THIS ANNOUNCEMENT AND NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION AND DOES NOT CONSTITUTE AN INVITATION OR OFFER TO ACQUIRE, PURCHASE OR SUBSCRIBE FOR UNITS OF THE EXCHANGE TRADED FUNDS BELOW

If you are in any doubt about this Announcement and Notice or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.

If you have sold or transferred all your Units in the HSBC MSCI Golden Dragon ETF, HSBC MSCI Hong Kong ETF, HSBC MSCI China ETF and/or HSBC MSCI Taiwan ETF (each a "Sub-Fund", collectively the "Sub-Funds"), you should at once hand this Announcement and Notice to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited (the "SEHK"), Hong Kong Securities Clearing Company Limited, Hong Kong Exchanges and Clearing Limited ("HKEx") and the Securities and Futures Commission (the "SFC"), take no responsibility for the contents of this Announcement and Notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Announcement and Notice. SFC authorisation is not a recommendation or an endorsement of the Trust and the Sub-Funds nor does it guarantee the commercial merits of the Trust and the Sub-Funds or their performance. It does not mean the Trust and the Sub-Funds are suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.

HSBC ETFs Trust

a Hong Kong unit trust authorised under
Section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong
comprising four sub-funds

HSBC MSCI Golden Dragon ETF (Stock Code: 3088)
HSBC MSCI Hong Kong ETF (Stock Code: 3000)
HSBC MSCI China ETF (Stock Code: 3033)
HSBC MSCI Taiwan ETF (Stock Code: 3083)

(each a "Sub-Fund", collectively the "Sub-Funds")

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

IMPORTANT: Investors are strongly advised to consider the contents of this Announcement and Notice. This Announcement and Notice is important and requires your immediate attention. It concerns the proposed cessation of trading, proposed termination, proposed deauthorisation and proposed delisting of the Trust and the Sub-Funds, and the waivers from strict compliance of certain provisions of the Code for the period from 19 May 2014 (i.e. the Trading Cessation Date) to the Deauthorisation date. In particular, investors should note that:

- **taking into account the relevant factors, including, in particular, the relatively small Net Asset Value of the Sub-Funds (see details of the factors in section 1 below), the Manager has, by means of a resolution of the board of directors of the Manager dated 14 February 2014, decided to exercise its power under Clause 35.6(A) of the Trust Deed to propose to terminate the Trust and the Sub-Funds with effect from the Termination Date (as defined below);**

- **the Last Trading Day of the Units in the Sub-Funds will be 16 May 2014, i.e. the last day on which investors may buy or sell Units on the SEHK and the last day for redemption of Units in accordance with the usual trading arrangements currently in place, but no creation of Units in the primary market through a Participating Dealer will be allowed from 18 February 2014;**

- **the Units of the Sub-Funds will cease trading as from 19 May 2014 (the "Trading Cessation Date"); that means, no further buying or selling Units on the SEHK and no redemption of Units will be possible from the Trading Cessation Date onwards;**

- **following the date of this Announcement and Notice, there will be no further creation of Units;**

- **from the Trading Cessation Date onwards: (i) there will be no further trading of Units and no further redemption of Units; (ii) the Manager will start to realise all the assets of the Sub-Funds and the Sub-Funds will therefore cease to track the relevant Indices and will not be able to meet their respective investment objectives of tracking the performance of such Indices and the Sub-Funds are no longer marketed to the public; and (iii) the Trust and the Sub-Funds (other than HSBC MSCI Golden Dragon ETF) will mainly hold cash while the HSBC MSCI Golden Dragon ETF (which is a fund-of-funds ETF investing in the other 3 Sub-Funds) will continue to hold the Units of the other Sub-Funds until these distribute their respective net assets to Unitholders (including the HSBC MSCI Golden Dragon ETF), and all the Sub-Funds will only be operated in a limited manner;**

- **with a view to minimising the further costs, fees and expenses in managing the Trust and the Sub-Funds following the Trading Cessation Date and in the best interest of investors, the Manager has applied to the SFC for, and has been granted, a waiver from strict compliance with the following provisions of the Code on Unit Trusts and Mutual Funds (the "Code") for the period from the Trading Cessation Date to the Deauthorisation date: (i) Chapter 10.7 (with regard to publishing suspension announcements); (ii) paragraphs 4 and 17(a) and (b) of Appendix I (with regard to providing estimated Net Asset Value or R.U.P.V. and last closing Net Asset Value on a real time or near-real time basis); and (iii) Chapters 6.1 and 11.1B (with regard to updating the Prospectus), the details and the conditions on which such waiver is granted are as described in section 5 below;**

- **the Manager confirms that, save for the particular provisions of the Code set out in sections 5.1 to 5.4 below, the Manager will continue to comply with all the other applicable provisions of the Code, the applicable provisions in the Trust Deed and other applicable laws and regulations;**

- **the Manager will, after having consulted with the Sub-Funds' Auditors, declare a Final Distribution (please refer to section 3.2 below for further information) to the investors who remain so as at 21 May 2014, i.e. the Distribution Record Date, and the Final Distribution will be payable on or around 26 May 2014 (the "Final Distribution Date");**

- **if there is any further distribution after the Final Distribution (please refer to section 3.2 below for further information), the Manager will issue an announcement to confirm the amount of further distribution (which may include any refund of excess of Unforeseen Expenses Provision (if any)) on or around 26 June 2014 and such further distribution (if any) will be payable on or around 27 June 2014;**

- **by the date the Trustee and the Manager have formed an opinion that the Trust and the Sub-Funds have no outstanding contingent or actual liabilities or assets, the Trustee and the Manager will commence the completion of the termination of the Trust and the Sub-Funds (such date being the "Termination Date");**

- **during the period from the Trading Cessation Date until, at least, the Termination Date, the Manager will maintain the Trust's and the Sub-Funds' SFC authorisation status and the Sub-Funds' SEHK listing status, and, subject to the SEHK's approval, expects the Delisting to take effect at or around the same time as the Deauthorisation;**

- **the Manager expects that the Deauthorisation and the Delisting will take place either on the Termination Date or immediately after the Termination Date; and**

- **investors should pay attention to the risk factors as set out in section 7.1 below (including liquidity risk, Units trading at a discount or premium and Market Maker's inefficiency risk, tracking errors during the period from the date of this Announcement and Notice to the Last Trading Day risk, Net Asset Value downward adjustment risk, possible provision for unforeseen expenses risk, failure to track the Indices risk and delay in distribution risk). Investors should exercise caution and consult with their professional and financial advisers before dealings in the Units or otherwise deciding on the course of actions to be taken in relation to their Units.**

Stockbrokers and financial intermediaries are urged to:

- **forward a copy of this Announcement and Notice to their clients holding Units in the Sub-Funds, and inform them of the contents of this Announcement and Notice as soon as possible;**

- **facilitate their clients who want to dispose of Units in the Sub-Funds on or before the Last Trading Day; and**

- **inform their clients as soon as possible if any earlier dealing deadline, additional fees or charges, and/or other terms and conditions will be applicable in respect of the provision of their services in connection with any disposal of Units.**

If investors are in doubt about the contents of this Announcement and Notice, they should contact their independent financial intermediaries or professional advisers to seek their professional advice, or direct their queries to the Manager (for details, please refer to section 9 below).

The Manager will, until the Last Trading Day, issue reminder announcements on a weekly basis to investors informing and reminding them of the Last Trading Day, the Trading Cessation Date and the Distribution Record Date. Also, further announcements will be made in due course to inform the investors of the Final Distribution Date, the Termination Date, the dates for the Deauthorisation and the Delisting and whether there is any further distribution after the Final Distribution as and when appropriate in accordance with the applicable regulatory requirements.

The Manager accepts full responsibility for the accuracy of the information contained in this Announcement and Notice, and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading.

Reference is made to the Announcement and Notice dated 16 August 2013 and entitled "Announcement and Notice of the Proposed Cessation of Trading, Termination, Voluntary Deauthorisation and Delisting and Notice of Extraordinary General Meeting" (the "August 2013 Announcement"), the Notice dated 17 September 2013 and entitled "Notice of Second Extraordinary General Meeting" and the Announcement dated 4 October 2013 and entitled "Poll results of the extraordinary general meeting held on 4 October 2013, Reactivation of Creation of Units and Continuous Redemption of Units" (the "October 2013 Announcement"), all issued by HSBC Investment Funds (Hong Kong) Limited (the "Manager"), the manager of the Trust and the Sub-Funds. Terms otherwise not defined in this Announcement and Notice will have the same meaning as those defined in the Prospectus of the Sub-Funds.

As disclosed in the October 2013 Announcement, the Resolution to terminate the Trust and the Sub-Funds and to voluntarily seek the Deauthorisation and the Delisting was not passed at the adjourned meeting held on 4 October 2013. However, as noted in the August 2013 Announcement and the October 2013 Announcement, the Manager reserves its right to terminate (a) the Trust (and each Sub-Fund) under Clause 35.6(A) of the Trust Deed if the aggregate Net Asset Value of all the Units outstanding in each Sub-Fund is less than HK$100,000,000 or (b) one or more of the Sub-Funds under Clause 35.7(A) of the Trust Deed if the aggregate Net Asset Value of all the Units in each of the relevant Sub-Funds is less than HK$100,000,000

As at 14 February 2014, the aggregate Net Asset Value of all the Units outstanding in each Sub-Fund is less than HK$100,000,000. The Manager therefore announces that it has, by means of a resolution of the board of directors of the Manager dated 14 February 2014, decided to seek the termination and the voluntary Deauthorisation and Delisting of the Trust and the Sub-Funds. The proposed termination, Deauthorisation and Delisting of the Trust and the Sub-Funds (the "Proposal") will be subject to the final approval of the SFC and the SEHK, and will only take place after the Trustee and the Manager have formed an opinion that the Trust and the Sub-Funds have no outstanding contingent or actual liabilities or assets.

Before the proposed termination, Deauthorisation and Delisting, the Units of the Sub-Funds will cease trading on the SEHK as from 19 May 2014, the Trading Cessation Date. Accordingly, the last day on which the Units of the Sub-Funds can be traded on SEHK will be 16 May 2014, the Last Trading Day, and from the Trading Cessation Date onwards, no trading of Units on the SEHK will be allowed. Also, while investors may continue to trade Units on the SEHK on any trading day before the Trading Cessation Date, no creation of Units in the primary market through a Participating Dealer will be allowed following the date of this Announcement and Notice.

The Manager by this Announcement and Notice notifies the investors of the proposed termination of the Trust and the Sub-Funds. Also, as required under Chapter 11.1A of the Code, no less than one month's notice is hereby given to the investors, notifying them that the Sub-Funds will cease to track the Underlying Indices, and cease trading, from the Trading Cessation Date.

Regarding the costs for effecting the Proposal, if the aggregated amount of (a) the Relevant Termination Related Expenses; and (b) the ongoing costs and expenses of a Sub-Fund which should be covered by the Estimated Total Expense Ratio, exceed the Estimated Total Expense Ratio as set out in the table in section 6 below, the Manager will cover any shortfall from its own assets.

1. **<u>Proposed termination of the Trust and the Sub-Funds, cessation of trading and liquidation of assets</u>**

1.1. **Proposed termination of the Trust and the Sub-Funds**

According to Clause 35.6(A) of the Trust Deed, the Trust (and therefore all Sub-Funds) may be terminated by the Manager in its absolute discretion if the aggregate Net Asset Value of all the Units in each Sub-Fund outstanding shall be less than HK$100,000,000. The Trust Deed does not require investors' approval for terminating the Trust and each Sub-Fund on the ground set out in Clause 35.6(A).

The Net Asset Value and the Net Asset Value per Unit of each of the Sub-Funds as at 14 February 2014 were as follows:

<table>
<tr><th></th><th>Net Asset Value</th><th>Net Asset Value per Unit</th></tr>
<tr><td>HSBC MSCI Golden Dragon ETF</td><td>HK$22.58 million</td><td>HK$37.6263</td></tr>
<tr><td>HSBC MSCI Hong Kong ETF</td><td>HK$20.36 million</td><td>HK$33.9260</td></tr>
<tr><td>HSBC MSCI China ETF</td><td>HK$28.27 million</td><td>HK$28.2678</td></tr>
<tr><td rowspan="2">HSBC MSCI Taiwan ETF</td><td>TWD91.18 million
(HK$23.34 million)</td><td>TWD182.3577
(HK$46.6758)</td></tr>
<tr><td colspan="2">Indicative TWD / HK$ exchange rate as at 14 February 2014: 3.9069</td></tr>
</table>

Having taken into account the relevant factors including interests of the investors as a whole, the currently relatively small Net Asset Value and the relatively low trading volume of the Sub-Funds, the Manager is of the view that the proposed termination of the Trust (and therefore all Sub-Funds) would be in the best interests of the investors in the Sub-Funds. Therefore, the Manager has decided to exercise its power under Clause 35.6(A) to propose termination of the Trust (and therefore all Sub-Funds) on the date on which the Trustee and the Manager form an opinion that the Trust and the Sub-Funds cease to have any contingent or actual assets or liabilities.

1.2. **The proposed cessation of trading**

The Manager will apply to SEHK to have the Units of the Sub-Funds cease trading on the SEHK with effect from the Trading Cessation Date, i.e. 19 May 2014. The Manager will aim to realise all of the assets of all the Sub-Funds effective from 19 May 2014 in exercise of its investment powers under Clause 9.5 of the Trust Deed.

The Manager will then proceed with the Final Distribution as soon as practicable (see details in section 2.2 below). As such, 16 May 2014 will be the Last Trading Day on which investors may buy or sell Units on the SEHK in accordance with the usual trading arrangements currently in place.

The Manager currently does not expect that there will be any further distribution after the Final Distribution. In case of contrary, the Manager will issue an announcement to confirm the amount of further distribution (which may include any refund of excess of Unforeseen Expenses Provision (if any)) on or around 26 June 2014 and such further distribution (if any) will be payable on or around 27 June 2014. If there is any change to the dates mentioned in this paragraph, the Manager will issue an announcement informing the Unitholders of the revised dates.

Also, in view of the proposed cessation of trading, no further creation of Units by Participating Dealers will be allowed from the date of this Announcement and Notice.

For the avoidance of doubt redemption of Units by Participating Dealers will continue to be permitted until the Last Trading Day.

Investors should note that they cannot redeem Units directly from a Sub-Fund. Only Participating Dealers may submit redemption applications to the Manager and the Participating Dealer may have its own application procedures for its clients and may set application cut-off times for its clients which are earlier than those set out in the Prospectus. Investors are advised to check with the Participating Dealer as to the relevant timing deadlines and the client acceptance procedures and requirements.

1.3. **Impact on the proposed realisation of the assets**

After the realisation of the assets of the relevant Sub-Funds (as described in section 1.2 above), the relevant Sub-Funds will mainly hold cash, primarily consisting of the proceeds from the realisation of the assets. It therefore follows that, from the Trading Cessation Date, the relevant Sub-Funds will cease to track their respective Indices and will not be able to meet their respective investment objectives of tracking the performance of such Indices.

2. **What will happen after the Trading Cessation Date?**

2.1. **Immediately from the Trading Cessation Date**

Effective from the Trading Cessation Date, the Units will cease trading on the SEHK, that is, investors will only be allowed to buy or sell Units on the SEHK until (and including) the Last Trading Day which is 16 May 2014 and will not be allowed to do so from the Trading Cessation Date onwards.

2.2. **During the period from the Trading Cessation Date until the Termination Date**

The Manager will, after having consulted the Sub-Funds' Auditors, declare a Final Distribution in respect of the Relevant Investors (i.e. those investors who do not sell their Units on or before the Last Trading Day). Such Final Distribution will be made on or around 26 May 2014. Please refer to section 3.2 below for further details on the Final Distribution. The Manager currently does not expect that there will be any further distribution after the Final Distribution. In case of contrary, the Manager will issue an announcement to confirm the amount of further distribution (which may include any refund of excess of Unforeseen Expenses Provision (if any)) on or around 26 June 2014 and such further distribution (if any) will be payable on or around 27 June 2014. If there is any change to the dates mentioned in this paragraph, the Manager will issue an announcement informing the Unitholders of the revised dates.

On the Termination Date (which is expected to be on or around 17 July 2014) which is the date on which the Trustee and the Manager form an opinion that all the Sub-Funds cease to have any contingent or actual assets or liabilities, the Manager and the Trustee will commence the completion of the termination of the relevant Sub-Funds.

During the period from the Trading Cessation Date until, at least, the Termination Date, the Sub-Funds will still have listing status on the SEHK, and the Sub-Funds will remain authorised by the SFC, although the Sub-Funds will be operated only in a limited manner (as described in section 4.2 below). The Manager has therefore applied to the SFC, and has been granted, waivers from strict compliance of certain provisions of the Code for the period from the Trading Cessation Date to the Deauthorisation date. The details and the conditions on which such waiver is granted are as described in section 5 below.

The Deauthorisation and Delisting will take place either on the Termination Date or immediately after the Termination Date, subject to the SFC's and the SEHK's approval respectively. The Manager expects, subject to the SEHK's approval, that the Delisting will only take place at or around the same time of the Deauthorisation.

The proposed termination, Deauthorisation and Delisting will be subject to the payment of all outstanding fees and expenses (for details, please refer to section 6 below), the discharge of all outstanding liabilities of the Sub-Funds, as well as the final approvals of the SFC and the SEHK.

Following Deauthorisation, the Trust and the Sub-Funds will no longer be subject to regulation by the SFC. Further, stockbrokers, financial intermediaries and investors must not circulate any marketing or other product information relating to the relevant Sub-Funds to the public in Hong Kong as this may be in breach of the SFO.

2.3. **Important dates**

Subject to the SFC's and the SEHK's respective approvals for the proposed arrangements set out in this Announcement and Notice, it is anticipated that the expected important dates in respect of the Sub-Funds will be as follows:

Dispatch of this Announcement and Notice	17 February 2014
No further creation of Units	From 18 February 2014
Last day for setting aside any Unforeseen Expenses Provision. If the amount of Unforeseen Expenses Provision (if any) set aside is material, an announcement will be issued	14 May 2014
Last day for dealings in the Units on the SEHK and last day for redemption of Units by Participating Dealer (the "Last Trading Day")	16 May 2014
Dealings in the Units on the SEHK cease (the "Trading Cessation Date"), i.e. same date on which the Manager will start to realise all the assets of the Sub-Funds and the Sub-Funds will cease to be able to track the relevant Indices	19 May 2014
The date as at which an investor needs to be recorded by the HKSCC Nominees Limited as the beneficial owner of Units which are registered in the name of HKSCC Nominees Limited and held in CCASS to be entitled to the Final Distribution and further distribution (if any) (which may include any refund of excess of Unforeseen Expenses Provision (if any)) (the "Distribution Record Date")	21 May 2014
Final Distribution (after the Manager having consulted with the Sub-Funds' Auditors) will be paid to the investors who are still holding Units as at the Distribution Record Date (the "Final Distribution Date")	On or around 26 May 2014

If there is any further distribution after the Final Distribution, announcement to confirm the amount and the payment date of further distribution (which may include any refund of excess of Unforeseen Expenses Provision (if any))	On or around 26 June 2014
Further distribution (if any) (which may include any refund of excess of Unforeseen Expenses Provision (if any)) will be paid to the investors who are still holding Units as at the Distribution Record Date	On or around 27 June 2014
Termination of the Sub-Funds (the "Termination Date")	On or around 17 July 2014, which is the date on which the Manager and the Trustee form an opinion that the Sub-Funds cease to have any contingent or actual assets or liabilities
Deauthorisation and Delisting of the Sub-Funds	On or around 17 July 2014, which is the date on which the SFC and SEHK approve the Deauthorisation and Delisting respectively The Manager expects that the Deauthorisation and Delisting will take place either on the Termination Date or immediately after the Termination Date

The Manager will, on a weekly basis from the date of this Announcement and Notice to the Last Trading Day, issue reminder announcements to Unitholders informing and reminding them of the Last Trading Day, the Trading Cessation Date and the Distribution Record Date. In addition, the Manager will issue further announcements in due course to inform the Unitholders of the Final Distribution Date, the dates for the Deauthorisation and Delisting, as well as the Termination Date, with regard to the Trust and the relevant Sub-Funds, and whether there is any further distribution after the Final Distribution, as and when appropriate in accordance with the applicable regulatory requirements.

All stockbrokers and financial intermediaries are urged to forward a copy of this Announcement and Notice, together with any further announcements, to their clients investing in the Units, and inform them of the contents of this Announcement and Notice, and any further announcements, as soon as possible.

3. <u>**Potential actions to be taken by investors on or before the Last Trading Day**</u>

3.1. **Trading on the SEHK on any trading day up to (and including) the Last Trading Day**

On any trading day up to (and including) the Last Trading Day, an investor may continue to buy or sell its Units in the Sub-Funds on the SEHK in accordance with the usual trading arrangements, during the trading hours of the SEHK and based on the prevailing market prices. HSBC Securities Brokers (Asia) Limited, the Market Maker of the Sub-Funds will continue to perform its market making functions in accordance with the Trading Rules of the SEHK in respect of each Sub-Fund.

Investors should note that stockbrokers or other financial intermediaries may impose brokerage fees on any sale of the Units on the SEHK on investors, and a transaction levy (at 0.003% of the price of the Units or such other applicable rate) and a trading fee (at 0.005% of the price of the Units) will be payable by each of the buyer and the seller of the Units.

Stamp duty will also be imposed on any sale or purchase of the Units of the HSBC MSCI Golden Dragon ETF, HSBC MSCI Hong Kong ETF and HSBC MSCI China ETF on the SEHK (0.1% of the price of the Units, payable by both the buyer and seller, i.e. 0.2% in total, except in respect of qualifying market maker transactions). No charge to stamp duty will arise in Hong Kong in respect of sale or purchase of Units of the HSBC MSCI Taiwan ETF on the SEHK because approval has been given by the Financial Services and Treasury Bureau upon listing of the HSBC MSCI Taiwan ETF for remission or refund in full of stamp duty payable or paid in respect of any contract notes or instruments of transfer relating to transactions in Units in the HSBC MSCI Taiwan ETF.

