ETF	47.18%
HSBC MSCI Hong Kong ETF	24.32%
HSBC MSCI Taiwan ETF	28.50%
HSBC MSCI Hong Kong ETF	
AIA Group Ltd	16.18%
HSBC MSCI Taiwan ETF	
Taiwan Semiconductor Manufacturing Co Ltd	20.75%

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