The trading price of Units may be below or above the Net Asset Value per Unit.

3.2. **Holding Units after the Last Trading Day**

For Relevant Investors who are still holding Units in any of the relevant Sub-Funds after the Last Trading Day, the Manager will, after having consulted with the relevant Sub-Funds' Auditors, declare Final Distributions in respect of such Relevant Investors. Each Relevant Investor will be entitled to a Final Distribution of an amount equal to the relevant Sub-Fund's then Net Asset Value in proportion to the Relevant Investor's interests in the Sub-Fund as at the Distribution Record Date. The Sub-Fund's then Net Asset Value will be the total value of the net proceeds from the realisation of the assets of the relevant Sub-Fund as described in section 1.3 above, less the liabilities of the relevant Sub-Fund (such as the fees and expenses payable by the relevant Sub-Fund and, if any, the Unforeseen Expenses Provision) as at the Distribution Record Date.

The Final Distribution to each Relevant Investor is expected to be paid to the accounts of its financial intermediary or stockbroker maintained with CCASS on or around 26 May 2014. The Manager will issue further announcement to inform the Relevant Investors of the exact day of payment of the Final Distribution, together with the amount of Final Distribution per Unit, in due course.

The Manager currently does not expect that there will be any further distribution after the Final Distribution. In case of contrary, the Manager will issue an announcement to confirm the amount of further distribution (which may include any refund of excess of Unforeseen Expenses Provision (if any)) on or around 26 June 2014 and such further distribution (if any) will be payable on or around 27 June 2014. If there is any change to the dates mentioned in this paragraph, the Manager will issue an announcement informing the Unitholders of the revised dates.

IMPORTANT NOTE: Investors should note and consider the risk factors as set out in section 7.1 below and consult with their professional and financial advisers before disposing of any Units. If an investor disposes of its Units at any time on or before the Last Trading Day, such investor will not, in any circumstances, be entitled to any portion of the Final Distribution or any further distribution (if any) in respect of any Units so disposed. Investors should therefore exercise caution and consult with

their professional and financial advisers before dealing in their Units or otherwise deciding on any course of action to be taken in relation to their Units.

4. **<u>Consequences of the commencement of the cessation of trading</u>**

4.1. **Continued existence of the Sub-Funds**

Each of the Trust and the Sub-Funds will maintain its SFC authorisation status and each of the Sub-Funds will maintain its SEHK listing status, until the Deauthorisation and Delisting. Deauthorisation and Delisting will follow as soon as possible after the termination.

By the time the Trustee and the Manager form an opinion that the relevant Sub-Funds cease to have any contingent or actual assets or liabilities, the Manager and the Trustee will complete the proposed termination process and the Manager will proceed with applying to the SFC for Deauthorisation, and to the SEHK to complete the Delisting respectively.

4.2. **Limited operation of the Sub-Funds**

During the period from the Trading Cessation Date until the Deauthorisation, each Sub-Fund will only be operated in a limited manner as there will not be any trading of Units and the Sub-Funds will have no investment activities from the Trading Cessation Date onwards.

5. **<u>Waiver</u>**

5.1. **Background**

As set out in section 2.2 above, while the Sub-Funds have ceased trading effective from the Trading Cessation Date, because of certain outstanding actual or contingent assets or liabilities in relation to the Sub-Funds, the Trust and the Sub-Funds remain in existence after the Trading Cessation Date until the Termination Date. During such period, the Trust and the Sub-Funds maintain their SFC authorisation status, and the Sub-Funds maintain their SEHK listing status, until the completion of the proposed termination, Deauthorisation and Delisting.

However, following the date of this Announcement and Notice, there will be no further creation of Units, and from the Trading Cessation Date onwards: (i) there will be no further trading of Units and no further redemption of Units; (ii) the Manager will start to realise all the assets of the Sub-Funds and the Sub-Funds will therefore cease to track the relevant Indices and will not be able to meet their respective investment objectives of tracking the performance of such Indices and the Sub-Funds are no longer marketed to the public; and (iii) the Trust and the Sub-Funds (other than HSBC MSCI Golden Dragon ETF) will mainly hold cash while the HSBC MSCI Golden Dragon ETF (which is a fund-of-funds ETF investing in the other 3 Sub-Funds) will continue to hold the Units of the other Sub-Funds until these distribute their respective net assets to Unitholders (including the HSBC MSCI Golden Dragon ETF), and all the Sub-Funds will only be operated in a limited manner.

Accordingly, with a view to minimising the further costs, fees and expenses in managing the Trust and the Sub-Funds following the Trading Cessation Date and in the best interest of investors, the Manager has applied to the SFC for, and has been granted, a waiver from strict compliance with certain provisions of the Code for the period from the Trading Cessation Date to the Deauthorisation date.

The details of the waiver granted and the conditions on which such waiver was granted are set out in this section 5.

5.2. **Publishing of the suspension of dealing**

Under Chapter 10.7 of the Code, the Manager is required to: (a) immediately notify the SFC if dealing in Units ceases or is suspended; and (b) publish the fact that dealing is suspended immediately following the decision to suspend and at least once a month during the period of suspension in the newspaper(s) in which the Sub-Funds' prices are normally published (the requirements under (b) are referred to as the "Investor Notification Requirements").

The Manager has applied to the SFC for, and has been granted, a waiver from strict compliance with the Investor Notification Requirements under Chapter 10.7 of the Code, subject to the conditions that (a) a statement shall be posted in a prominent position of the Manager's website from the Trading Cessation Date until the Deauthorisation date to notify investors that the Units of the Sub-Funds have ceased trading on the SEHK from 19 May 2014, and draw their attention to this Announcement and Notice, the August 2013 Announcement, the October 2013 Announcement and all other relevant announcements; and (b) the announcements in relation to the Sub-Funds will remain published on the Manager's website for a period of one year after the Deauthorisation date.

Because the Sub-Funds remain their listing status after the Last Trading Day (16 May 2014) until the Deauthorisation date, investors may continue to access further announcements in relation to the Sub-Funds via the SEHK's website and the Manager's website during such period. In addition, as one of the conditions of this waiver, the announcements in relation to the Sub-Funds will remain published on the Manager's website for a period of one year after the Deauthorisation date. The Manager is of the view that one year's period should be sufficient to cater for investors who may have questions about the Sub-Funds after the Deauthorisation. Also, according to the current policy of SEHK (which may change from time to time), the announcements in relation to the Sub-Funds will remain published on the SEHK's website for a period of at least 5 years after Delisting.

5.3. **Provision of estimated Net Asset Value or R.U.P.V.[1] and last closing Net Asset Value on a real time or near real time basis**

Under Paragraphs 4 and 17(a) and (b) of Appendix I to the Code, the Manager is required to provide estimated Net Asset Value or R.U.P.V. and last closing Net Asset Value to the public on a real time or near-real time basis unless otherwise waived, via any suitable channels in paragraph 18 of Appendix I (which include the Sub-Funds' own website).

As following the date of this Announcement and Notice, there will be no further creation of Units, and from the Trading Cessation Date onwards, there will be no further trading of Units and no further redemption of Units, and the Trust and the Sub-Funds (other than the HSBC MSCI Golden Dragon ETF) will mainly hold cash while the HSBC MSCI Golden Dragon ETF (which is a fund-of - funds ETF investing in the other 3 Sub-Funds) will continue to hold the Units of the other Sub-Funds until these distribute their respective net assets to Unitholders (including the HSBC MSCI Golden Dragon ETF) and all the Sub-Funds will only be operated in a limited manner, the Manager and the Trustee propose that the Net Asset Value per Unit will be updated on the Manager's website only when there is any event which causes the Net Asset Value to change. The Manager and the Trustee expect that the events which will cause the Net Asset Value per Unit to change are: (i) the Final Distribution (please see further in section 3.2 above); (ii) further distribution (if any); (iii) any change in the market value of any scrip dividend receivable; and (iv) any change in exchange rate (in relation to the HSBC MSCI Taiwan ETF only).

Accordingly, the Manager has applied to the SFC for, and has been granted, a waiver from strict compliance with the above-mentioned requirements under Paragraphs 4 and 17(a) and (b) of Appendix I to the Code, subject to the following conditions:

(A) the Net Asset Value per Unit as of 19 May 2014 (i.e. the Trading Cessation Date), which will be the latest Net Asset Value per Unit, would be published on the Manager's website;

[1] R.U.P.V stands for "Reference Underlying Portfolio Value" which is updated at 15-second intervals during trading hours.

(B) the Manager shall update the latest available Net Asset Value per Unit on the Manager's website as soon as practicable should there be any other change to the Net Asset Value including but not limited to changes arising from (i) the Final Distribution (please see further in section 3.2 above); (ii) further distribution (if any); (iii) any change in the market value of any scrip dividend receivable; and (iv) any change in exchange rate (in relation to the HSBC MSCI Taiwan ETF only).

5.4. **Updating of the Prospectus**

Under Chapters 6.1 and 11.1B of the Code, the Prospectus must be up-to-date and must be updated to incorporate any relevant changes to the Trust or the Sub-Funds.

In view of the cessation of trading of Units from the Trading Cessation Date, and there being no further creation or redemption of Units, the Manager considers that it is not necessary to update the Prospectus (which by its nature is an offering document) to reflect any future changes to the Prospectus.

As such, the Manager has applied to the SFC for, and has been granted, a waiver from strict compliance with the above-mentioned requirements under Chapters 6.1 and 11.1B of the Code so that the Prospectus need not be updated from the Trading Cessation Date.

Without prejudice to the other obligations of the Manager under Chapter 11.1B of the Code, the Manager has undertaken and confirmed with the SFC that it shall:

(A) promptly notify investors of any changes to the Trust and/or the Sub-Funds or to the Prospectus by means of publishing the announcement(s) on its and SEHK's websites (each, a "Relevant Future Announcement"); and

(B) ensure that each Relevant Future Announcement shall include a statement to refer investors to read this Announcement and Notice, the August 2013 Announcement, the October 2013 Announcement together with the Prospectus, and any other Relevant Future Announcement(s).

5.5. **Other related matter**

The Manager confirms that, save for the particular provisions of the Code set out in sections 5.1 to 5.4 above, the Manager will continue to comply with all the other applicable provisions of the Code, the applicable provisions in the Trust Deed and other applicable laws and regulations.

6. **Costs**

As indicated in section 3.1 above, investors' stockbrokers or financial intermediaries may levy certain fees and charges for any orders to dispose of Units on or before the Last Trading Day.

All redemption of Units by the Participating Dealer will be subject to the fees and costs as set out in the Prospectus. The Participating Dealer may pass on to the relevant investors such fees and costs. The Participating Dealer may also impose fees and charges in handling any redemption request which would also increase the cost of redemption. Investors are advised to check with the Participating Dealer as to the relevant fees, costs and charges.

The following table sets out the Estimated Total Expense Ratios which have been charged by each of the Sub-Funds, as set out in the Prospectus. These Estimated Total Expense Ratios will remain unchanged upon the implementation of the Proposal and the Manager will continue to collect such fees from the relevant Sub-Funds up to (and including) the Trading Cessation Date:

Sub-Fund	Estimated Total Expense Ratio (% p.a. of Net Asset Value)
HSBC MSCI Golden Dragon ETF#	0.5%
HSBC MSCI Hong Kong ETF	0.5%
HSBC MSCI China ETF	0.5%
HSBC MSCI Taiwan ETF	0.5%

 # Since the HSBC MSCI Golden Dragon ETF is a fund of funds, it has already borne the costs of the underlying Sub-Funds indirectly. Such portion of the costs therefore will not be charged directly to the HSBC MSCI Golden Dragon ETF again to avoid double charging.

The Relevant Termination Related Expenses to implement the Proposal are estimated to be around HK$650,000. Since the Estimated Total Expense Ratios are capped at the rates as set out in the table above, if the aggregated amount of (a) the Relevant Termination Related Expenses actually incurred by a Sub-Fund, including the costs involved in implementing the Proposal; and (b) the ongoing costs and expenses of a Sub-Fund which should be covered by the Estimated Total Expense Ratio, exceed the Estimated Total Expense Ratio as set out in the table above, the Manager will cover any shortfall from its own assets.

Please however note that the relevant Estimated Total Expense Ratio will not cover certain duties, charges and other costs and expenses as disclosed in the Prospectus (including all transaction, borrowing and overdraft facility costs and expenses in relation to the Sub-Funds and, as explained in the paragraph below, all Unforeseen Expenses) which will be paid separately out of the assets of the relevant Sub-Funds.

If after the date of this Announcement and Notice certain types of Unforeseen Expenses which are unforeseeable at the time of this Announcement and Notice and which are not covered by the Estimated Total Expense Ratio as disclosed in the Prospectus (including but not limited to any taxes, levies, duties or similar charges and professional fees in relation to agreeing and/or contesting any such liabilities or recoveries and all litigation expenses) come to the attention of the Manager and/or the Trustee, subject to the approval from both the Trustee and the Manager, an Unforeseen Expenses Provision may be set aside for payment of such expenses on or before 14 May 2014. The Manager envisages that the amount of such Unforeseen Expenses, and therefore, the amount of the Unforeseen Expenses Provision to be set aside, should be immaterial. However, if the Unforeseen Expenses Provision to be set aside is, in the opinion of the Trustee and the Manager, a material amount, the Manager will issue an announcement to confirm the amount of Unforeseen Expenses Provision on 14 May 2014. **The setting aside of any Unforeseen Expenses Provision will reduce the Net Asset Value of the Sub-Funds and the Net Asset Value per Unit. Please refer to "Net Asset Value downward adjustment risk" in section 7.1 below.**

Where the Unforeseen Expenses Provision, if any, is insufficient to cover any future costs and, if applicable any Unforeseen Expenses, any shortfall will be borne by the Manager. Conversely, where the Unforeseen Expenses Provision, if any, is in excess of the actual amount of the future costs or, as the case may be, Unforeseen Expenses (when materialised), the Manager will issue an announcement to confirm the amount of excess of Unforeseen Expenses Provision on or around 26 June 2014 and such excess will be refunded to the Relevant Investors as part of further distribution on or around 27 June 2014 in proportion to the Relevant Investor's interests in the Sub-Fund as at the Distribution Record Date. If there is any change to the dates mentioned in this paragraph, the Manager will issue an announcement informing the Unitholders of the revised dates.

The Sub-Funds do not have any unamortised preliminary expense or contingent liabilities (such as outstanding litigation) as at the date of this Announcement and Notice.

7. **Other matters**

7.1. **Other implications of the proposed cessation of trading, the proposed termination of the Trust and the Sub-Funds and the proposed Deauthorisation and Delisting**

In consequence of this Announcement and Notice and the proposed cessation of trading, the proposed termination of the Trust and the Sub-Funds and the proposed Deauthorisation and Delisting, investors should note and consider the following risks:

"Liquidity risk" - Trading of Units in the Sub-Funds on the SEHK from the date of this Announcement and Notice may become less liquid.

"Units trading at a discount or premium and Market Maker's inefficiency risk" - Although up to (and including) the Last Trading Day, the Market Maker will continue to perform its market making functions in respect of the relevant Sub-Funds in accordance with the Trading Rules of the SEHK, Units in the Sub-Funds may trade at a discount compared to their Net Asset Value in extreme market situations. This is because many investors may want to sell their Units after the Proposal has been announced but there may not be many investors in the market who are willing to purchase the Units. On the other hand, it is also possible that the Units of the Sub-Funds may trade at a premium because there will be no creation of Units from 18 February 2014 and consequently the divergence between the supply of and demand for the Units may be larger than usual. The Market Maker may not be able to effectively perform its market making activities to provide liquidity of the trading of Units on the SEHK in these extreme market situations. As a result, the price volatility of the Units may be higher than usual from the date of this Announcement and Notice up to (and including) the Last Trading Day.

"Tracking errors during the period from the date of this Announcement and Notice to the Last Trading Day risk" - The setting aside of the Unforeseen Expenses Provision, if any, will adversely affect the Net Asset Value per Unit. This reduction of Net Asset Value per Unit may cause the relevant Sub-Funds' returns to substantially deviate from the performance of the relevant Indices so that the relevant Sub-Funds will not be able to properly track the performance of the relevant Indices during the period from the date of this Announcement and Notice to the Last Trading Day and thus triggering significant tracking error. Furthermore, it is possible that the size of the relevant Sub-Funds may drop drastically before the Last Trading Day. This may impair the Manager's ability to fulfill the investment objectives of the relevant Sub-Funds and result in significant tracking error. In the extreme situation where the size of the relevant Sub-Fund becomes so small that the Manager considers that it is not in the best interest of the relevant Sub-Fund to continue to invest in the market, the Manager may decide to convert the whole or part of the investments of the relevant Sub-Fund into cash or deposits in order to protect the interest of the investors of the relevant Sub-Fund.

"Possible provision for unforeseen expenses risk" - There may be certain expenses such as (but not limited to) tax, levy, duty or similar charges and professional fees in relation to agreeing and/or contesting any such liabilities or recoveries and litigation expenses which are unforeseeable at the time of this Announcement and Notice. If the need for incurring any such expenses comes to the attention of the Manager and/or the Trustee during the period from the date of this Announcement and Notice to 14 May 2014, the Unforeseen Expenses Provision may be set aside for such expenses. While the Manager envisages that the amount of such expenses should be immaterial, any such Unforeseen Expenses Provision will reduce the Net Asset Value per Unit.

"Net Asset Value downward adjustment risk" - Changes in economic environment, consumption pattern and investors' expectations may have significant impact on the value of the investments and there may be significant drop in value of the securities. Also, the

Net Asset Value of the relevant Sub-Funds may be reduced as some of the Sub-Funds' assets may be set aside as Unforeseen Expenses Provision. Such market movements and the setting aside of the Unforeseen Expenses Provision may result in substantial downward adjustment of the Net Asset Value per Unit before the Last Trading Day.

"Failure to track the Indices risk" - The Manager will aim to realise all securities held by the relevant Sub-Funds (other than the Units held by the HSBC MSCI Golden Dragon ETF) with effect from the Trading Cessation Date. Thereafter, the Sub-Funds' assets (other than those of the HSBC MSCI Golden Dragon ETF) will mainly be in cash. The HSBC MSCI Golden Dragon ETF (which is a fund-of-funds ETF investing in the other 3 Sub-Funds) will continue to hold the Units of the other Sub-Funds until these distribute their respective net assets to Unitholders (including the HSBC MSCI Golden Dragon ETF). All the Sub-Funds will only be operated in a limited manner. It therefore follows that, from the Trading Cessation Date, each of the Sub-Funds will cease to track the relevant Indices, and will not be able to meet its investment objective of tracking the performance of the relevant Indices.

"Delay in distribution risk" - The Manager will aim to realise all of the assets of all the Sub-Funds and then proceed with the Final Distribution as soon as practicable. However, the Manager may not be able to realise all the assets of the Sub-Funds in a timely manner during certain periods of time, for example, when the trading on the relevant stock exchanges is restricted or suspended or when the official clearing and settlement depositary of the relevant market is closed. In this case, the payment of the Final Distribution or further distribution (if any) to the Relevant Investors may be delayed.

7.2. Tax implications

Based on the Manager's understanding of the law and practice in force at the date of this Announcement and Notice, the Trust and any of its Sub-Funds are not subject any capital gain tax in relation to the realisation of assets under the Proposal.

No tax will be payable by investors in Hong Kong in respect of the Final Distribution or further distribution (if any), except that Hong Kong profits tax may arise where the transactions giving rise to such distribution or refund form part of a trade, profession or business carried on in Hong Kong.

Investors should consult their professional financial advisers for tax advice.

7.3. Connected party transaction

The Participating Dealer of the Sub-Funds is The Hongkong and Shanghai Banking Corporation Limited, which is a Connected Person of the Manager and the Trustee. The Participating Dealer currently owns a substantial holding of Units of the Sub-Funds.

HSBC Bank plc, which is also a Connected Person of the Manager and the Trustee, also owns certain amount of Units of the HSBC MSCI Hong Kong ETF.

The Participating Dealer or HSBC Bank plc may decide to dispose of all or part of their Units, either by selling the Units on the SEHK or by redeeming the Units in the primary market, after being informed of the Proposal via this Announcement and Notice. Any disposal of Units by the Participating Dealer or HSBC Bank plc, which is beyond the control of the Manager, may significantly reduce the size of the relevant Sub-Fund and impair the Manager's ability to fulfill the investment objectives of the relevant Sub-Funds and result in significant tracking error. Please refer to "Tracking errors during the period from the date of this Announcement and Notice to the Last Trading Day risk" in section 7.1 above.

8. **Documents available for inspection**

Copies of the following documents are available for inspection free of charge at the offices of the Manager and copies thereof may be obtained from the Manager at a cost of HK$150 per set:

- the Trust Deed;
- the Participation Agreement;
- the Conversion Agency Agreement;
- the Service Agreement;
- the audited accounts and the half-yearly unaudited reports of the Trust; and
- the Prospectus.

9. **Enquiries**

If you have any queries in relation to the contents of this Announcement and Notice, please direct them to your stockbrokers or financial intermediaries or contact the Manager in person at Level 22, HSBC Main Building, 1 Queen's Road Central, Hong Kong, or by calling: (852) 2284 1108, or emailing by hsbc.etf@hsbc.com.hk, or visiting the Manager's website: www.etfs.hsbc.com/hk.

The Manager accepts full responsibility for the accuracy of the information contained in this Announcement and Notice and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief, there are no other facts the omission of which would make any statement misleading.

HSBC Investment Funds (Hong Kong) Limited
as Manager of the Trust and the Sub-Funds
17 February 2014

As at the date of this Announcement and Notice, the Board of Directors of the Manager consists of BERRY Stuart Glenn, CONXICOEUR Patrice Pierre Henri, KOO Julie J, LAM Po Yee, MALDONADO-CODINA Guillermo Eduardo, MUNRO Joanna, NG Kai Man Edgar.

DEFINITIONS

In this Announcement and Notice, unless the context otherwise requires, the following terms shall have the following meanings:

CCASS	The Central Clearing and Settlement System established and operated by HKSCC or any successor system operated by HKSCC or its successors
Code	The Code on Unit Trusts and Mutual Funds dated June 2010 issued by the SFC (as amended or replaced from time to time)
Connected Person	Has the meaning as set out in the Code which at the date of this Announcement and Notice means in relation to a company: (a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise, directly or indirectly, 20% or more of the total votes in that company; or (b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a); or (c) any member of the group of which that company forms part; or (d) any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c)
Deauthorisation	The deauthorisation of the Trust, the Sub-Funds and their offering documents by the SFC under section 106 of the SFO
Delisting	The delisting of the Sub-Funds from the SEHK
Distribution Record Date	21 May 2014, being the date for the purpose of determining the beneficial owners of Units in each of the Sub-Funds who are entitled to the Final Distribution and further distribution (if any) (which may include any refund of excess of Unforeseen Expenses Provision (if any))
Final Distribution	Has the meaning given to that term in section 3.2 above
Final Distribution Date	On or around 26 May 2014, being the date on which the Final Distribution of the relevant Sub-Fund will take place
HKSCC	Hong Kong Securities Clearing Company Limited or its successors
Index or Indices	In respect of Sub-Fund(s), the index/indices against which the relevant Sub-Fund(s) is/are benchmarked
Investment Adviser	HSBC Global Asset Management (Hong Kong) Limited or its successors
Investor Notification Requirements	Has the meaning given to that term in section 5.2 above
Last Trading Day	16 May 2014, being the last day for dealings in the Units on the SEHK and last day for redemption of Units by Participating Dealer

Manager	HSBC Investment Funds (Hong Kong) Limited or its successors
Market Maker	HSBC Securities Brokers (Asia) Limited or its successors
Participating Dealer	The Hongkong and Shanghai Banking Corporation Limited
Proposal	The proposal to terminate the Trust and the Sub-Funds, and to voluntarily seek the Deauthorisation and the Delisting
Prospectus	The Prospectus of the Trust and the Sub-Funds dated 21 December 2012
Registrar	HSBC Institutional Trust Services (Asia) Limited or its successors
Relevant Future Announcement	Has the meaning given to that term in section 5.4 above
Relevant Investors	The investors who are still holding Units in any of the relevant Sub-Funds after the Last Trading Day
Relevant Termination Related Expenses	Including but not limited to legal costs, regulatory fees and Auditors' fees for termination, Deauthorisation and Delisting, but excluding certain duties, charges and other costs and expenses which are not covered by the Estimated Total Expense Ratio as disclosed in the Prospectus (such as transaction, borrowing and overdraft facility costs and expenses in relation to the Sub-Funds and Unforeseen Expenses)
SEHK	The Stock Exchange of Hong Kong Limited or its successors
SFC	The Securities and Futures Commission of Hong Kong or its successors
SFO	The Securities and Futures Ordinance (Cap.571 Laws of Hong Kong)
Sub-Fund or Sub-Funds	HSBC MSCI Golden Dragon ETF, HSBC MSCI Hong Kong ETF, HSBC MSCI China ETF and/or HSBC MSCI Taiwan ETF, as the case may be
Termination Date	The date on which the Trustee and the Manager form an opinion that the relevant Sub-Funds cease to have any contingent or actual assets or liabilities
Trading Cessation Date	19 May 2014, being the date on which the dealings in the Units on the SEHK cease
Trust	HSBC ETFs Trust
Trust Deed	The trust deed dated 25 February 2011 governing the Trust and the Sub-Funds
Trustee	HSBC Institutional Trust Services (Asia) Limited or its successors
Unforeseen Expenses	Certain types of expenses which are unforeseeable at the time of this Announcement and Notice and which are not covered by the

	Estimated Total Expense Ratio as disclosed in the Prospectus (including but not limited to full amount of all taxes, levies, duties or similar charges and professional fees in relation to agreeing and/or contesting any such liabilities or recoveries and all litigation expenses)
Unforeseen Expenses Provision	The provision which may be set aside for Unforeseen Expenses
Units	In respect of a Sub-Fund, one undivided share in such Sub-Fund
Unitholder	A holder of Units in respect of a Sub-Fund

IMPORTANT: If you are in any doubt about the contents of this prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser for independent financial advice.

HSBC ETFs Trust

a Hong Kong unit trust authorised under
Section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong
initially comprising four sub-funds

HSBC MSCI Golden Dragon ETF (Stock Code: 3088)
HSBC MSCI Hong Kong ETF (Stock Code: 3000)
HSBC MSCI China ETF (Stock Code: 3033)
HSBC MSCI Taiwan ETF (Stock Code: 3083)

PROSPECTUS

Manager

HSBC Investment Funds (Hong Kong) Limited

21 December 2012

CONTENTS

IMPORTANT INFORMATION

This prospectus relates to the offer in Hong Kong of Units in the Index Funds, being sub-funds of the HSBC ETFs Trust (the "Trust"), an umbrella unit trust established under Hong Kong law by a trust deed dated 25 February 2011 between HSBC Investment Funds (Hong Kong) Limited (the "Manager") and HSBC Institutional Trust Services (Asia) Limited (the "Trustee").

The Manager accepts full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of its knowledge and belief, there are no other facts the omission of which would make any statement misleading. The Manager confirms that this prospectus includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "SEHK"), the Code on Unit Trusts and Mutual Funds (the "Code") and the "Overarching Principles" of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products for the purposes of giving information with regard to the Units of the Index Funds.

The Trustee is not responsible for the preparation of this prospectus and shall not be held liable to any person for any information disclosed in this prospectus, except for the information regarding the Trustee itself under the sub-section of this prospectus titled "Management of the Trust" - "Trustee and Registrar". The Trustee does not, and is not responsible, authorised, or licensed to, provide any investment advice or make any investment decisions in respect of the Index Funds.

The Trust and the Index Funds are authorised by the Securities and Futures Commission (the "SFC") in Hong Kong pursuant to section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). SFC authorisation is not a recommendation or endorsement of the Trust or the Index Funds, nor does it guarantee the commercial merits of the Index Funds or their performance. It does not mean the Index Funds are suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.

Applicants for Units should consult their financial advisers and take legal advice, as appropriate in order to determine whether or not there are any:

- governmental or other consents required, or other formalities to be observed, to enable applicants to acquire Units; and
- taxation effects, foreign exchange restrictions or exchange control requirements applicable.

The Units of the Index Funds are listed on the SEHK and have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited ("HKSCC") for deposit, clearing and settlement in the Central Clearing and Settlement System ("CCASS") with effect from the date of commencement of dealings in the Units on the SEHK. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No action has been taken to permit an offering of Units of the Index Funds or the distribution of this prospectus in any jurisdiction other than Hong Kong and, accordingly, the prospectus does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Furthermore, distribution of this prospectus shall not be permitted unless it is accompanied by a copy of the latest annual report and accounts of the Index Funds (where existing) and, if later, its most recent interim report, which form a part of this prospectus.

In particular:

- Units in each Index Fund have not been registered under the United States Securities Act of

1933 (as amended) and except in a transaction which does not violate such Act, may not be directly or indirectly offered or sold in the United States of America or any of its territories or for the benefit of a US Person (as defined in Regulation S of such Act);

- The Index Funds have not been and will not be registered under the United States Investment Company Act of 1940, as amended; and

- Units may not, except pursuant to a relevant exemption, be acquired or owned by, or acquired with the assets of an ERISA Plan. An ERISA Plan is defined as (i) any retirement plan subject to Title I of the United States Employee Retirement Income Securities Act of 1974, as amended; or, (ii) any individual retirement account or plan subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended.

The Manager may in future, in consultation with the Trustee, take the necessary steps to offer Units of one or more Index Funds in other jurisdictions (including but not limited to Japan and Taiwan). Notwithstanding that, the Trustee shall not be responsible for any such offer made by the Manager.

Investors should note that any amendment or addendum to this prospectus will be posted on the Manager's website www.etf.hsbc.com/hk. The contents of the Manager's website have not been reviewed by the SFC.

DIRECTORS AND OTHER PARTIES

Directors of the Manager

BERRY, Stuart Glenn
CONXICOEUR, Patrice Pierre Henri
KOO, Julie J
LAM, Po Yee
MALDONADO-CODINA, Guillermo Eduardo
MUNRO, Joanna
NG, Kai Man Edgar

Trustee and Registrar

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

C3(b)(g)

Manager

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

Investment Adviser

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

C3(c)

Market Maker

HSBC Securities Brokers (Asia) Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

Participating Dealer

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

Conversion Agent and Service Agent

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

Legal Adviser to the Manager

Simmons & Simmons
35th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Auditors

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

DEFINITIONS

In this prospectus, unless the context requires otherwise, the following expressions have the meanings set out below.

"Application"	in respect of each Index Fund, an application by a Participating Dealer for the creation or redemption of Units through CCASS, in accordance with the procedures for creation and redemption of Units set out in the Operating Guidelines and the terms of the Trust Deed;
"Application Cancellation Fee"	the fee payable by a Participating Dealer in respect of a default, as set out in the Trust Deed and the Operating Guidelines applicable at the time the relevant Creation Application or Redemption Application is made;
"Application Unit"	in relation to each Index Fund, such number of Units of a class or whole multiples thereof as specified in this prospectus for the relevant Index Fund or such other multiple of Units of a class from time to time determined by the Manager, approved by the Trustee and notified to the Participating Dealers, either generally or for a particular class or classes of Units;
"B shares"	shares listed on the Shanghai Stock Exchange or Shenzhen Stock Exchange which are denominated in a currency other than RMB;
"Base Currency"	in relation to any Index Fund, the currency of account of such Index Fund;
"Business Day"	a day (other than a Saturday) on which the SEHK is open for normal trading and on which the relevant Underlying Index is compiled and published, and on which banks in Hong Kong are open for general business provided that, where as a result of a Number 8 Typhoon Signal, Black Rainstorm warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee otherwise determine and/or such other day or days as the Manager may from time to time determine with the approval of the Trustee, either generally or for any particular class or classes of Units;
"Cancellation Compensation"	an amount payable by a Participating Dealer in respect of a default, as set out in the Trust Deed and in the Operating Guidelines applicable at the time the relevant Creation Application or Redemption Application is made;
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC or any successor system operated by HKSCC or its successors;
"CCASS Operational Procedures"	the CCASS Operational Procedures as amended from time to time;
"CCASS Settlement Day"	means a Business Day on which the settlement services of CCASS are open for use by its participants;

"Code"	the Code on Unit Trusts and Mutual Funds dated June 2010 issued by the SFC (as amended or replaced from time to time);
"Collective Investment Scheme"	has the same meaning as in the SFO;
"Connected Person"	has the meaning as set out in the Code which at the date of the prospectus means in relation to a company: (a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise, directly or indirectly, 20% or more of the total votes in that company; or (b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a); or (c) any member of the group of which that company forms part; or (d) any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c);
"Conversion Agent"	HK Conversion Agency Services Limited or such other person as may from time to time be appointed to act as conversion agent in relation to an Index Fund;
"Creation Application"	in respect of each Index Fund, an application by a Participating Dealer for the creation and issue of Units of an Index Fund in an Application Unit size (or whole multiples thereof) in accordance with the Operating Guidelines and terms of the Trust Deed;
"Dealing Day"	each Business Day during the continuance of the Trust, and/or such other day or days as the Manager may from time to time determine with the approval of the Trustee either generally or for a particular class or classes of Units;
"Dealing Deadline"	in relation to any particular place and any particular Dealing Day, means 15 minutes before the time when the SEHK officially closes for trading on that Dealing Day or such other time on that Dealing Day as the Manager (with the approval of the Trustee) may from time to time determine either generally or for a particular class or classes of Units;
"Deposited Property"	means, in respect of each Index Fund, all the assets (including cash), received or receivable by the Trustee, for the time being held or deemed to be held upon the trusts of the Trust Deed for the account of the relevant Index Fund excluding (i) the Income Property and (ii) any amount for the time being standing to the credit of the Distribution Account;
"Distribution Account"	means, in respect of each Index Fund, the bank account or accounts (if any) opened by the Trustee in accordance with the Trust Deed for the purpose of holding the amount of Income Property distributable by way of an interim distribution or final distribution calculated in accordance

	with the Trust Deed;
"Duties and Charges"	in relation to any particular transaction or dealing, all stamp and other duties, taxes, government charges, brokerage, bank charges, transfer fees, registration fees, transaction levies and other duties and charges whether in connection with the constitution of the Deposited Property or the increase or decrease of the Deposited Property or the creation, issue, transfer, cancellation or redemption of Units or the acquisition or disposal of Securities or otherwise which may have become or may be payable in respect of, and whether prior to, upon or after the occasion of, such transaction or dealing and including but not limited to, in relation to an issue of Units or redemption of Units, a charge (if any) of such amount or at such rate as is determined by the Manager to be made for the purpose of compensating or reimbursing the Trust for the difference between: (a) the prices used when valuing the Securities of the Trust for the purpose of such issue or redemption of Units; and (b) (in the case of an issue of Units) the prices which would be used when acquiring the same Securities if they were acquired by the Trust with the amount of cash received by the Trust upon such issue of Units and (in the case of a redemption of Units) the prices which would be used when selling the same Securities if they were sold by the Trust in order to realise the amount of cash required to be paid out of the Trust upon such redemption of Units;
"Encumbrance"	any mortgage, charge, pledge, lien, third party right or interest, any other encumbrance or security interest of any kind or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect;
"Extension Fee"	any fee payable by a Participating Dealer in accordance with the Operating Guidelines because of the extension of any settlement period;
"Futures Exchange"	the Hong Kong Futures Exchange Limited or its successors;
"H shares"	securities of companies incorporated in the PRC and listed on the SEHK;
"HKSCC"	the Hong Kong Securities Clearing Company Limited or its successors;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Hong Kong dollar" or **"HK$"**	the lawful currency for the time being and from time to time of Hong Kong;
"HSBC Group"	HSBC Holdings plc, its subsidiaries and associated

	companies;
"HSBC MSCI Greater China ETFs"	(i) HSBC MSCI Hong Kong ETF; (ii) HSBC MSCI China ETF; and (iii) HSBC MSCI Taiwan ETF;
"Income Property"	means, in respect of each Index Fund, (a) all interest, dividends and other sums deemed by the Manager, (after consulting the auditors either on a general or case by case basis), to be in the nature of income (including taxation repayments, if any) received or receivable by the Trustee in respect of the Deposited Property of the relevant Index Fund (whether in cash or, without limitation, by warrant, cheque, money, credit or otherwise or the proceeds of sale of any Income Property received in a form other than cash); (b) all interest and other sums received or receivable by the Trustee in respect of (a), (c) or (d) of this definition; (c) all cash payments received or receivable by the Trustee for the account of the relevant Index Fund in respect of an Application; and (d) all Cancellation Compensation received by the Trustee for the account of the relevant Index Fund, but excluding (i) the Deposited Property of the relevant Index Fund; (ii) any amount for the time being standing to the credit of the Distribution Account for the account of the relevant Index Fund or previously distributed to Unitholders; (iii) gains for the account of the relevant Index Fund arising from the realisation of Securities; and (iv) any sums applied towards payment of the fees, costs and expenses payable by the Trust from the Income Property of the relevant Index Fund;
"Index Fund"	a segregated pool of assets and liabilities established under the Trust;
"Index Provider"	in respect of each Index Fund, the person responsible for compiling the Underlying Index against which the relevant Index Fund benchmarks its investments and who holds the right to licence the use of such Underlying Index to the relevant Index Fund;
"Insolvency Event"	occurs in relation to a person where (i) an order has been made or an effective resolution passed for the liquidation or bankruptcy of the person; (ii) a receiver or similar officer has been appointed in respect of the person or of any of the person's assets or the person becomes subject to an administration order; (iii) the person enters into an arrangement with one or more of its creditors or is deemed to be unable to pay its debts; (iv) the person ceases or threatens to cease to carry on its business or substantially the whole of its business or makes or threatens to make any material alteration to the nature of its business; or (v) the Manager in good faith believes that any of the above is likely to occur;
"Issue Price"	in respect of each Index Fund, the price at which Units in that Index Fund may be issued, determined in accordance with the Trust Deed;
"**Listing Date**"	18 April 2011, being the date on which Units were listed and from which dealing therein has been permitted to take

	place on SEHK;
"Mainland China" or **"PRC"**	the People's Republic of China but, for the purposes of this prospectus for geographical reference excludes Taiwan, Macau and Hong Kong;
"Management Fee"	the management fee payable by the Trust for each Index Fund to the Manager, as further described in the section "Fees and Expenses";
"Manager"	HSBC Investment Funds (Hong Kong) Limited or its successors;
"Market Maker"	a broker or dealer permitted by the SEHK to act as such by making a market for the Units in the secondary market on the SEHK;
"MSCI"	MSCI Inc.;
"Net Asset Value" or **"NAV"**	the net asset value of an Index Fund or, as the context may require, of a Unit calculated pursuant to the Trust Deed;
"Operating Expenses"	the expenses payable by the Trust for each Index Fund to the Manager in respect of the ordinary fees, expenses and costs incurred by that Index Fund, as further described in the section "Fees and Expenses";
"Operating Guidelines"	in relation to an Index Fund, the guidelines for the creation and redemption of Units of the relevant class set out in the schedule to the Participation Agreement as amended from time to time by the Manager with the approval of the Trustee, the Conversion Agent or the Service Agent (as the case may be), and HKSCC and following consultation, to the extent reasonably practicable, with the Participating Dealers and as notified in writing to the Participating Dealers (for the avoidance of doubt, different Operating Guidelines may be established for different classes of Units). Unless otherwise specified, references to the Operating Guidelines shall be to the Operating Guidelines for the relevant class of Units applicable at the time of the relevant Application;
"P chips"	securities of companies that are incorporated outside of the PRC that are listed on the SEHK and satisfy the majority of the following conditions: the company is controlled by PRC individuals; the company derives the majority of its revenue from the PRC; the company allocates the majority of its assets in the PRC;
"Participating Dealer"	in respect of each Index Fund, the dealer (licensed for type 1 regulated activity under the SFO) which has entered into a Participation Agreement in form and substance acceptable to the Manager, the Trustee and, where applicable, the Conversion Agent and HKSCC;
"Participation Agreement"	an agreement entered into between the Trustee, the Manager, a Participating Dealer and, where applicable, HKSCC and the Conversion Agent setting out, (amongst other things), the arrangements in respect of the issue of

Units and the redemption and cancellation of Units;

"Recognised Futures Exchange" an international futures exchange which is approved by the Trustee and the Manager;

"Recognised Market" the following, in any part of the world:

(a) in relation to any Security: the SEHK or a Recognised Stock Exchange; and

(b) in relation to any futures contract: the Futures Exchange or any Recognised Futures Exchange;

"Recognised Stock Exchange" an international stock exchange which is approved by the Trustee and the Manager;

"Red chips" securities of companies that are incorporated outside of the PRC that are listed on the SEHK and are directly or indirectly controlled by organisations or enterprises that are owned by the state, provinces or municipalities of the PRC;

"Redemption Application" in respect of each Index Fund, an application by a Participating Dealer for the redemption of Units of an Index Fund in Application Unit size (or whole multiples thereof) in accordance with the Operating Guidelines and terms of Trust Deed;

"Redemption Value" in respect of a Unit of an Index Fund, the price per Unit at which such Unit is redeemed, calculated in accordance with the Trust Deed;

"Registrar" in respect of each Index Fund, HSBC Institutional Trust Services (Asia) Limited or such other person as may from time to time be appointed as registrar to keep the register of Unitholders of an Index Fund;

"RMB" the lawful currency for the time being and from time to time of the PRC;

"Securities" any share, stock, debenture, unit, loan stock, bond, security, commercial paper, acceptance, trade bill, treasury bill, instrument or note of, or issued by or under the guarantee of, any body, whether incorporated or unincorporated, or of any government or local government authority or supranational body, whether paying interest or dividends or not and whether fully-paid, partly paid or nil paid and includes (without prejudice to the generality of the foregoing):

(a) any right, option or interest (howsoever described) in or in respect of any of the foregoing, including units in any Unit Trust (as defined in the Trust Deed);

(b) any certificate of interest or participation in, or temporary or interim certificate for, receipt for or warrant to subscribe or purchase, any of the foregoing;

(c) any instrument commonly known or recognised as a security;

(d) any receipt or other certificate or document evidencing the deposit of a sum of money, or any rights or interests arising under any such receipt, certificate or document; and

(e) any bill of exchange and any promissory note;

"SEHK"	The Stock Exchange of Hong Kong Limited or its successors;
"Service Agent"	HK Conversion Agency Services Limited or such other person as may from time to time be appointed to act as service agent in relation to an Index Fund;
"Settlement Day"	the Business Day which is two Business Days after the relevant Dealing Day (or such later Business Day or such later day as is permitted in relation to such Dealing Day pursuant to the Operating Guidelines) or such other number of Business Days or such number of days after the relevant Dealing Day as the Manager and the Trustee may from time to time agree and notify to the relevant Participating Dealers, either generally or for any particular class or classes of Units;
"SFC"	the Securities and Futures Commission of Hong Kong or its successors;
"SFO"	the Securities and Futures Ordinance (Cap. 571 Laws of Hong Kong);
"Trading Board Lot Size"	in respect of each Index Fund, the board lot size of Units of a particular Index Fund which are quoted and traded on SEHK as set out in the "Descriptions of the Index Funds" section;
"Trading Currency"	in respect of each Index Fund, the currency in which Units of the class of such Index Fund are quoted and traded on the SEHK;
"Transaction Fee"	the fee in respect of an Index Fund which may at the discretion of the Manager (in consultation with the Trustee) be charged for the benefit of the Trustee, the Registrar, the Conversion Agent and/or the Service Agent to each Participating Dealer on each Dealing Day upon which an Application has been or Applications have been made by the relevant Participating Dealer, the maximum level of which shall be as determined by the Manager with the consent of the Trustee from time to time and set out in this prospectus;
"Trust"	the unit trust constituted by the Trust Deed and called HSBC ETFs Trust or such other name as the Trustee and the Manager may from time to time determine;
"Trust Deed"	the trust deed dated 25 February 2011 between the Manager and the Trustee, as amended or supplemented from time to time;
"Trust Fund"	all the property for the time being held or deemed to be held upon the trusts of the Trust Deed including all Deposited Property and Income Property and subject to the

	terms and provisions of the Trust Deed, except any amount for the time being standing to the credit of any Distribution Account;
"Trustee"	HSBC Institutional Trust Services (Asia) Limited or its successors;
"TWD"	the lawful currency for the time being and from time to time of Taiwan;
"Underlying Index"	in respect of an Index Fund, the index against which the relevant Index Fund is benchmarked;
"Unit"	in respect of an Index Fund, one undivided share in such Index Fund and for the purpose of this prospectus, references to "Units" are limited to Class A Units of the relevant Index Fund which are listed and traded on the SEHK, but not to any other class of units (if any) which may be listed on exchange(s) other than the SEHK;
"Unit Cancellation Fee"	the fee charged by the Conversion Agent or the Service Agent (as the case may be) in respect of the cancellation of Units in connection with an accepted Redemption Application;
"Unitholder"	a holder of Units in respect of an Index Fund of the Trust;
"US dollar" or **"US$"**	the lawful currency for the time being and from time to time of the United States of America; and
"Valuation Point"	in respect of each Index Fund, the official close of trading on the Recognised Market on which the Securities in question are listed on each Dealing Day and, in the case of an Index Fund investing in Securities trading on more than one Recognised Market, the official close of trading on the last relevant Recognised Market to close or such other time or times as determined by the Manager and the Trustee from time to time provided that there shall always be a Valuation Point on each Dealing Day other than where there is a suspension of the creation and redemption of Units.

INTRODUCTION

The information contained in this prospectus has been prepared to assist prospective investors in making an informed decision in relation to investing in the Index Funds. It contains important facts about the Trust as a whole and each of the Index Funds offered in accordance with this prospectus.

The Trust and the Index Funds

The Trust is an umbrella unit trust created by a trust deed (the "Trust Deed") dated 25 February 2011 made under Hong Kong law between HSBC Investment Funds (Hong Kong) Limited (the "Manager") and HSBC Institutional Trust Services (Asia) Limited (the "Trustee"). The Trustee shall establish separate pools of assets within the Trust, each of which is an "Index Fund", and Units relating to any Index Fund may be issued in one or more classes.

The assets of each Index Fund are invested and administered separately from the other assets of the Trust. The Manager reserves the right to establish other Index Funds and to issue further classes of Units in the future.

This prospectus relates to the following Index Funds, each of which is an exchange traded fund ("ETF"):

- HSBC MSCI Golden Dragon ETF;
- HSBC MSCI Hong Kong ETF;
- HSBC MSCI China ETF; and
- HSBC MSCI Taiwan ETF.

Although Units relating to any Index Fund may be issued in one or more classes, this prospectus only relates to the Class A Units which are listed and traded on the SEHK. Hong Kong investors can purchase and sell the Class A Units on the SEHK during the opening hours of the SEHK. References in this prospectus to "Units" are therefore only to those Class A Units which are listed and traded on the SEHK, but not to any other class of units (if any) which may be listed on exchange(s) other than the SEHK.

Class A Units are neither listed nor dealt on stock exchange other than SEHK and no application for such listing or permission to deal is being sought as of the date of this prospectus. Applications may be made in future to list Class A Units on other stock exchanges.

ETFs are funds that trade like other publicly-traded securities and are designed to track an Index. The Units of each Index Fund are listed on the SEHK and trade like any other equity security listed on the SEHK. Subject to certain conditions investors may subscribe or redeem Units directly from an Index Fund at NAV by using the services of a Participating Dealer. Otherwise investors may purchase and sell Units in each Index Fund on the SEHK in the secondary market.

PRICES FOR AN INDEX FUND ON THE SEHK ARE BASED ON SECONDARY MARKET TRADING FACTORS AND MAY DEVIATE SIGNIFICANTLY FROM THE NAV OF THE INDEX FUND.

Investment Objective

The investment objective of each Index Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Underlying Index relevant to the Index Fund. The investment objective particular to each Index Fund is set out in the

"Descriptions of the Index Funds" section of this prospectus. There can be no assurance that an Index Fund will achieve its investment objective.

The Underlying Index of an Index Fund may be changed with prior approval of the SFC and notice to Unitholders.

An index is a group of Securities which an Index Provider selects as representative of a market, market segment or specific industry sector. The Index Provider, which is independent of the Manager, determines the relative weightings of the Securities in the index and publishes information regarding the market value of the index.

Investment Policies

The Manager uses a passive or indexing approach to try to achieve each Index Fund's investment objective. The Manager does not try to beat the Underlying Index or out-perform the market. The use of an indexing investment approach may eliminate some of the risks of active management such as poor stock selection, but may be subject to other risks such as the Manager being unable to take defensive positions in declining markets.

An Index Fund may invest, either directly or indirectly, in Securities included in the Underlying Index, or in Securities that are not included in its Underlying Index, but which the Manager believes will help the Index Fund achieve its investment objective. An Index Fund may also use derivative instruments to achieve its investment objective or for efficient portfolio management of its assets (please refer to the "Descriptions of Index Funds" section for further information in this regard). The investment strategy of an Index Fund is subject to the investment and borrowing restrictions set out in Schedule 1.

In managing any of the Index Funds covered under this prospectus, the Manager may use either a representative sampling strategy or a replication strategy as described below. The particular strategy employed for each Index Fund is set out in the section "Descriptions of the Index Funds" of this prospectus.

Prospective investors should note that the Manager may switch between the replication and representative sampling strategies, without notice to Unitholders, in its absolute discretion as often as it believes appropriate in order to achieve the investment objective of the relevant Index Fund (except for the HSBC MSCI Golden Dragon ETF where one month's prior notice to the relevant Unitholders is required before the switching). The Manager may establish new Index Funds under the Trust in future which may adopt other strategies.

Prior approval will be obtained from the SFC and not less than one month's prior notice will be given to the Unitholders in the event the Manager wishes to adopt strategy other than representative sampling strategy or a replication strategy.

Representative Sampling Strategy

"Representative sampling" is an indexing strategy that involves investing substantially, directly or indirectly, in a representative sample of Securities that collectively has an investment profile that aims to reflect the profile of the relevant Underlying Index. When pursuing a representative sampling strategy, an Index Fund may invest in Securities that are not included in the relevant Underlying Index or derivative instruments the performance of which is not linked to the constituents of the relevant Underlying Index.

Replication Strategy

"Replication" is an indexing strategy that involves investing in substantially all of the Securities in the Underlying Index, either directly or indirectly, in substantially the same weightings as those Securities have in the Underlying Index. When pursuing a replication strategy, an Index Fund may invest in derivative instruments the performance of which is linked to the constituents of the relevant Underlying Index.

Tracking the Index

An index is a theoretical financial calculation based on the performance of particular components that make up the index, whereas an Index Fund is an actual investment portfolio. The performance of an Index Fund and its Underlying Index may vary somewhat due to factors including but not limited to transaction costs, asset valuations, corporate actions (such as mergers and spin-offs), legal restrictions affecting the ability of an Index Fund to purchase or dispose of Securities, the employment of a representative sampling strategy, timing variances and differences between the composition of an Index Fund's portfolio and the Underlying Index. These performance differences are usually measured in terms of "Tracking Error".

Investment and borrowing restrictions

Each Index Fund must comply with the investment and borrowing restrictions applicable to the relevant Index Fund and summarised in Schedule 1 of this prospectus (which includes a summary of the investment restrictions set out in the Trust Deed).

Index Licence Agreement

The Manager has been granted a licence by MSCI to use the Underlying Indices to create the Index Funds based on the relevant Underlying Indices and to use certain trade marks and any copyright in the relevant Underlying Indices. The initial term of the licence of the Underlying Indices commenced on 21 March 2011 and will continue until 13 December 2011. After the expiration of the initial term, the licence should be automatically renewed for successive terms of one year unless either party to the licence agreement serves a written notice of termination at least 90 days prior to the end of the then current term to the other party.

THE OFFERING

The After Listing phase commenced on the Listing Date and will continue until the Trust is terminated. Dealings in the Units on the SEHK commenced on 18 April 2011.

All investors may buy and sell Units in the secondary market on the SEHK and Participating Dealers (for themselves or for their clients) may apply for creation and redemption of Units in the primary market in Application Unit size or whole multiples thereof, as set out in the "Descriptions of the Index Funds" section.

Buying and selling of Units on the SEHK

All investors can buy and sell Units in Trading Board Lot Size (or multiples thereof) like ordinary listed stocks through an intermediary such as a stockbroker or through any of the share dealing services offered by banks or other financial advisers at any time the SEHK is open.

However, please note that transactions in the secondary market on the SEHK will occur at market prices which may vary throughout the day and may differ from Net Asset Value per Unit due to market demand and supply, liquidity and scale of trading spread for the Units in the secondary market. As a result, the market price of the Units in the secondary market may be higher or lower than Net Asset Value per Unit.

Please refer to the section on "Exchange Listing and Trading (Secondary Market)" for further information in respect of purchase and sale of Units on the SEHK.

Creations and redemptions through Participating Dealers

Units are currently created by creation and redeemed by redemption at the Issue Price and Redemption Value respectively through Participating Dealers in Application Unit size or multiples thereof, as set out in the "Descriptions of the Index Funds" section.

To be dealt with on a Dealing Day, the relevant Participating Dealer must submit the Creation Applications before the Dealing Deadline on the relevant Dealing Day. If a Creation Application is received on a day which is not a Dealing Day or is received after the relevant Dealing Deadline on a Dealing Day, that Creation Application shall be treated as having been received at the opening of business on the next following Dealing Day, which shall be the relevant Dealing Day for the purposes of that Creation Application. The applicable Dealing Deadline is set out in the "Descriptions of the Index Funds" section. Creation Applications must be made in Application Unit size or whole multiples thereof, as set out in the "Descriptions of the Index Funds" section. Participating Dealers (acting for themselves or for their clients) can apply for Units on each Dealing Day at the Issue Price. Please refer to the section on "Creations and Redemptions (Primary Market)" for the operational procedures in respect of creation applications.

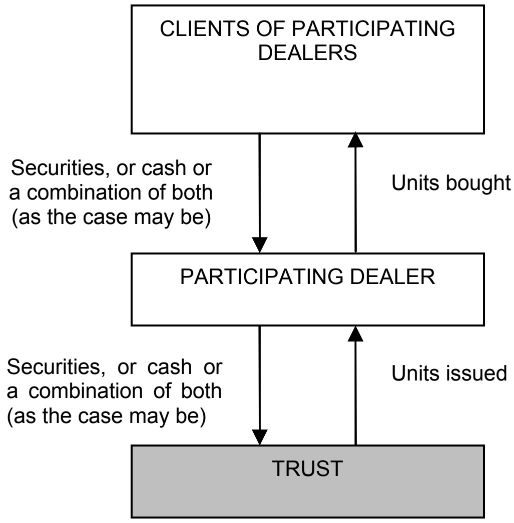
If a Creation Application is received on a day which is not a Dealing Day or is received after the relevant Dealing Deadline on a Dealing Day, that Creation Application shall be treated as having been received at the opening of business on the next following Dealing Day, which shall be the relevant Dealing Day for the purposes of that Creation Application.

Settlement for subscribing or redeeming of Units in Securities and, if applicable, cash are due two CCASS Settlement Days after the Dealing Day, unless the Manager agrees with the relevant Participating Dealer to accept later settlement generally or in any particular case.

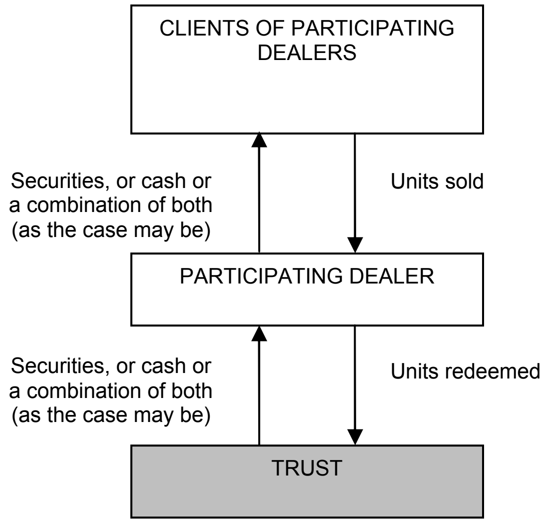
All Units are registered in the name of HKSCC Nominees Limited on the register of the Trust. The register of the Trust is the evidence of ownership of Units. The beneficial interests in Units of any client of the Participating Dealers shall be established through such client's account with the relevant Participating Dealer or with any other CCASS participants if the client is buying from the secondary market.

The diagrams below illustrate the issue or redemption and the buying or selling of Units:

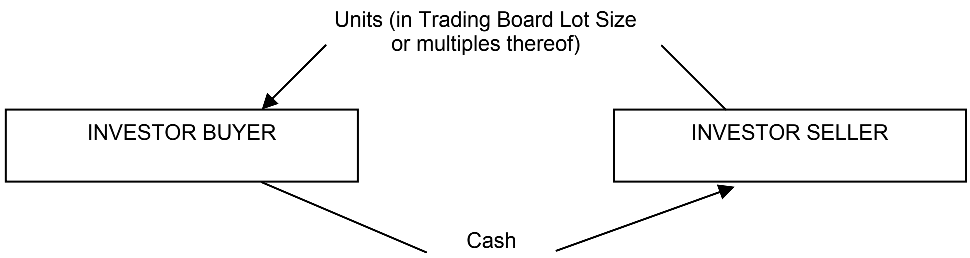
(a) Issue and buying of Units in the primary market



(b) Redemption and sale of Units in the primary market



(c) Buying or selling of Units in the secondary market on the SEHK



DESCRIPTIONS OF THE INDEX FUNDS

HSBC MSCI Golden Dragon ETF

Key Information

The following table is a summary of key information in respect of the HSBC MSCI Golden Dragon ETF, and should be read in conjunction with the full text of the prospectus.

Underlying Index	Index: MSCI Golden Dragon Index (net total return) Inception Date: 29 December 2000 Number of constituents: 290 (11 December 2012) Total Market Capitalisation (Free Float): US$1,440,918 million (11 December 2012) Denomination: US dollar
Listing Date (SEHK)	18 April 2011
Exchange Listing	SEHK – Main Board
Initial public offering	Not applicable
Stock Code	3088
Trading Board Lot Size	500 Units
Base Currency and Trading Currency	Hong Kong dollars (HK$)
Distribution Policy	It is not envisaged that any income or gains will be distributed as dividends by the HSBC MSCI Golden Dragon ETF (refer to the “Distribution Policy” section below)
Application Unit size for each creation / redemption (through Participating Dealers)	Minimum 600,000 Units (or multiples thereof)
Method(s) of creation available (through Participating Dealers)	In-kind only
Method(s) of redemption available (through Participating Dealers)	In-kind only
Dealing Deadline	3:15 p.m. on the relevant Dealing Day, or such other time as the Manager (with the approval of the Trustee) may determine on any day when the trading hours of the SEHK are reduced
Management Fee	0.05% p.a. of NAV (no increase beyond this rate may be made without Unitholder’s approval) (refer to the “Fees and Expenses” section below)

Operating Expenses	0.45% p.a. of NAV (no increase beyond this rate may be made without Unitholder's approval) (refer to the "Fees and Expenses" section below)
Estimated Total Expense Ratio ("TER")*	0.50% p.a. of NAV (refer to the "Fees and Expenses" section below)
Investment strategy	Primarily a replication strategy. The Manager may also use representative sampling and may invest in derivatives (refer to the Introduction and "Investment Strategy" section below)
Financial year end	31 October
Website	www.etf.hsbc.com/hk_3088

** The estimated total expense ratio does not represent the tracking error and does not include certain costs that may be borne by the HSBC MSCI Golden Dragon ETF. Please refer to the sub-sections "Operating Expenses" and "Total Expense Ratio or TER" below for more information.*

<u>Investment Objective</u>

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

As of 11 December 2012, the MSCI Golden Dragon Index consisted of the constituent stocks of the following three indices:

(i) MSCI China Index (the constituent stocks of the MSCI China Index together constitute 47.93% of the MSCI Golden Dragon Index);

(ii) MSCI Hong Kong Index (the constituent stocks of the MSCI Hong Kong Index together constitute 23.68% of the MSCI Golden Dragon Index); and

(iii) MSCI Taiwan Index (the constituent stocks of the MSCI Taiwan Index together constitute 28.39% of the MSCI Golden Dragon Index).

There can be no assurance that the HSBC MSCI Golden Dragon ETF will achieve its investment objective.

<u>Investment Strategy</u>

The HSBC MSCI Golden Dragon ETF is a fund of funds.

In seeking to achieve its investment objective, the HSBC MSCI Golden Dragon ETF primarily uses a fund of funds replication strategy through investing in (i) a combination of the HSBC MSCI Hong Kong ETF, the HSBC MSCI China ETF and the HSBC MSCI Taiwan ETF (collectively the "HSBC MSCI Greater China ETFs") in roughly the same weightings that the relevant tracking indices represent in the MSCI Golden Dragon Index; and (ii) where considered appropriate (subject to the limit set out below) derivative instruments linked to the performance of the MSCI Golden Dragon Index and/or (after considering various factors such as transaction costs, availability, liquidity and degree of correlation with the MSCI Golden Dragon Index) other index that collectively has an investment profile similar to the profile of the MSCI Golden Dragon Index.

The Manager may on behalf of the HSBC MSCI Golden Dragon ETF acquire and dispose of the HSBC MSCI Greater China ETFs mainly through the creation and redemption activities of Participating Dealers of the HSBC MSCI Golden Dragon ETF, or occasionally through purchase and sale of the Units of the HSBC MSCI Greater China ETFs on the market whenever there is a re-balance need. For further information about each of the HSBC MSCI Greater China ETFs, investors are referred to Descriptions on the following pages.

The HSBC MSCI Golden Dragon ETF may also, subject to the Manager giving not less than one month's prior notice to investors, use a representative sampling strategy, which means the HSBC MSCI Golden Dragon ETF will invest directly and where considered appropriate (subject to the limit set out below) indirectly via derivative instruments in a representative sample of Securities that collectively has an investment profile that aims to reflect the profile of the MSCI Golden Dragon Index. The Securities constituting the representative sample may or may not themselves be constituents of the MSCI Golden Dragon Index. The HSBC MSCI Golden Dragon ETF may also invest in (subject to the limit set out below) derivative instruments linked to the performance of the MSCI Golden Dragon Index and/or (after considering various factors such as transaction costs, availability, liquidity and degree of correlation with the MSCI Golden Dragon Index) other index that collectively has an investment profile similar to the profile of the MSCI Golden Dragon Index.

The investment in derivative instruments for non-hedging purposes should not exceed 10% of the Net Asset Value of the HSBC MSCI Golden Dragon ETF under normal circumstances.

The HSBC MSCI Golden Dragon ETF may avail itself of the higher investment limits allowed to certain index-tracking funds, as described in Schedule 1.

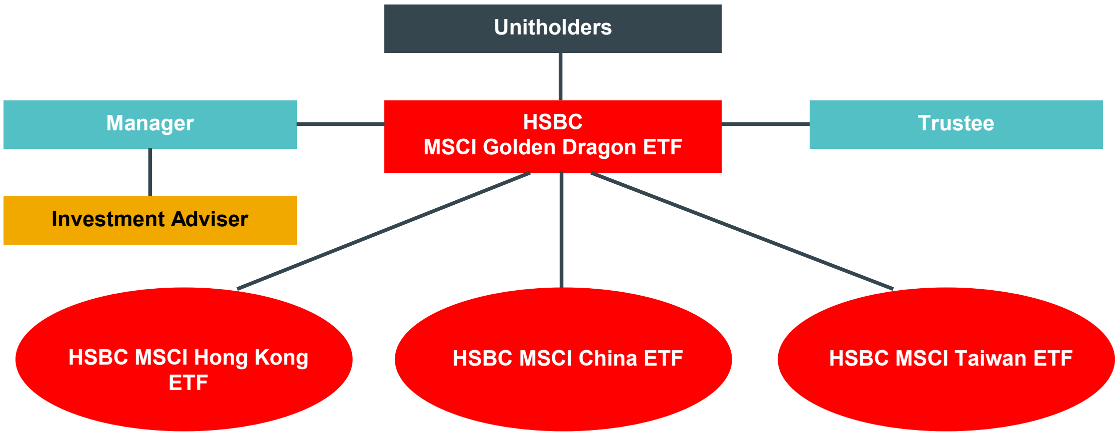
The HSBC MSCI Golden Dragon ETF and the HSBC MSCI Greater China ETFs are managed by the Manager. The Manager shall ensure that neither the HSBC MSCI Golden Dragon ETF nor Unitholders of the HSBC MSCI Golden Dragon ETF will suffer any increase in the overall total of initial charges, management fee, or any other costs and 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 Greater China ETFs.

The HSBC MSCI Golden Dragon ETF may also use derivative instruments including warrants, futures contracts, options on futures contracts, options and swaps related to the Underlying Index and the Securities included in the Underlying Index for efficient portfolio management of its assets. Efficient portfolio management means investment decisions involving transactions that are entered into for one or more of the following specific aims: the reduction of risk, the reduction of cost or the generation of additional capital or income for the HSBC MSCI Golden Dragon ETF with an appropriate level of risk, taking into account the risk profile of the HSBC MSCI Golden Dragon ETF. In particular, derivative instruments may be used for the purpose of minimising tracking error, i.e. the risk that the HSBC MSCI Golden Dragon ETF return varies from the Underlying Index return.

The investment strategy of the HSBC MSCI Golden Dragon ETF is subject to the investment and borrowing restrictions set out in Schedule 1.

Fund Structure

The diagram below summarizes the structure of the HSBC MSCI Golden Dragon ETF when adopting a fund of funds replication strategy:



Underlying Index

The MSCI Golden Dragon Index is a free-float adjusted market capitalisation weighted index that is compiled and published by MSCI, which is designed to track the aggregate equity market performance of Mainland China, Hong Kong and Taiwan. The index composition consists of (i) Chinese securities (H shares, Red chips and P chips listed on the SEHK and B shares listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange; (ii) Hong Kong securities listed on the SEHK; and (iii) Taiwanese securities listed on the Taiwan Stock Exchange and Taiwanese securities traded or quoted on the Gretai Securities Market, which is a market regulated and supervised by the Taiwan Financial Supervisory Commission.

The MSCI Golden Dragon Index is a total return index denominated in US dollar which takes into account both price performance and income from dividend payments after deduction of withholding tax.

As of 11 December 2012, the MSCI Golden Dragon Index had a total market capitalisation of US$1,440,918 million and 290 constituents.

The MSCI Golden Dragon Index is calculated daily by using the official closing price or those figures accepted as such of each constituent security on the stock exchange on which the security is primarily traded and assumes reinvestment of dividends. MSCI reserves the right to use an alternative pricing source on any given day.

The MSCI Golden Dragon Index is available in real time through Reuters (.MIGD00000NUS) and Bloomberg (M1GD). The end of day MSCI Golden Dragon Index is available on Reuters, Bloomberg and the website of the Index Provider (www.msci.com).

The Manager (and its Connected Persons) is independent of the Index Provider. Please see Schedule 2 for the index disclaimer.

Description of index methodology

The MSCI Golden Dragon Index is constructed based on the MSCI Global Investable Market Indices Methodology targeting a free float-market capitalisation coverage of 85%.

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

A market investable equity universe of the MSCI Golden Dragon Index is derived by applying investability screens to individual companies and securities in the equity universe. The investability screens used to determine the market investable equity universe of the MSCI Golden Dragon Index are:

- equity universe minimum size requirement;
- equity universe minimum free-floated market capitalisation;
- minimum liquidity;
- length of trading; and
- foreign inclusion factor.

(i) Equity universe minimum size requirement

Equity universe minimum size requirement is an investability screen applied at the company level. The equity universe minimum size requirement is the minimum full market capitalisation a company must have to be a part of a market investable equity universe.

As of November 2012, the equity universe minimum size requirement is USD 132 million. The equity universe minimum size requirement is reviewed and, if necessary revised, at semi-annual index reviews.

(ii) Equity universe minimum free-floated market capitalisation

The equity universe minimum float-adjusted market capitalisation requirement, unlike the equity universe minimum size requirement which is applied at the company level, is an investability screen which is applied at the individual security level. To be eligible for inclusion in a market investable equity universe, a security must have a free float-adjusted market capitalisation equal to or higher than 50% of the equity universe minimum size requirement.

(iii) Minimum liquidity

The minimum liquidity requirement is the minimum liquidity a security must have to be a part of a market investable equity universe. A security’s liquidity is calculated using an annual traded value ratio and a three month frequency of trading measure.

(iv) Length of trading

The length of trading requirement is the minimum period an individual security must have been trading to be a part of a market investable equity universe. It applies only to small new issues. Large IPOs are not subject to this requirement.

(v) Foreign inclusion factor

The foreign inclusion factor requirement is the minimum foreign inclusion factor a security must have to be a part of a market investable equity universe. A security's foreign inclusion factor relates to the proportion of shares outstanding that are deemed to be available for purchase in the public equity markets by international investors.

In general, a security must have a foreign inclusion factor equal to or larger than 0.15 to be eligible for inclusion in a market investable equity universe. Exceptions to this general rule are made only in the limited cases where the exclusion of securities of a very large company would compromise the MSCI Golden Dragon Index's ability to fully and fairly represent the characteristics of its underlying market.

Index maintenance can be described by three broad categories of implementation of changes:

- Semi-annual index reviews in May and November which systematically re-asses the various dimensions of the equity universe for all countries and which is conducted on a fixed semi annual timetable.
- Quarterly index reviews in February and August, aimed at promptly reflecting other significant market events.
- Ongoing event-related changes, such as mergers and acquisitions. These changes generally are reflected in the indices at the time of the event.

Further information about the index methodology is available on the website of the Index Provider (www.msci.com).

Constituent Securities of the Underlying Index

As of 11 December 2012, the 10 largest constituent stocks of the MSCI Golden Dragon Index are as follows:

	Company name	**Exchange**	**Sector**	**Weighting %**
1	Taiwan Semiconductor Manufacturing	Taiwan	Information Technology	5.78%
2	China Mobile	Hong Kong	Telecommunication Services	4.81%
3	China Construction Bank H Share	Hong Kong	Financials	3.96%
4	ICBC H Share	Hong Kong	Financials	3.14%
5	AIA Group	Hong Kong	Financials	2.98%
6	CNOOC	Hong Kong	Energy	2.69%
7	Tencent Holdings	Hong Kong	Information Technology	2.30%
8	Hon Hai Precision Industry	Taiwan	Information Technology	2.28%

9	Bank of China H Share	Hong Kong	Financials	2.26%
10	Petrochina Co H Share	Hong Kong	Energy	2.02%

As of 11 December 2012, the MSCI Golden Dragon Index breakdown by sector is as follows:

Sector	**Weighting %**
Energy	8.65%
Materials	5.68%
Industrials	6.45%
Consumer Discretionary	6.70%
Consumer Staples	3.41%
Health Care	0.46%
Financials	37.46%
Information Technology	18.87%
Telecommunication Services	7.81%
Utilities	4.51%

The constituent stocks of the MSCI Golden Dragon Index may be updated by the Index Provider from time to time.

Distribution Policy

It is not envisaged that any income or gains will be distributed as dividends by the HSBC MSCI Golden Dragon ETF. The Manager however reserves its absolute discretion in determining, in the future, a distribution shall be made for the HSBC MSCI Golden Dragon ETF, and if so, the amount and the frequency of any such distribution.

Specific Risks

In addition to the general risks identified in the section of this prospectus called “Risk Factors”, the HSBC MSCI Golden Dragon ETF is subject to the following additional specific risk:

- **Concentration Risk**. The MSCI Golden Dragon Index is concentrated in the Securities in regions with interdependent economies, namely mainland China, Hong Kong and Taiwan. Any adverse changes to the economy of any of these regions may adversely impact on the economies of the other regions. The HSBC MSCI Golden Dragon ETF may therefore be adversely affected by the performance of those Securities, may be subject to increased price volatility and may be more susceptible to adverse economic, market, political or regulatory occurrences affecting those regions. The HSBC MSCI Golden Dragon ETF may be adversely affected by the failure of the HSBC MSCI Greater China ETFs to achieve their investment objective. The HSBC MSCI Golden Dragon ETF is also subject to investment risks associated investment in the HSBC MSCI Greater China ETFs including liquidity, trading and regulatory risks.

- **Risk relating to the fund of funds structure**. The HSBC MSCI Golden Dragon ETF may be subject to a higher tracking error than a non-fund of funds structure due to its strategy of investing in the HSBC MSCI Greater China ETFs as a result of, amongst other things, the respective tracking errors of the HSBC MSCI Greater China ETFs. The HSBC MSCI Golden Dragon ETF may be adversely affected by the trading suspension of any HSBC MSCI Greater

China ETFs.

- **Derivative Risk**. The HSBC MSCI Golden Dragon ETF may, subject to its investment restrictions, invest in derivative instruments with an aim to achieve its investment objective. Such derivative investment means that the HSBC MSCI Golden Dragon ETF is subject to counterparty risk and may suffer losses potentially equal to the full value of the derivative if the counterparty fails to perform its obligation under the derivative contract. Please refer to sub-section of this prospectus titled "Risk Factors" - “Risks relating to Investments in Derivatives” for further information in this regard.

- **Risks relating to the PRC**. Investment in the HSBC MSCI Golden Dragon ETF is subject to the risks associated with investment in the PRC markets. Prospective investors should therefore refer to such specific risks that are specifically identified in the sub-section of this prospectus titled "Risk Factors" - "Risks factors relating to the PRC".

- **Risks relating to Taiwan**. Investment in the HSBC MSCI Golden Dragon ETF is subject to the risks associated with investment in Taiwan markets. Prospective investors should therefore refer to such specific risks that are specifically identified in the sub-section of this prospectus titled "Risk Factors" - "Risks factors relating to Taiwan".

- **Trading Hour’s Difference**. As the Shenzhen Stock Exchange, Shanghai Stock Exchange, Taiwan Stock Exchange and Gretai Securities Market may be open when Units in the HSBC MSCI Golden Dragon ETF are not priced, the value of the Securities in the HSBC MSCI Golden Dragon ETF’s portfolio may change on days when investors will not be able to purchase or sell the HSBC MSCI Golden Dragon ETF’s Units. Furthermore, the market prices of underlying Securities listed on the above stock exchanges which are established outside Hong Kong may not be available during part of all of the SEHK trading sessions due to trading hour differences which may result in the trading price of the HSBC MSCI Golden Dragon ETF deviating away from NAV.

- **Foreign Exchange Risk**. The Base Currency of the HSBC MSCI Golden Dragon ETF is Hong Kong dollar but the investment portfolio of the HSBC MSCI Golden Dragon ETF comprises investments denominated in TWD. Accordingly, the HSBC MSCI Golden Dragon ETF will be exposed to foreign exchange currency risks arising from the fluctuations of Hong Kong dollar and TWD. In addition, since the HSBC MSCI Golden Dragon ETF will primarily invest in HSBC MSCI Greater China ETFs (i.e. a combination of the HSBC MSCI Hong Kong ETF, the HSBC MSCI China ETF and the HSBC MSCI Taiwan ETF), and the HSBC MSCI Greater China ETFs may have exposure in investments denominated in other currencies such as US dollar, the HSBC MSCI Golden Dragon ETF may also indirectly be exposed to foreign exchange currency risks arising from the fluctuations of Hong Kong dollar and such other currencies.

Further Information

Further information in relation to the HSBC MSCI Golden Dragon ETF (including its last closing Net Asset Value) is available at the HSBC ETFs website (www.etf.hsbc.com/hk_3088). Further information about the Underlying Index is available on the website of the Index Provider (www.msci.com). Investors should refer to “Information available on the Internet” on page 92 for more details. Unitholders are encouraged to refer to the information available on the relevant websites on a regular basis.

HSBC MSCI HONG KONG ETF

Key Information

The following table is a summary of key information in respect of the HSBC MSCI Hong Kong ETF, and should be read in conjunction with the full text of the prospectus.

Underlying Index	Index: MSCI Hong Kong Index (net total return) Inception Date: 31 December 1969 Number of constituents: 41 (11 December 2012) Total Market Capitalisation (Free Float): US$341,194 million (11 December 2012) Denomination: US dollar
Listing Date (SEHK)	18 April 2011
Exchange Listing	SEHK – Main Board
Initial public offering	Not applicable
Stock Code	3000
Trading Board Lot Size	500 Units
Base Currency and Trading Currency	Hong Kong dollars (HK$)
Distribution Policy	It is not envisaged that any income or gains will be distributed as dividends by the HSBC MSCI Hong Kong ETF (refer to the "Distribution Policy" section below)
Application Unit size for each creation / redemption (through Participating Dealers)	Minimum 600,000 Units (or multiples thereof)
Method(s) of creation available (through Participating Dealers)	Cash, in-kind, or a combination of cash and in-kind
Method(s) of redemption available (through Participating Dealers)	In-kind, or a combination of cash and in-kind
Dealing Deadline	2:30 p.m. on the relevant Dealing Day (for creations in cash, creations in a combination of cash and in-kind and redemptions in a combination of cash and in-kind) 3:15 p.m. on the relevant Dealing Day (for creations in-kind and redemptions in-kind) or such other time as the Manager (with the approval of the Trustee) may determine on any day when the trading hours of the SEHK are reduced
Management Fee	0.05% p.a. of NAV (no increase beyond this rate may be made without Unitholder's approval) (refer to the "Fees

	and Expenses" section below)
Operating Expenses	0.45% p.a. of NAV (no increase beyond this rate may be made without Unitholder's approval) (refer to the "Fees and Expenses" section below)
Estimated Total Expense Ratio ("TER")*	0.50% p.a. of NAV (refer to the "Fees and Expenses" section below)
Investment strategy	Primarily a replication strategy. The Manager may also use representative sampling and may invest in derivatives (refer to the Introduction and "Investment Strategy" section below)
Financial year end	31 October
Website	www.etf.hsbc.com/hk_3000

** The estimated total expense ratio does not represent the tracking error and does not include certain costs that may be borne by the HSBC MSCI Hong Kong ETF. Please refer to the sub-sections "Operating Expenses" and "Total Expense Ratio or TER" below for more information.*

<u>Investment Objective</u>

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

There can be no assurance that the HSBC MSCI Hong Kong ETF will achieve its investment objective.

<u>Investment Strategy</u>

In seeking to achieve its investment objective, the HSBC MSCI Hong Kong ETF primarily uses a replication strategy through investing directly and where considered appropriate (subject to the limit set out below) indirectly via derivative instruments in securities included in the MSCI Hong Kong Index in substantially the same weightings in which they are included in the MSCI Hong Kong Index. The HSBC MSCI Hong Kong ETF may also (subject to the limit set out below) invest in derivative instruments linked to the performance of the MSCI Hong Kong Index and/or (after considering various factors such as transaction costs, availability, liquidity and degree of correlation with the MSCI Hong Kong Index) other index that collectively has an investment profile similar to the profile of the MSCI Hong Kong Index.

The HSBC MSCI Hong Kong ETF may also use a representative sampling strategy, which means the HSBC MSCI Hong Kong ETF will invest directly and where considered appropriate (subject to the limit set out below) indirectly via derivative instruments in a representative sample of Securities that collectively has an investment profile that aims to reflect the profile of the MSCI Hong Kong Index. The Securities constituting the representative sample may or may not themselves be constituents of the MSCI Hong Kong Index. The HSBC MSCI Hong Kong ETF may also invest in (subject to the limit set out below) derivative instruments linked to the performance of the MSCI Hong Kong Index and/or (after considering various factors such as transaction costs, availability, liquidity and degree of correlation with the MSCI Hong Kong Index) other index that collectively has an investment profile similar to the profile of the MSCI Hong Kong Index.

The investment in derivative instruments for non-hedging purposes should not exceed 10% of the Net Asset Value of the HSBC MSCI Hong Kong ETF under normal circumstances.

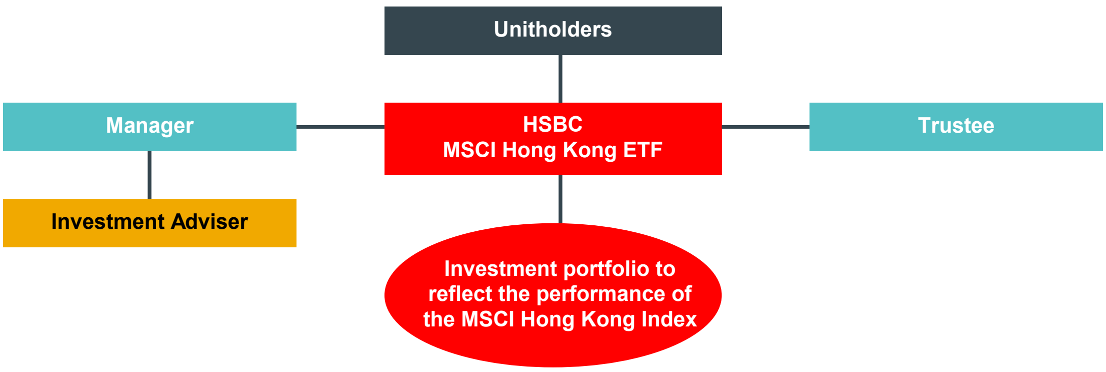
The HSBC MSCI Hong Kong ETF may avail itself of the higher investment limits allowed to certain index-tracking funds, as described in Schedule 1.

The HSBC MSCI Hong Kong ETF may also use derivative instruments including warrants, futures contracts, options on futures contracts, options and swaps related to the Underlying Index and the Securities included in the Underlying Index for efficient portfolio management of its assets. Efficient portfolio management means investment decisions involving transactions that are entered into for one or more of the following specific aims: the reduction of risk, the reduction of cost or the generation of additional capital or income for the HSBC MSCI Hong Kong ETF with an appropriate level of risk, taking into account the risk profile of the HSBC MSCI Hong Kong ETF. In particular, derivative instruments may be used for the purpose of minimising tracking error, i.e. the risk that the HSBC MSCI Hong Kong ETF return varies from the Underlying Index return.

The investment strategy of the HSBC MSCI Hong Kong ETF is subject to the investment and borrowing restrictions set out in Schedule 1.

Fund Structure

The diagram below summarizes the structure of the HSBC MSCI Hong Kong ETF:



Underlying Index

The MSCI Hong Kong Index is a free-float adjusted market capitalisation weighted index that is compiled and published by MSCI, which is designed to track the equity market performance of Hong Kong securities listed on the SEHK.

The MSCI Hong Kong Index is a total return index denominated in US dollar which takes into account both price performance and income from dividend payments after deduction of withholding tax.

As of 11 December 2012, the MSCI Hong Kong Index had a total market capitalisation of US$341,194 million and 41 constituents.

The MSCI Hong Kong Index is calculated daily by using the official closing price or those figures accepted as such of each constituent stock on the SEHK and assumes reinvestment of dividends. MSCI reserves the right to use an alternative pricing source on any given day.

The MSCI Hong Kong Index in local currency (i.e. in Hong Kong dollar, not the US dollar index tracked by the HSBC MSCI Hong Kong ETF) is available in real time through Reuters (.MIHK00000NHK) and Bloomberg (M7HK). The end of day MSCI Hong Kong Index is available on Reuters, Bloomberg and the website of the Index Provider (www.msci.com).

The Manager (and its Connected Persons) is independent of the Index Provider. Please see Schedule 2 for the index disclaimer.

Description of index methodology

The MSCI Hong Kong Index is constructed based on the MSCI Global Investable Market Indices Methodology targeting a free float-market capitalisation coverage of 85%.

The equity universe of the MSCI Hong Kong Index comprises equity securities issued by companies listed on the SEHK.

A market investable equity universe of the MSCI Hong Kong Index is derived by applying investability screens to individual companies and securities in the equity universe. The investability screens used to determine the market investable equity universe of the MSCI Hong Kong Index are:

- equity universe minimum size requirement;
- equity universe minimum free-floated market capitalisation;
- minimum liquidity;
- length of trading; and
- foreign inclusion factor.

(i) Equity universe minimum size requirement

Equity universe minimum size requirement is an investability screen applied at the company level. The equity universe minimum size requirement is the minimum full market capitalisation a company must have to be a part of a market investable equity universe.

As of November 2012, the equity universe minimum size requirement is USD 132 million. The equity universe minimum size requirement is reviewed and, if necessary revised, at semi-annual index reviews.

(ii) Equity universe minimum free-floated market capitalisation

The equity universe minimum float-adjusted market capitalisation requirement, unlike the equity universe minimum size requirement which is applied at the company level, is an investability screen which is applied at the individual security level. To be eligible for inclusion in a market investable equity universe, a security must have a free float-adjusted market capitalisation equal to or higher than 50% of the equity universe minimum size requirement.

(iii) Minimum liquidity

The minimum liquidity requirement is the minimum liquidity a security must have to be a part of a market investable equity universe. A security's liquidity is calculated using an annual traded value ratio and a three month frequency of trading measure.

(iv) Length of trading

The length of trading requirement is the minimum period an individual security must have been trading to be a part of a market investable equity universe. It applies only to small new issues. Large IPOs are not subject to this requirement.

(v) Foreign inclusion factor

The foreign inclusion factor requirement is the minimum foreign inclusion factor a security must have to be a part of a market investable equity universe. A security's foreign inclusion factor relates to the proportion of shares outstanding that are deemed to be available for purchase in the public equity markets by international investors.

In general, a security must have a foreign inclusion factor equal to or larger than 0.15 to be eligible for inclusion in a market investable equity universe. Exceptions to this general rule are made only in the limited cases where the exclusion of securities of a very large company would compromise the MSCI Hong Kong Index's ability to fully and fairly represent the characteristics of its underlying market.

Index maintenance can be described by three broad categories of implementation of changes:

- Semi-annual index reviews in May and November which systematically re-asses the various dimensions of the equity universe for all countries and which is conducted on a fixed semi annual timetable.
- Quarterly index reviews in February and August, aimed at promptly reflecting other significant market events.
- Ongoing event-related changes, such as mergers and acquisitions. These changes generally are reflected in the indices at the time of the event.

Further information about the index methodology is available on the website of the Index Provider (www.msci.com).

Constituent Securities of the Underlying Index

As of 11 December 2012, the 10 largest constituent stocks of the MSCI Hong Kong Index are as follows:

	Company name	**Exchange**	**Sector**	**Weighting %**
1	AIA Group	Hong Kong	Financials	12.61%
2	Sun Hung Kai Properties	Hong Kong	Financials	6.93%
3	Hutchison Whampoa	Hong Kong	Industrials	6.35%
4	Cheung Kong Holdings	Hong Kong	Financials	6.29%
5	Hong Kong Exchanges and Clearing	Hong Kong	Financials	4.93%
6	CLP Holdings	Hong Kong	Utilities	4.60%
7	Hongkong China Gas	Hong Kong	Utilities	4.24%
8	Link REIT	Hong Kong	Financials	3.59%
9	Power Assets Holdings	Hong Kong	Utilities	3.54%
10	Hang Seng Bank	Hong Kong	Financials	3.42%

As of 11 December 2012, the MSCI Hong Kong Index breakdown by sector is as follows:

Sector	**Weighting %**
Industrials	10.37%
Consumer Discretionary	12.71%
Financials	61.81%
Information Technology	0.67%
Telecommunication Services	1.17%
Utilities	13.27%

The constituent stocks of the MSCI Hong Kong Index may be updated by the Index Provider from time to time.

Distribution Policy

It is not envisaged that any income or gains will be distributed as dividends by the HSBC MSCI Hong Kong ETF. The Manager however reserves its absolute discretion in determining, in the future, a distribution shall be made for the HSBC MSCI Hong Kong ETF, and if so, the amount and the frequency of any such distribution.

Specific Risks

In addition to the general risks identified in the section of this prospectus called "Risk Factors", the HSBC MSCI Hong Kong ETF is subject to the following additional specific risk:

- **Concentration Risk**. The Underlying Index is less diversified than broader-based indices in terms of (i) industries, (ii) countries, and (iii) market capitalisation segments. Due to the relatively small number of Securities comprised in the Underlying Index, the performance of the Underlying Index, and that of the HSBC MSCI Hong Kong ETF, is more susceptible to the risks associated with particular companies and a single economic, political or regulatory occurrence affecting these companies.

- **Issuer Risk**. Most of the Securities in which the HSBC MSCI Hong Kong ETF invests are listed or traded in a Recognised Market. Accordingly, the underlying exposure primarily is to the issuers of the equities included in the Underlying Index.

- **Derivative Risk**. The HSBC MSCI Hong Kong ETF may, subject to its investment restrictions, invest in derivative instruments with an aim to achieve its investment objective. Such derivative investment means that the HSBC MSCI Hong Kong ETF is subject to counterparty risk and may suffer losses potentially equal to the full value of the derivative if the counterparty fails to perform its obligation under the derivative contract. Please refer to sub-section of this prospectus titled "Risk Factors" - "Risks relating to Investments in Derivatives" for further information in this regard.

Further Information

Further information in relation to the HSBC MSCI Hong Kong ETF (including its last closing Net Asset Value) is available at the HSBC ETFs website (www.etf.hsbc.com/hk_3000). Further information about the Underlying Index is available on the website of the Index Provider (www.msci.com). Investors should refer to "Information available on the Internet" on page 92 for more details. Unitholders are encouraged to refer to the information available on the relevant websites on a regular basis.

HSBC MSCI CHINA ETF

Key Information

The following table is a summary of key information in respect of the HSBC MSCI China ETF, and should be read in conjunction with the full text of the prospectus.

Underlying Index	Index: MSCI China Index (net total return) Inception Date: 29 December 2000 Number of constituents: 135 (11 December 2012) Total Market Capitalisation (Free Float): US$690,686 million (11 December 2012) Denomination: US dollar
Listing Date (SEHK)	18 April 2011
Exchange Listing	SEHK – Main Board
Initial public offering	Not applicable
Stock Code	3033
Trading Board Lot Size	500 Units
Base Currency and Trading Currency	Hong Kong dollars (HK$)
Distribution Policy	It is not envisaged that any income or gains will be distributed as dividends by the HSBC MSCI China ETF (refer to the "Distribution Policy" section below)
Application Unit size for each creation / redemption (through Participating Dealers)	Minimum 500,000 Units (or multiples thereof)
Method(s) of creation available (through Participating Dealers)	Cash, or a combination of cash and in-kind
Method(s) of redemption available (through Participating Dealers)	A combination of cash and in-kind only
Dealing Deadline	2:30 p.m. on the relevant Dealing Day, or such other time as the Manager (with the approval of the Trustee) may determine on any day when the trading hours of the SEHK are reduced
Management Fee	0.05% p.a. of NAV (no increase beyond this rate may be made without Unitholder's approval) (refer to the "Fees and Expenses" section below)
Operating Expenses	0.45% p.a. of NAV (no increase beyond this rate may be made without Unitholder's approval) (refer to the "Fees and Expenses" section below)
Estimated Total Expense Ratio	0.50% p.a. of NAV (refer to the "Fees and Expenses"

("TER")*	section below)
Investment strategy	Primarily a replication strategy. The Manager may also use representative sampling and may invest in derivatives (refer to the Introduction and "Investment Strategy" section below)
Financial year end	31 October
Website	www.etf.hsbc.com/hk_3033

** The estimated total expense ratio does not represent the tracking error and does not include certain costs that may be borne by the HSBC MSCI China ETF. Please refer to the sub-sections "Operating Expenses" and "Total Expense Ratio or TER" below for more information.*

<u>Investment Objective</u>

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

There can be no assurance that the HSBC MSCI China ETF will achieve its investment objective.

<u>Investment Strategy</u>

In seeking to achieve its investment objective, the HSBC MSCI China ETF will primarily use a replication strategy through investing directly and where considered appropriate (subject to the limit set out below) indirectly via derivative instruments in securities included in the MSCI China Index in substantially the same weightings in which they are included in the MSCI China Index. The HSBC MSCI China ETF may also (subject to the limit set out below) invest in derivative instruments linked to the performance of the MSCI China Index and/or (after considering various factors such as transaction costs, availability, liquidity and degree of correlation with the MSCI China Index) other index that collectively has an investment profile similar to the profile of the MSCI China Index.

The HSBC MSCI China ETF may also use a representative sampling strategy, which means the HSBC MSCI China ETF will invest directly and where considered appropriate (subject to the limit set out below) indirectly via derivative instruments in a representative sample of Securities that collectively has an investment profile that aims to reflect the profile of the MSCI China Index. The Securities constituting the representative sample may or may not themselves be constituents of the MSCI China Index. The HSBC MSCI China ETF may also invest in (subject to the limit set out below) derivative instruments linked to the performance of the MSCI China Index and/or (after considering various factors such as transaction costs, availability, liquidity and degree of correlation with the MSCI China Index) other index that collectively has an investment profile similar to the profile of the MSCI China Index.

The investment in derivative instruments for non-hedging purposes should not exceed 10% of the Net Asset Value of the HSBC MSCI China ETF under normal circumstances.

The HSBC MSCI China ETF may avail itself of the higher investment limits allowed to certain index-tracking funds, as described in Schedule 1.

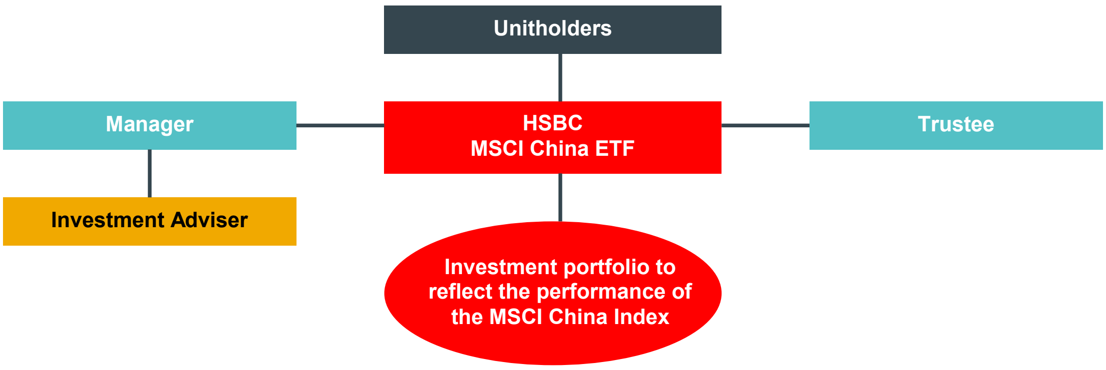
The HSBC MSCI China ETF may also use derivative instruments including warrants, futures contracts, options on futures contracts, options and swaps related to the Underlying Index and the

Securities included in the Underlying Index for efficient portfolio management of its assets. Efficient portfolio management means investment decisions involving transactions that are entered into for one or more of the following specific aims: the reduction of risk, the reduction of cost or the generation of additional capital or income for the HSBC MSCI China ETF with an appropriate level of risk, taking into account the risk profile of the HSBC MSCI China ETF. In particular, derivative instruments may be used for the purpose of minimising tracking error, i.e. the risk that the HSBC MSCI China ETF return varies from the Underlying Index return.

The investment strategy of the HSBC MSCI China ETF is subject to the investment and borrowing restrictions set out in Schedule 1.

Fund Structure

The diagram below summarizes the structure of the HSBC MSCI China ETF:



Underlying Index

The MSCI China Index is a free-float adjusted market capitalisation weighted index that is compiled and published by MSCI, which is designed to track the equity market performance of Chinese securities (H shares, Red chips and P chips) listed on the SEHK and B shares listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange.

The MSCI China Index is a total return index denominated in US dollar which takes into account both price performance and income from dividend payments after deduction of withholding tax.

As of 11 December 2012, the MSCI China Index had a total market capitalisation of US$690,686 million and 135 constituents.

The MSCI China Index is calculated daily by using the official closing price or those figures accepted as such of each constituent security on the stock exchange on which the security is primarily traded and assumes reinvestment of dividends. MSCI reserves the right to use an alternative pricing source on any given day.

The MSCI China Index in local currency (not the US dollar index tracked by the HSBC MSCI China ETF) is available in real time through Reuters (.MICN00000NHK) and Bloomberg (M7CN). The end of day MSCI China Index is available on Reuters, Bloomberg and the website of the Index Provider (www.msci.com).

The Manager (and its Connected Persons) is independent of the Index Provider. Please see Schedule 2 for the index disclaimer.

Description of index methodology

The MSCI China Index is constructed based on the MSCI Global Investable Market Indices Methodology targeting a free float-market capitalisation coverage of 85%.

The equity universe of MSCI China Index comprises H shares, Red chips and P chips listed on the SEHK and B shares listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange.

A market investable equity universe of the MSCI China Index is derived by applying investability screens to individual companies and securities in the equity universe. The investability screens used to determine the market investable equity universe of the MSCI China Index are:

- equity universe minimum size requirement;
- equity universe minimum free-floated market capitalisation;
- minimum liquidity;
- length of trading; and
- foreign inclusion factor.

(i) Equity universe minimum size requirement

Equity universe minimum size requirement is an investability screen applied at the company level. The equity universe minimum size requirement is the minimum full market capitalisation a company must have to be a part of a market investable equity universe.

As of November 2012, the equity universe minimum size requirement is USD132 million. The equity universe minimum size requirement is reviewed and, if necessary revised, at semi-annual index reviews.

(ii) Equity universe minimum free-floated market capitalisation

The equity universe minimum float-adjusted market capitalisation requirement, unlike the equity universe minimum size requirement which is applied at the company level, is an investability screen which is applied at the individual security level. To be eligible for inclusion in a market investable equity universe, a security must have a free float-adjusted market capitalisation equal to or higher than 50% of the equity universe minimum size requirement.

(iii) Minimum liquidity

The minimum liquidity requirement is the minimum liquidity a security must have to be a part of a market investable equity universe. A security's liquidity is calculated using an annual traded value ratio and a three month frequency of trading measure.

(iv) Length of trading

The length of trading requirement is the minimum period an individual security must have been trading to be a part of a market investable equity universe. It applies only to small new issues. Large IPOs are not subject to this requirement.

(v) Foreign inclusion factor

The foreign inclusion factor requirement is the minimum foreign inclusion factor a security must have to be a part of a market investable equity universe. A security's foreign inclusion factor relates to the proportion of shares outstanding that are deemed to be available for purchase in the public equity markets by international investors.

In general, a security must have a foreign inclusion factor equal to or larger than 0.15 to be eligible for inclusion in a market investable equity universe. Exceptions to this general rule are made only in the limited cases where the exclusion of securities of a very large company would compromise the MSCI China Index's ability to fully and fairly represent the characteristics of its underlying market.

Index maintenance can be described by three broad categories of implementation of changes:

- Semi-annual index reviews in May and November which systematically re-asses the various dimensions of the equity universe for all countries and which is conducted on a fixed semi annual timetable.
- Quarterly index reviews in February and August, aimed at promptly reflecting other significant market events.
- Ongoing event-related changes, such as mergers and acquisitions. These changes generally are reflected in the indices at the time of the event.

Further information about the index methodology is available on the website of the Index Provider (www.msci.com).

Constituent Securities of the Underlying Index

As of 11 December 2012, the 10 largest constituent stocks of the MSCI China Index are as follows:

	Company name	**Exchange**	**Sector**	**Weighting %**
1	China Mobile	Hong Kong	Telecommunication Services	10.04%
2	China Construction Bank H Share	Hong Kong	Financials	8.26%
3	ICBC H Share	Hong Kong	Financials	6.55%
4	CNOOC	Hong Kong	Energy	5.61%
5	Tencent Holdings	Hong Kong	Information Technology	4.79%
6	Bank of China H Share	Hong Kong	Financials	4.71%
7	Petrochina Co H Share	Hong Kong	Energy	4.21%
8	China Life Insurance H Share	Hong Kong	Financials	3.22%
9	China Petroleum & Chemical H Share	Hong Kong	Energy	2.73%
10	Ping An Insurance H Share	Hong Kong	Financials	2.10%

As of 11 December 2012, the MSCI China Index breakdown by sector is as follows:

Sector	**Weighting %**
Energy	17.56
Materials	4.49

Industrials	6.25
Consumer Discretionary	5.20
Consumer Staples	5.46
Health Care	0.87
Financials	38.65
Information Technology	6.25
Telecommunication Services	12.43
Utilities	2.84

The constituent stocks of the MSCI China Index may be updated by the Index Provider from time to time.

Distribution Policy

It is not envisaged that any income or gains will be distributed as dividends by the HSBC MSCI China ETF. The Manager however reserves its absolute discretion in determining, in the future, a distribution shall be made for the HSBC MSCI China ETF, and if so, the amount and the frequency of any such distribution.

Specific Risks

In addition to the general risks identified in the section of this prospectus called “Risk Factors”, the HSBC MSCI China ETF is subject to the following additional specific risk:

- **Concentration Risk**. To the extent that the Underlying Index or portfolio is concentrated in the Securities in a particular market, industry, group of industries, sector, asset class or countries with closely interdependent economies, the HSBC MSCI China ETF may be adversely affected by the performance of those Securities, may be subject to increased price volatility and may be more susceptible to adverse economic, market, political or regulatory occurrences affecting that market, industry, group of industries, sector, asset class and countries.

- **Issuer Risk**. Most of the Securities in which the HSBC MSCI China ETF invests are listed or traded in a Recognised Market. Accordingly, the underlying exposure primarily is to the issuers of the equities included in the Underlying Index.

- **Derivative Risk**. The HSBC MSCI China ETF may, subject to its investment restrictions, invest in derivative instruments with an aim to achieve its investment objective. Such derivative investment means that the HSBC MSCI China ETF is subject to counterparty risk and may suffer losses potentially equal to the full value of the derivative if the counterparty fails to perform its obligation under the derivative contract. Please refer to sub-section of this prospectus titled "Risk Factors" - “Risks relating to Investments in Derivatives” for further information in this regard.

- **Risks relating to the PRC**. Investment in the HSBC MSCI China ETF is subject to the risks associated with investment in the PRC markets. Prospective investors should therefore refer to such specific risks that are specifically identified in the sub-section of this prospectus titled "Risk Factors" - "Risks factors relating to the PRC".

- **Trading Hour’s Difference**. As the Shenzhen Stock Exchange and Shanghai Stock Exchange may be open when Units in the HSBC MSCI China ETF are not priced, the value of the Securities in the HSBC MSCI China ETF’s portfolio may change on days when investors will not be able to purchase or sell the HSBC MSCI China ETF's Units. Furthermore, the market prices of underlying Securities listed on the above stock exchanges which are established outside Hong Kong may not be available during part of all of the SEHK trading sessions due to trading hour differences which may result in the trading price of the HSBC MSCI China ETF deviating away from NAV.

- **Foreign Exchange Risk**. The Base Currency of the HSBC MSCI China ETF is Hong Kong dollar but the investment portfolio of the HSBC MSCI China ETF may comprise investments denominated in US dollar. Accordingly, the HSBC MSCI China ETF may be exposed to foreign exchange currency risks arising from the fluctuations of Hong Kong dollar and US dollar.

Further Information

Further information in relation to the HSBC MSCI China ETF (including its last closing Net Asset Value) is available at the HSBC ETFs website (www.etf.hsbc.com/hk_3033). Further information about the Underlying Index is available on the website of the Index Provider (www.msci.com). Investors should refer to "Information available on the Internet" on page 92 for more details. Unitholders are encouraged to refer to the information available on the relevant websites on a regular basis.

HSBC MSCI TAIWAN ETF

Key Information

The following table is a summary of key information in respect of the HSBC MSCI Taiwan ETF, and should be read in conjunction with the full text of the prospectus.

Underlying Index	Index: MSCI Taiwan Index (net total return) Inception Date: 29 December 2000 Number of constituents: 114 (11 December 2012) Total Market Capitalisation (Free Float): TWD11.9 trillion (11 December 2012) Denomination: TWD
Listing Date (SEHK)	18 April 2011
Exchange Listing	SEHK – Main Board
Initial public offering	Not applicable
Stock Code	3083
Trading Board Lot Size	500 Units
Base Currency and Trading Currency	Base Currency: TWD Trading Currency: Hong Kong dollars (HK$)
Distribution Policy	It is not envisaged that any income or gains will be distributed as dividends by the HSBC MSCI Taiwan ETF (refer to the "Distribution Policy" section below)
Application Unit size for each creation / redemption (through Participating Dealers)	Minimum 500,000 Units (or multiples thereof)
Method(s) of creation available (through Participating Dealers)	Cash only
Method(s) of redemption available (through Participating Dealers)	Cash only
Dealing Deadline	12:00 p.m. on the relevant Dealing Day, or such other time as the Manager (with the approval of the Trustee) may determine on any day when the trading hours of the SEHK are reduced
Management Fee	0.05% p.a. of NAV (no increase beyond this rate may be made without Unitholder's approval) (refer to the "Fees

	and Expenses” section below)
Operating Expenses	0.45% p.a. of NAV (no increase beyond this rate may be made without Unitholder’s approval) (refer to the “Fees and Expenses” section below)
Estimated Total Expense Ratio (“TER”)*	0.50% p.a. of NAV (refer to the “Fees and Expenses” section below)
Investment strategy	Primarily a replication strategy. The Manager may also use representative sampling and may invest in derivatives (refer to the Introduction and “Investment Strategy” section below)
Financial year end	31 October
Website	www.etf.hsbc.com/hk_3083

** The estimated total expense ratio does not represent the tracking error and does not include certain costs that may be borne by the HSBC MSCI Taiwan ETF. Please refer to the sub-sections “Operating Expenses” and “Total Expense Ratio or TER” below for more information.*

<u>Investment Objective</u>

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

There can be no assurance that the HSBC MSCI Taiwan ETF will achieve its investment objective.

<u>Investment Strategy</u>

In seeking to achieve its investment objective, the HSBC MSCI Taiwan ETF primarily uses a replication strategy through investing directly and where considered appropriate (subject to the limit set out below) indirectly via derivative instruments in securities included in the MSCI Taiwan Index in substantially the same weightings in which they are included in the MSCI Taiwan Index. The HSBC MSCI Taiwan ETF may also (subject to the limit set out below) invest in derivative instruments linked to the performance of the MSCI Taiwan Index and/or (after considering various factors such as transaction costs, availability, liquidity and degree of correlation with the MSCI Taiwan Index) other index that collectively has an investment profile similar to the profile of the MSCI Taiwan Index.

The HSBC MSCI Taiwan ETF may also use a representative sampling strategy, which means the HSBC MSCI Taiwan ETF will invest directly and where considered appropriate (subject to the limit set out below) indirectly via derivative instruments in a representative sample of Securities that collectively has an investment profile that aims to reflect the profile of the MSCI Taiwan Index. The Securities constituting the representative sample may or may not themselves be constituents of the MSCI Taiwan Index. The HSBC MSCI Taiwan ETF may also invest in (subject to the limit set out below) derivative instruments linked to the performance of the MSCI Taiwan Index and/or (after considering various factors such as transaction costs, availability, liquidity and degree of correlation with the MSCI Taiwan Index) other index that collectively has an investment profile similar to the profile of the MSCI Taiwan Index.

The investment in derivative instruments for non-hedging purposes should not exceed 10% of the Net Asset Value of the HSBC MSCI Taiwan ETF under normal circumstances.

The HSBC MSCI Taiwan ETF may avail itself of the higher investment limits allowed to certain index-tracking funds, as described in Schedule 1.

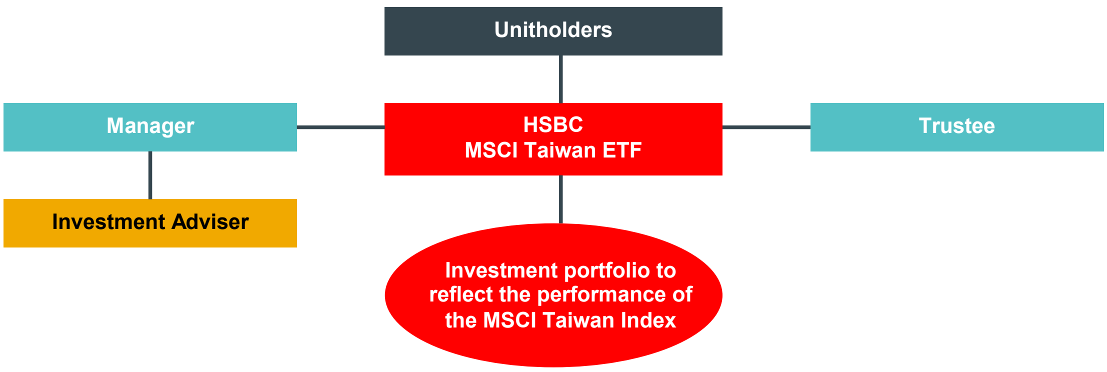
The HSBC MSCI Taiwan ETF may also use derivative instruments including warrants, futures contracts, options on futures contracts, options and swaps related to the Underlying Index and the Securities included in the Underlying Index for efficient portfolio management of its assets. Efficient portfolio management means investment decisions involving transactions that are entered into for one or more of the following specific aims: the reduction of risk, the reduction of cost or the generation of additional capital or income for the HSBC MSCI Taiwan ETF with an appropriate level of risk, taking into account the risk profile of the HSBC MSCI Taiwan ETF. In particular, derivative instruments may be used for the purpose of minimising tracking error, i.e. the risk that the HSBC MSCI Taiwan ETF return varies from the Underlying Index return.

The investment strategy of the HSBC MSCI Taiwan ETF is subject to the investment and borrowing restrictions set out in Schedule 1.

Foreign institutional investors in Taiwan must obtain the status of a Foreign Institutional Investor (FINI) from the Taiwan Stock Exchange in order to become qualified foreign investor in Taiwan and invest in Taiwanese securities. Furthermore, a custodian in Taiwan has to be appointed. The Hongkong and Shanghai Banking Corporation Limited Taipei Branch is a custodian of the assets of the HSBC MSCI Taiwan ETF under the FINI facility maintained in the name of the HSBC MSCI Taiwan ETF.

Fund Structure

The diagram below summarizes the structure of the HSBC MSCI Taiwan ETF:



Underlying Index

The MSCI Taiwan Index is a free-float adjusted market capitalisation weighted index that is compiled and published by MSCI, which is designed to track the equity market performance of Taiwanese securities listed on the Taiwan Stock Exchange and Taiwanese securities traded or quoted on the Gretai Securities Market, which is a market regulated and supervised by the Taiwan Financial Supervisory Commission.

The MSCI Taiwan Index is a total return index denominated in TWD which takes into account both price performance and income from dividend payments after deduction of withholding tax.

As of 11 December 2012, the MSCI Taiwan Index had a total market capitalisation of TWD11.9 trillion and 114 constituents.

The MSCI Taiwan Index is calculated daily by using the official closing price or those figures accepted as such of each constituent stock on the Taiwan Stock Exchange and on the Gretai Securities Market and assumes reinvestment of dividends. MSCI reserves the right to use an alternative pricing source on any given day.

The MSCI Taiwan Index is available in real time through Reuters (.MITW00000NTW) and Bloomberg (M7TW). The end of day MSCI Taiwan Index is available on Reuters, Bloomberg and the website of the Index Provider (www.msci.com).

The Manager (and its Connected Persons) is independent of the Index Provider. Please see Schedule 2 for the index disclaimer.

Description of index methodology

The MSCI Taiwan Index is constructed based on the MSCI Global Investable Market Indices Methodology targeting a free float-market capitalisation coverage of 85%.

The equity universe of the MSCI Taiwan Index comprises equity securities issued by companies listed on the Taiwan Stock Exchange or equity securities traded or quoted on the Gretai Securities Market, which is a market regulated and supervised by the Taiwan Financial Supervisory Commission.

A market investable equity universe of the MSCI Taiwan Index is derived by applying investability screens to individual companies and securities in the equity universe. The investability screens used to determine the market investable equity universe of the MSCI Taiwan Index are:

- equity universe minimum size requirement;
- equity universe minimum free-floated market capitalisation;
- minimum liquidity;
- length of trading; and
- foreign inclusion factor.

(i) Equity universe minimum size requirement

Equity universe minimum size requirement is an investability screen applied at the company level. The equity universe minimum size requirement is the minimum full market capitalisation a company must have to be a part of a market investable equity universe.

As of November 2012, the equity universe minimum size requirement is USD 132 million. The equity universe minimum size requirement is reviewed and, if necessary revised, at semi-annual index reviews.

(ii) Equity universe minimum free-floated market capitalisation

The equity universe minimum float-adjusted market capitalisation requirement, unlike the equity universe minimum size requirement which is applied at the company level, is an investability screen which is applied at the individual security level. To be eligible for inclusion in a market investable equity universe, a security must have a free float-adjusted market capitalisation equal to or higher than 50% of the equity universe minimum size requirement.

(iii) Minimum liquidity

The minimum liquidity requirement is the minimum liquidity a security must have to be a part of a market investable equity universe. A security's liquidity is calculated using an annual traded value ratio and a three month frequency of trading measure.

(iv) Length of trading

The length of trading requirement is the minimum period an individual security must have been trading to be a part of a market investable equity universe. It applies only to small new issues. Large IPOs are not subject to this requirement.

(v) Foreign inclusion factor

The foreign inclusion factor requirement is the minimum foreign inclusion factor a security must have to be a part of a market investable equity universe. A security's foreign inclusion factor relates to the proportion of shares outstanding that are deemed to be available for purchase in the public equity markets by international investors.

In general, a security must have a foreign inclusion factor equal to or larger than 0.15 to be eligible for inclusion in a market investable equity universe. Exceptions to this general rule are made only in the limited cases where the exclusion of securities of a very large company would compromise the MSCI Taiwan Index's ability to fully and fairly represent the characteristics of its underlying market.

Index maintenance can be described by three broad categories of implementation of changes:

- Semi-annual index reviews in May and November which systematically re-asses the various dimensions of the equity universe for all countries and which is conducted on a fixed semi annual timetable.
- Quarterly index reviews in February and August, aimed at promptly reflecting other significant market events.
- Ongoing event-related changes, such as mergers and acquisitions. These changes generally are reflected in the indices at the time of the event.

Further information about the index methodology is available on the website of the Index Provider (www.msci.com).

Constituent Securities of the Underlying Index

As of 11 December 2012, the 10 largest constituent stocks of the MSCI Taiwan Index are as follows:

	Company name	**Exchange**	**Sector**	**Weighting %**
1	Taiwan Semiconductor Manufacturing	Taiwan	Information Technology	20.36%
2	Hon Hai Precision Industry	Taiwan	Information Technology	8.04%
3	Mediatek Inc	Taiwan	Information Technology	3.11%
4	Chunghwa Telecom	Taiwan	Telecommunica-tion Services	3.04%
5	Formosa Plastic	Taiwan	Materials	2.58%

6	China Steel Corp	Taiwan	Materials	2.52%
7	Nan Ya Plastic	Taiwan	Materials	2.07%
8	Uni-President Enterprises	Taiwan	Consumer Staples	1.85%
9	Cathay Financial Holdings	Taiwan	Financials	1.84%
10	Formosa Chemical Fibers	Taiwan	Materials	1.82%

As of 11 December 2012, the MSCI Taiwan Index breakdown by sector is as follows:

Sector	Weighting %
Energy	0.84%
Materials	12.42%
Industrials	3.53%
Consumer Discretionary	4.25%
Consumer Staples	2.78%
Financials	15.15%
Information Technology	55.35%
Telecommunication Services	5.55%
Health Care	0.13%

The constituent stocks of the MSCI Taiwan Index may be updated by the Index Provider from time to time.

Distribution Policy

It is not envisaged that any income or gains will be distributed as dividends by the HSBC MSCI Taiwan ETF. The Manager however reserves its absolute discretion in determining, in the future, a distribution shall be made for the HSBC MSCI Taiwan ETF, and if so, the amount and the frequency of any such distribution.

Specific Risks

In addition to the general risks identified in the section of this prospectus called “Risk Factors”, the HSBC MSCI Taiwan ETF is subject to the following additional specific risk:

- **Concentration Risk**. To the extent that the Underlying Index or portfolio is concentrated in the Securities in a particular market, industry, group of industries, sector or asset class, the HSBC MSCI Taiwan ETF may be adversely affected by the performance of those Securities, may be subject to increased price volatility and may be more susceptible to adverse economic, market, political or regulatory occurrences affecting that market, industry, group of industries, sector or asset class.

- **Issuer Risk**. Most of the Securities in which the HSBC MSCI Taiwan ETF invests are listed or traded in a Recognised Market. Accordingly, the underlying exposure primarily is to the issuers of the equities included in the Underlying Index.

- **Derivative Risk**. The HSBC MSCI Taiwan ETF may, subject to its investment restrictions, invest in derivative instruments with an aim to achieve its investment objective. Such derivative investment means that the HSBC MSCI Taiwan ETF is subject to counterparty risk and may suffer losses potentially equal to the full value of the derivative if the counterparty fails to perform its obligation under the derivative contract. Please refer to sub-section of this prospectus titled "Risk Factors" - “Risks relating to Investments in Derivatives” for further information in this regard.

- **Risks relating to Taiwan**. Investment in the HSBC MSCI Taiwan ETF is subject to the risks associated with investment in Taiwan markets. Prospective investors should therefore refer to such specific risks that are specifically identified in the sub-section of this prospectus titled "Risk Factors" - "Risks factors relating to Taiwan".

- **Risks relating to FINI**. The HSBC MSCI Taiwan ETF has applied for, and has been granted, the FINI status to enable it to invest in Taiwanese securities. As such, the HSBC MSCI Taiwan ETF may be subject to controls on foreign investment, including those related to the legal foreign ownership, which may include the risk of expropriation, nationalisation and confiscation of assets, together with possible limitations on repatriation of invested capital.

- **Trading Hour’s Difference**. As the Taiwan Stock Exchange and Gretai Securities Market may be open when Units in the HSBC MSCI Taiwan ETF are not priced, the value of the Securities in the HSBC MSCI Taiwan ETF’s portfolio may change on days when investors will not be able to purchase or sell the HSBC MSCI Taiwan ETF’s Units. Furthermore, the market prices of underlying Securities listed on the above stock exchanges which are established outside Hong Kong may not be available during part of all of the SEHK trading sessions due to trading hour differences which may result in the trading price of the HSBC MSCI Taiwan ETF deviating away from NAV.

- **Foreign Exchange Risk**. The Trading Currency of the HSBC MSCI Taiwan ETF is Hong Kong dollar but the Base Currency of the HSBC MSCI Taiwan ETF and the currency of denomination of the MSCI Taiwan Index are TWD. Furthermore the investment portfolio of the HSBC MSCI Taiwan ETF will generally comprise investments denominated in TWD. Accordingly, investors may be exposed to foreign exchange currency risks arising from the fluctuations of Hong Kong dollar and TWD when they trade the units of HSBC MSCI Taiwan ETF in Hong Kong dollar.

Further Information

Further information in relation to the HSBC MSCI Taiwan ETF (including its last closing Net Asset Value) is available at the HSBC ETFs website (www.etf.hsbc.com/hk_3083). Further information about the Underlying Index is available on the website of the Index Provider (www.msci.com). Investors should refer to “Information available on the Internet” on page 92 for more details. Unitholders are encouraged to refer to the information available on the relevant websites on a regular basis.

CREATIONS AND REDEMPTIONS (PRIMARY MARKET)

Investment in an Index Fund

There are two methods of making an investment in an Index Fund and of disposing of Units to realise an investment in an Index Fund.

The first method is to create or to redeem Units at NAV directly with an Index Fund in the primary market through a Participating Dealer, being a licensed dealer that has entered into a Participation Agreement in respect of the relevant Index Fund. Because of the size of the capital investment (i.e. Application Unit size) required either to create or redeem Units through the Participating Dealer in the primary market, this method of investment is more suitable for institutional investors and market professionals. Participating Dealers are under no obligations to create or redeem Units for their clients and may impose terms, including charges, for handling creation or redemption orders as they determine appropriate, as described in more detail in this section.

The second method is to buy or to sell Units in the secondary market on the SEHK which is more suitable for retail investors. The secondary market price of Units may trade at a premium or discount to the NAV of the relevant Index Fund.

This section of the prospectus describes the first method of investment and should be read in conjunction with the Operating Guidelines and the Trust Deed. The section titled “Exchange Listing and Trading (Secondary Market)” relates to the second method of investment.

Creation of Units through Participating Dealer

Any application to the Manager for the creation of Units of an Index Fund must only be made through a Participating Dealer in respect of an Application Unit size or whole multiple thereof as set out in the “Descriptions of the Index Funds” section. Investors cannot acquire Units directly from an Index Fund. Only Participating Dealers may submit Creation Applications to the Manager.

Units in an Index Fund are continuously offered through a Participating Dealer, who may apply for them on any Dealing Day for its own account or for the account of its clients, in accordance with the Operating Guidelines, by submitting a Creation Application to the Manager and the Trustee.

The Participating Dealer has indicated to the Manager that it will generally accept and submit creation requests received from its clients, subject always to (a) mutual agreement as to its fees for handling such request; (b) completion to its satisfaction of client acceptance procedures and requirements; (c) no objection from the Manager to create Units on behalf of such clients; and (d) mutual agreement as to the method of effecting such creation request.

In addition, a Participating Dealer reserves the right to reject, acting in good faith, any creation request received from a client under exceptional circumstances, including without limitation the following circumstances:

(a) any period during which (i) the creation or issue of Units of the relevant Index Fund, (ii) the redemption of Units of the relevant Index Fund, and/or (iii) the determination of Net Asset Value of the relevant Index Fund is suspended;

(b) where there is in existence any trading restriction or limitation such as the occurrence of a market disruption event, suspected market misconduct or the suspension of dealing in relation to any of the Securities in the relevant Underlying Index;

(c) where acceptance of the creation request or any Security in connection with such creation request would render the Participating Dealer in breach of any regulatory restriction or requirement, internal compliance or internal control restriction or requirement of the Participating Dealer and/or any of its Connected Persons; or

(d) circumstances outside the control of the Participating Dealer make it for all practicable purposes impossible to process the creation request.

Requirements relating to creation requests by potential investors

The methods of creation available to the Participating Dealers in respect of each Index Fund, whether in-kind (i.e. the creation of Units in exchange for a transfer of Securities) or in cash or a combination of in-kind and cash, are as set out in the "Descriptions of the Index Funds" section. A Participating Dealer may in its absolute discretion require a creation request received from its client be effected in a particular method. The Manager nonetheless reserves its right to require a Creation Application be effected in a particular method. Specifically, the Manager has the right to (a) accept cash equal to or in excess of the market value at the Valuation Point for the relevant Dealing Day of such Security in lieu of accepting such Security as constituting part of the Creation Application; or (b) accept cash collateral on such terms as it determines if (i) such Security is likely to be unavailable for delivery or available in insufficient quantity for delivery to the Trustee in connection with the Creation Application; or (ii) the Participating Dealer is restricted by regulation or otherwise from investing or engaging in a transaction in that Security.

A Participating Dealer may impose fees and charges in handling any creation request which would increase the cost of investment. Investors are advised to check with the Participating Dealer as to relevant fees and charges. Investors should note although the Manager has a duty to monitor the operations of the Trust closely, neither the Manager nor the Trustee is empowered to compel a Participating Dealer to disclose its fees agreed with specific clients or other proprietary or confidential information to the Manager or to accept any such application requests received from clients. In addition, neither the Trustee nor the Manager can ensure effective arbitrage by a Participating Dealer.

A Participating Dealer may also impose timing deadlines for the submission by its clients of any creation request and require any such clients to complete the relevant client acceptance procedures and requirements (including, where necessary, providing such documentation and certifications as required by the Participating Dealer) in order to ensure that an effective Creation Application in respect of the relevant Index Fund can be submitted by it to the Manager. Investors are advised to check with the Participating Dealer as to the relevant timing deadlines and the client acceptance procedures and requirements.

The Application Unit size for each Index Fund is set out in the "Descriptions of the Index Funds" section. Applications submitted in respect of Units other than in Application Unit size or whole multiples thereof set out in the "Descriptions of the Index Funds" will not be accepted. The minimum subscription for an Index Fund is one Application Unit.

Creation process

A Participating Dealer may from time to time submit Creation Applications in respect of an Index Fund to the Manager, following receipt of creation requests from clients or where it wishes to create Units of the Index Fund for its own account.

If a Creation Application is received on a day which is not a Dealing Day or is received after the relevant Dealing Deadline on a Dealing Day, that Creation Application shall be treated as having been received at the opening of business on the next following Dealing Day, which shall be the relevant Dealing Day for the purposes of that Creation Application. The applicable Dealing Deadline is set out in the "Descriptions of the Index Funds" section.

To be effective, a Creation Application must:

- be given by a Participating Dealer in accordance with the Trust Deed, the relevant Participation Agreement and the relevant Operating Guidelines;

- specify the number of Units and the class of Units (where applicable) which is the subject of the Creation Application; and

- include the certifications required in the Operating Guidelines in respect of creations of Units, together with such certifications and opinions of counsel as each of the Trustee and the Manager may separately consider necessary to ensure compliance with applicable Securities and other laws in relation to the creation of Units which are the subject of the Creation Application.

The Manager shall have the right to reject, acting in good faith, any Creation Application under exceptional circumstances, including without limitation the following circumstances:

(a) any period during which (i) the creation or issue of Units of the relevant Index Fund, (ii) the redemption of Units of the relevant Index Fund, and/or (iii) the determination of Net Asset Value of the relevant Index Fund is suspended;

(b) where in the opinion of the Manager, acceptance of the Creation Application or any Security in connection with such Creation Application would have an adverse effect on the relevant Index Fund;

(c) where there is in existence any trading restriction or limitation such as the occurrence of a market disruption event, suspected market misconduct or the suspension of dealing in relation to any of the Securities in the relevant Underlying Index;

(d) where acceptance of the Creation Application or any Security in connection with such Creation Application would render the Manager in breach of any regulatory restriction or requirement, internal compliance or internal control restriction or requirement of the Manager and/or any of its Connected Persons;

(e) circumstances outside the control of the Manager make it for all practicable purposes impossible to process the Creation Application; or

(f) an Insolvency Event occurs in respect of the relevant Participating Dealer.

In the event of such rejection, the Manager shall notify the relevant Participating Dealer and the Trustee of its decision to reject such Creation Application in accordance with the Operational Guidelines.

The Manager's right to reject a Creation Application is separate and in addition to a Participating Dealer's right to reject, acting in good faith, any creation request received from a client under exceptional circumstances. Notwithstanding a Participating Dealer has accepted creation requests from clients and in that connection submitted an effective Creation Application, the Manager may exercise its rights to reject such Creation Application in the circumstances described herein.

Where the Manager accepts a Creation Application in respect of an Index Fund from a Participating Dealer, it shall instruct the Trustee to effect (a) for the account of the Trust, the creation of Units in Application Unit size in exchange for either a transfer of Securities, or cash or a combination of both (at the discretion of the Participating Dealer but subject to the Manager's agreement); and (b) the issue of Units to the Participating Dealer, both in accordance with the Operating Guidelines and the Trust Deed.

Issue of Units

Units will be issued at the Issue Price prevailing on the relevant Dealing Day, provided that the Manager may add to such Issue Price such sum (if any) as represents an appropriate provision for Duties and Charges.

Units are denominated in the Base Currency of relevant Index Fund (unless otherwise determined by the Manager) and no fractions of a Unit shall be created or issued by the Trustee.

The creation and issue of Units pursuant to a Creation Application shall be effected on the Dealing Day on which the Creation Application is received (or deemed received) and accepted in accordance with the Operating Guidelines but, for valuation purposes only, Units shall be deemed created and issued after the Valuation Point on the Dealing Day on which the relevant Creation Application was received or deemed received and the register will be updated on Settlement Day or the Dealing Day immediately following Settlement Day if the settlement period is extended. An Extension Fee may be payable in relation to such an extension. See the section on "Fees and Expenses" for further details.

The Trustee shall be entitled to refuse to enter (or allow to be entered) Units in the register if at any time the Trustee is of the opinion that the provisions as set out in the Trust Deed, the relevant Operating Guidelines or the relevant Participation Agreement, in regard to the issue of Units, are being infringed.

Fees relating to Creation Applications

The Manager may charge a Transaction Fee in respect of Creation Applications and may on any day, after consulting the Trustee, vary the rate of the Transaction Fee it charges (but not as between different Participating Dealers in respect of the same Index Fund). The Transaction Fee shall be paid by or on behalf of the Participating Dealer applying for such Units for the benefit of the Trustee, the Registrar, the Service Agent and/or the Conversion Agent. See the section on "Fees and Expenses" for further details.

A corporate action fee is also payable to the Conversion Agent in respect of any corporate actions of the Securities for in-kind Creation Application.

Any commission, remuneration or other sum payable by the Manager to any agent or other person in respect of the issue or sale of any Unit shall not be added to the Issue Price of such Unit and shall not be paid from the assets of the Index Fund.

<u>Cancellation of Creation Applications</u>

The Trustee may cancel a creation order in respect of any Units deemed created pursuant to a Creation Application if it has not received good title to all Securities and/or cash (including Duties and Charges) relating to the Creation Application by the Settlement Day, provided that the Manager may at its discretion, with the approval of the Trustee (a) extend the settlement period (either for the Creation Application as a whole or for a particular Security) such extension to be on such terms and conditions (including as to the payment of an Extension Fee to the Manager or the Trustee or their Connected Persons or otherwise) as the Manager may determine and in accordance with the provisions of the Operating Guidelines; or (b) partially settle the Creation Application to the extent to which Securities and/or cash has been vested in the Trustee, on such terms and conditions the Manager may determine including terms as to any extension of the settlement period for the outstanding Securities or cash.

Upon the cancellation of any creation order of any Units deemed created pursuant to a Creation Application as provided for above or if a Participating Dealer otherwise withdraws a Creation Application other than in certain circumstances contemplated in the Trust Deed, any Securities or cash received by or on behalf of the Trustee in connection with a Creation Application shall be redelivered to the Participating Dealer (without interest) and the relevant Units shall be deemed for all purposes never to have been created and the Participating Dealer shall have no right or claim against the Manager, the Trustee, the Service Agent and/or the Conversion Agent in respect of such cancellation provided that:

- the Manager may charge the relevant Participating Dealer for the account of the Trustee and/or the Registrar an Application Cancellation Fee (see the section on "Fees and Expenses" for further details);

- the Manager may at its discretion require the Participating Dealer to pay to the Trustee, for the account of the relevant Index Fund, in respect of each Unit so cancelled Cancellation Compensation, being the amount (if any) by which the Issue Price of each such Unit exceeds the Redemption Value which would have applied in relation to each such Unit if the Participating Dealer had, on the date on which such Units are cancelled, made a Redemption Application, together with charges, expenses and losses incurred by the Index Fund as a result of such cancellation;

- the Transaction Fee in respect of such Creation Application shall remain due and payable (notwithstanding that the Creation Application shall be deemed to never have been made) and once paid shall be retained by and for the benefit of the Trustee, the Registrar, the Service Agent and/or the Conversion Agent (see the section on "Fees and Expenses" for further details); and

- no previous valuations of the Trust Fund shall be re-opened or invalidated as a result of the cancellation of such Units.

<u>Redemption of Units through Participating Dealer</u>

Any application to the Manager for the redemption of Units of an Index Fund must only be made through a Participating Dealer in respect of an Application Unit size or whole multiple thereof as set out in the "Descriptions of the Index Funds" section. Investors cannot redeem Units directly from an Index Fund. Only Participating Dealers may submit Redemption Applications to the Manager.

A Participating Dealer may redeem Units on any Dealing Day for its own account or for the account of its clients in accordance with the Operating Guidelines, by submitting a Redemption Application to the Manager and the Trustee.

The Participating Dealer has indicated to the Manager that it will generally accept and submit redemption requests received from its clients, subject always to (a) mutual agreement as to its fees for handling such request; (b) completion to its satisfaction of client acceptance procedures and requirements; (c) no objection from the Manager to redeem Units on behalf of such clients; and (d) mutual agreement as to the method of effecting such redemption request.

In addition, a Participating Dealer reserves the right to reject, acting in good faith, any redemption request received from a client under exceptional circumstances, including without limitation the following circumstances:

(a) any period during which (i) the creation or issue of Units of the relevant Index Fund, (ii) the redemption of Units of the relevant Index Fund, and/or (iii) the determination of Net Asset Value of the relevant Index Fund is suspended;

(b) where there is in existence any trading restriction or limitation such as the occurrence of a market disruption event, suspected market misconduct or the suspension of dealing in relation to any of the Securities in the relevant Underlying Index;

(c) where acceptance of the redemption request would render the Participating Dealer in breach of any regulatory restriction or requirement, internal compliance or internal control restriction or requirement of the Participating Dealer and/or any of its Connected Persons; or

(d) circumstances outside the control of the Participating Dealer make it for all practicable purposes impossible to process the redemption request.

Requirements relating to redemption requests by potential investors

The methods of redemption available to the Participating Dealers in respect of each Index Fund, whether in-kind (i.e. the redemption of Units in exchange for a transfer of Securities) or in cash or a combination of in-kind and cash, are as set out in the “Descriptions of the Index Funds” section. A Participating Dealer may in its absolute discretion require a redemption request received from its client be effected in a particular method. The Manager nonetheless reserves its right to require a Redemption Application be effected in a particular method. Specifically, the Manager has the right to instruct the Trustee to deliver cash equivalent of any Security in connection with the Redemption Application to the Participating Dealer if (a) such Security is likely to be unavailable for delivery or available in insufficient quantity for delivery in connection with the Redemption Application; or (b) the Participating Dealer is restricted by regulation or otherwise from investing or engaging in a transaction in that Security.

A Participating Dealer may impose fees and charges in handling any redemption request which would increase the cost of investment and/or reduce the redemption proceeds. Investors are advised to check with the Participating Dealer as to relevant fees and charges. Investors should note although the Manager has a duty to monitor the operations of the Trust closely, neither the Manager nor the Trustee is empowered to compel a Participating Dealer to disclose its fees agreed with specific clients or other proprietary or confidential information to the Manager or to accept any such application requests received from clients. In addition, neither the Trustee nor the Manager can ensure effective arbitrage by a Participating Dealer.

A Participating Dealer may also impose timing deadlines for the submission by its clients of any redemption request and require any such clients to complete the relevant client acceptance procedures and requirements (including, where necessary, providing such documentation and certifications as required by the Participating Dealer) in order to ensure that an effective Redemption Application in respect of the relevant Index Fund can be submitted by it to the Manager. Investors are advised to check with the Participating Dealer as to the relevant timing deadlines and the client acceptance procedures and requirements.

Redemption process

A Participating Dealer may from time to time submit Redemption Applications in respect of an Index Fund to the Manager, following receipt of redemption requests from clients or where it wishes to redeem Units of the Index Fund for its own account.

If a Redemption Application is received on a day which is not a Dealing Day or is received after the relevant Dealing Deadline on a Dealing Day, that Redemption Application shall be treated as having been received at the opening of business on the next following Dealing Day, which shall be the relevant Dealing Day for the purposes of that Redemption Application. The applicable Dealing Deadline is set out in the “Descriptions of the Index Funds” section.

To be effective, a Redemption Application must:

- be given by a Participating Dealer in accordance with the Trust Deed, the relevant Participation Agreement and the relevant Operating Guidelines;

- specify the number of Units and the class of Units (where applicable) which is the subject of the Redemption Application; and

- include the certifications required in the Operating Guidelines in respect of redemptions of Units, together with such certifications and opinions of counsel as each of the Trustee and the Manager may separately consider necessary to ensure compliance with applicable Securities and other laws in relation to the redemption of Units which are the subject of the Redemption Application.

The Manager shall have the right to reject, acting in good faith, any Redemption Application under exceptional circumstances, including without limitation the following circumstances:

(a) any period during which (i) the creation or issue of Units of the relevant Index Fund, (ii) the redemption of Units of the relevant Index Fund, and/or (iii) the determination of Net Asset Value of the relevant Index Fund is suspended;

(b) where in the opinion of the Manager, acceptance of the Redemption Application would have an adverse effect on the relevant Index Fund;

(c) where there is in existence any trading restriction or limitation such as the occurrence of a market disruption event, suspected market misconduct or the suspension of dealing in relation to any of the Securities in the relevant Underlying Index;

(d) where acceptance of the Redemption Application would render the Manager in breach of any regulatory restriction or requirement, internal compliance or internal control restriction or requirement of the Manager and/or any of its Connected Persons;

(e) circumstances outside the control of the Manager make it for all practicable purposes impossible to process the Redemption Application; or

(f) an Insolvency Event occurs in respect of the relevant Participating Dealer.

In the event of such rejection, the Manager shall notify the relevant Participating Dealer and the Trustee of its decision to reject such Redemption Application in accordance with the Operational Guidelines.

The Manager's right to reject a Redemption Application is separate and in addition to a Participating Dealer's right to reject, acting in good faith, any redemption request received from a client under exceptional circumstances. Notwithstanding a Participating Dealer has accepted redemption requests from clients and in that connection submitted an effective Redemption Application, the Manager may exercise its rights to reject such Redemption Application in the circumstances described herein.

Where the Manager accepts a Redemption Application in respect of an Index Fund from a Participating Dealer, it shall (a) effect the redemption and cancellation of the relevant Units; and (b) require the Trustee to transfer to the Participating Dealer Securities, or cash or a combination of both (at the discretion of the Participating Dealer but subject to the Manager's agreement) in accordance with the Operating Guidelines and the Trust Deed.

The Participating Dealer will then transfer the relevant Securities, or cash or a combination of both, to the relevant client if the Redemption Application was submitted by the Participating Dealer for the account of its client.

Redemption of Units

Any accepted Redemption Application will be effected on the Settlement Day provided that a Redemption Application duly signed by a Participating Dealer (to the satisfaction of the Manager and the Trustee) has been received and provided further that the Manager shall have received (unless otherwise provided in the Operating Guidelines) the original (and not a faxed copy) of the certificates (if any) representing the Units to be cancelled (or an indemnity in terms acceptable to the Trustee) and the full amount of any amount payable by the Participating Dealer including the Transaction Fee and any other Duties and Charges have been either deducted or otherwise paid in full.

For valuation purposes only, Units shall be deemed to have been redeemed and cancelled after the Valuation Point on the Dealing Day on which the Redemption Application was received or deemed received. The name of the Unitholoder of such Units shall be removed from the Register in respect of those Units redeemed and cancelled on the relevant Settlement Day.

The Redemption Value of Units tendered for redemption and cancellation shall be the Net Asset Value per Unit of the relevant Index Fund rounded to the nearest 4 decimal places (0.00005 or above being rounded up). The benefit of any rounding adjustments will be retained by the relevant Index Fund. For the purpose of valuation, the relevant Valuation Point shall be the Valuation Point for the Dealing Day on which the Redemption Application is treated as having been received.

The interval between the receipt of a properly documented Redemption Application and payment of redemption proceeds may not exceed one calendar month provided that there is no delay in submitting all duly completed redemption documentation and the determination of the Net Asset Value or dealing in Units is not suspended.

The Manager, with the approval of the Trustee, may at its discretion extend the settlement period upon receipt of the extended settlement request in respect of the Redemption Application on such terms and conditions (including as to the payment of any fees to the Manager or Extension Fee to the Trustee or their respective Connected Persons or otherwise as it may determine) as the Manager may in its discretion determine, in accordance with the Operating Guidelines.

Fees relating to Redemption Applications

The Manager may charge a Transaction Fee in respect of Redemption Applications and may on any day, after consulting the Trustee, vary the rate of the Transaction Fee it charges (but not as between different Participating Dealers in respect of the same Index Fund). The Transaction Fee shall be paid by or on behalf of the Participating Dealer submitting the Redemption Application(s) (and may be set off and deducted against any amount due to the Participating Dealer in respect of such Redemption Application(s)) for the benefit of the Trustee, the Registrar, the Service Agent and/or the Conversion Agent. See the section on "Fees and Expenses" for further details.

The Manager may deduct from the redemption proceeds such sum (if any) as the Manager may consider represents an appropriate provision for the Transaction Fee and/or other Duties and Charges.

A corporate action fee is also payable to the Conversion Agent in respect of any corporate actions of the Securities for in-kind Redemption Application.

The Trustee, the Service Agent and/or the Conversion Agent may charge a Unit Cancellation Fee in connection with each accepted Redemption Application.

Cancellation of Redemption Applications

A Redemption Application once given cannot be revoked or withdrawn without the consent of the Manager.

No Security shall be transferred and no cash amount shall be paid in respect of any Redemption Application unless Units, which are the subject of the Redemption Application, have been delivered to the Manager free and clear of any Encumbrance for redemption by such time on the Settlement Day as the Trustee and the Manager shall for the time being prescribe for Redemption Applications generally.

In the event that Units, which are the subject of a Redemption Application, are not delivered to the Manager for redemption in accordance with the foregoing or are not free and clear of any Encumbrance:

- the Manager may charge the relevant Participating Dealer for the account of the Trustee and/or the Registrar an Application Cancellation Fee (see the section on "Fees and Expenses" for further details);

- the Manager may at its discretion require the Participating Dealer to pay to the Trustee, for the account of the relevant Index Fund, in respect of each Unit so cancelled Cancellation Compensation, being the amount (if any) by which the Redemption Value of each such Unit is less than the Issue Price which would have applied in relation to each such Unit if the Participating Dealer had, on the actual date when the Manager is able to repurchase any replacement Securities made a Creation Application in accordance with the provisions of the Trust Deed plus such other amount as the Manager reasonably determines as representing any charges, expenses and losses incurred by the Index Fund as a result of such cancellation;

- the Transaction Fee in respect of such Redemption Application shall remain due and payable (notwithstanding that the Redemption Application shall be deemed to never have been made) and once paid, shall be retained by and for the benefit of the Trustee, the Registrar, the Service Agent and/or the Conversion Agent (see the section on "Fees and Expenses" for further details); and

- no previous valuations of the Trust Fund shall be re-opened or invalidated as a result of an unsuccessful Redemption Application.

Directed Cash Dealing

Where a Participating Dealer subscribes for Units or redeems Units in cash, the Manager may at its sole discretion (but shall not be obliged to) transact for Securities with a broker nominated by the Participating Dealer. Should the nominated broker default on, or change the terms for, any part of the transaction, the Participating Dealer shall bear all associated risks and costs. In such circumstances the Manager has the right to transact with another broker and amend the terms of the Creation Application or Redemption Application to take into account the default and the changes to the terms. Any directed arrangement is subject to the Index Fund being treated fairly.

Suspension of Creations and Redemptions

The Manager may, at its discretion, at any time after giving notice to the Trustee (and where practicable, after consultation with Participating Dealers) suspend the creation or issue of Units of an Index Fund, suspend the redemption of Units of an Index Fund and/or delay the payment of any moneys and transfer of any Securities in respect of any Redemption Application in the following circumstances:

(a) during any period when trading on the SEHK is restricted or suspended;

(b) during any period when a market on which a Security (that is a component of the Underlying Index for the relevant Index Fund) has its primary listing, or the official clearing and settlement depositary (if any) of such market, is closed;

(c) during any period when dealing on a market on which a Security (that is a component of the Underlying Index for the relevant Index Fund) has its primary listing is restricted or suspended;

(d) during any period when, in the opinion of the Manager, settlement or clearing of Securities in the official clearing and settlement depositary (if any) of such market is disrupted;

(e) the existence of any state of affairs as a result of which delivery or purchase of Securities, as appropriate or disposal of investments for the time being comprised in the relevant Index Fund cannot, in the opinion of the Manager, be effected normally or without prejudicing the interests of Unitholders of the relevant Index Fund;

(f) during any period when the Underlying Index for the relevant Index Fund is not compiled or published;

(g) any breakdown in any of the means normally employed in determining the Net Asset Value of the relevant Index Fund or when for any other reason the value of any Securities or other property for the time being comprised in the relevant Index Fund cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained; or

(h) during any period when the determination of the Net Asset Value of the relevant Index Fund is suspended or if any circumstance specified in the section "Suspension of Determination of Net Asset Value" below arises.

The Manager will, after giving notice to the Trustee, suspend the right to subscribe for Units of an Index Fund if, or if as a result of the investment of the proceeds of issue of such Units in accordance with its investment objective, the Trust holds or would hold in aggregate more than 10% of the ordinary shares issued by any single issuer. In addition, where the Index Funds under the Trust hold in aggregate more than the limit of 10% of the ordinary shares issued by any single issuer, the Manager will make it a priority objective to take all other necessary steps within a reasonable period to remedy such breach, taking into account the interests of the Unitholders.

The Manager shall notify the SFC and publish a notice of suspension following the suspension, and at least once a month during the suspension, on its website at www.etf.hsbc.com/hk or in such other publications as it decides.

The Manager shall consider any Redemption Application or any Creation Application received during the period of suspension (that has not been otherwise withdrawn) as having been received immediately following the termination of the suspension. The period for settlement of any redemption will be extended by a period equal to the length of the period of suspension.

A Participating Dealer may, at any time after a suspension has been declared and before termination of such suspension, withdraw any Creation Application or Redemption Application by notice in writing to the Manager and the Manager shall promptly notify and request the Trustee to return any Securities and/or cash received by it in respect of the Application (without interest).

A suspension shall remain in force until the earlier of (a) declaration by the Manager that the suspension is at an end; or (b) the Business Day following the first Business Day on which (i) the condition giving rise to the suspension shall have ceased to exist; and (ii) no other condition under which suspension is authorised exists.

Evidence of Unitholding

Units are deposited, cleared and settled by the CCASS. Units are held in registered entry form only, which means that no Unit certificates are issued. HKSCC Nominees Limited is the registered owner (i.e. the sole holder of record) of all outstanding Units deposited with the CCASS and is holding such Units for the participants in accordance with the General Rules of CCASS. Furthermore, the Trustee and the Manager acknowledge that pursuant to the General Rules of CCASS neither HKSCC Nominees Limited nor HKSCC has any proprietary interest in the Units. Investors owning Units in CCASS are beneficial owners as shown on the records of the participating brokers or the relevant Participating Dealer(s) (as the case may be).

Restrictions on Unitholders

The Manager has power to impose such restrictions as it may think necessary for the purpose of ensuring that no Units are acquired or held which would result in such holding being:

- a breach of the law or requirements of any country or governmental authority or any stock exchange on which the Units are listed in circumstances which, in the Manager's opinion, might result in the Trust or the relevant Index Fund suffering any adverse effect which the Trust or the relevant Index Fund might not otherwise have suffered; or

- in the circumstances which, in the Manager’s opinion, may result in the Trust or the relevant Index Fund incurring any tax liability or suffering any other pecuniary disadvantage which the Trust or the relevant Index Fund might not otherwise have incurred or suffered.

Upon notice that any Units are so held, the Manager may require such Unitholders to redeem or transfer such Units in accordance with the provisions of the Trust Deed. A person who becomes aware that he is holding or owning Units in breach of any of the above restrictions is required either to redeem his Units in accordance with the Trust Deed or to transfer his Units to a person whose holding would be permissible under this prospectus and the Trust Deed in a manner that would result in such Unitholder no longer being in breach of the restrictions above.

Transfer of Units

A Unitholder may transfer Units with the consent of the Manager subject to the provisions of the Trust Deed. In respect of any Units held in CCASS, the Manager’s consent is deemed given where the Unitholder is transferring its interest in Units within CCASS. A Unitholder is entitled to transfer Units held by him by using the standard transfer form issued by SEHK or by an instrument in writing in such other form (and if the transferor or the transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution) as the Trustee may from time to time approve. The transferor will be deemed to remain the Unitholders of the Units transferred until the name of the transferee is entered in the register of Unitholders in respect of the Units being transferred. Each instrument of transfer must relate to a single Index Fund only. If and to the extent that all Units are deposited, cleared and settled in CCASS, HKSCC Nominees Limited will be the sole Unitholder, holding such Units for the persons admitted by HKSCC as a participant of CCASS and to whose account any Units are for the time being allocated in accordance with the General Rules of CCASS.

EXCHANGE LISTING AND TRADING (SECONDARY MARKET)

Dealings on the SEHK in Units of the Index Funds began on 18 April 2011. Units of the Index Funds are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as of the date of this prospectus. The Manager may in future, in consultation with the Trustee, apply for a listing of Units on one or more other stock exchanges.

Units trade on the SEHK in board lots as specified in respect of a particular Index Fund in the "Descriptions of the Index Funds".

The purpose of the listing of the Units on the SEHK is to enable investors to buy and sell Units on the secondary market, normally via a broker/dealer in smaller quantities than would be possible if they were to subscribe and/or redeem Units in the primary market.

The market price of a Unit listed or traded on the SEHK may not reflect the Net Asset Value per Unit of the Index Fund. Any transactions in the Units of an Index Fund on the SEHK will be subject to the customary brokerage commissions and/or transfer taxes associated with the trading and settlement through the SEHK. There can be no guarantee that once the Units are listed on the SEHK they will remain listed.

It is the Manager's expectation that at least one Market Maker will maintain a market for the Units of each Index Fund. Broadly, the obligations of a Market Maker will include quoting bid and offer prices on the SEHK with the intention of providing liquidity. Given the nature of the Market Maker's role, the Manager will make available to a Market Maker, the portfolio composition information made available to a Participating Dealer.

Units may be purchased from and sold through a Market Maker. However, there is no guarantee or assurance as to the price at which a market will be made. In maintaining a market for Units, the Market Makers may make or lose money based on the differences between the prices at which they buy and sell Units, which is to a certain extent dependent on the difference between the purchase and sale prices of the underlying Securities comprised within the relevant Underlying Index. Market Markers may retain any profits made by them for their own benefit and they are not liable to account to any of the Index Funds in respect of their profits. For the list of Market Makers for ETFs, please refer to www.hkex.com.hk.

Investors wishing to purchase or sell Units on the secondary market should contact their broker.

The Units of the Index Funds have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Units on the SEHK. Settlement of transactions between participants of the SEHK is required to take place in CCASS on the Settlement Day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

If trading of the Units of an Index Fund on the SEHK is suspended or trading generally on the SEHK is suspended, then there will be no secondary market dealing for those Units.

DETERMINATION OF NET ASSET VALUE

Calculation of Net Asset Value

The Net Asset Value of each Index Fund is determined by the Trustee as at each Valuation Point applicable to the relevant Index Fund by valuing the assets of the relevant Index Fund and deducting the liabilities of the relevant Index Fund, in accordance with the terms of the Trust Deed.

Set out below is a summary of how various Securities held by the Index Funds are valued under the Trust Deed:

(a) Securities that are quoted, listed, traded or dealt in on any Recognised Market shall unless the Manager (with the consent of the Trustee) determines that some other method (including but not limited to using the net asset value per share or unit where the relevant security is an interest in a listed Collective Investment Scheme) is more appropriate, be valued by reference to the price appearing to the Manager to be the official closing price, or if unavailable, the last traded price on the Recognised Market as the Manager may consider in the circumstances to provide fair criterion, provided that: (i) if a Security is quoted or listed on more than one Recognised Market, the Manager shall adopt the price quoted on the Recognised Market which in its opinion provides the principal market for such Security; (ii) if prices on that Recognised Market are not available at the relevant time, the value of the Securities shall be certified by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager or, if the Trustee so requires, by the Manager after consultation with the Trustee; (iii) interest accrued on any interest-bearing Securities shall be taken into account, unless such interest is included in the quoted or listed price; (iv) the Manager and the Trustee shall be entitled to use and rely on electronic price feeds from such source or sources as they may from time to time determine, notwithstanding that the prices so used are not the official closing prices or last traded prices as the case may be; and (v) the NAVs of the HSBC MSCI Greater China ETFs, but not the official closing prices or last traded prices on the Recognised Market of the HSBC MSCI Greater China ETFs, will be used in the calculation of NAV of the HSBC MSCI Golden Dragon ETF;

(b) the value of each interest in any unlisted Collective Investment Scheme shall be the latest available net asset value per share or unit in such Collective Investment Scheme or if not available or appropriate, the average of the latest available bid and offer prices for the share or unit, unless the Manager considers the latest available bid price is more appropriate;

(c) futures contracts will be valued based on the formulae set out in the Trust Deed;

(d) except as provided for in paragraph (b), the value of any investment which is not listed, quoted or ordinarily dealt in on a Recognised Market shall be the initial value thereof equal to the amount expended on behalf of the relevant Index Fund in the acquisition of such investment (including, in each case the amount of stamp duties, commissions and other acquisition expenses) provided that the Manager may with the approval of the Trustee and shall at the request of the Trustee cause a revaluation to be made by a professional person approved by the Trustee as qualified to value such investments (which may, if the Trustee agrees, be the Manager);

(e) cash, deposits and similar investments shall be valued at their face value (together with accrued interest) unless, in the opinion of the Manager, any adjustment should be made to reflect the value thereof; and

(f) notwithstanding the foregoing, the Manager may adjust the value of any investment if, having regard to relevant circumstances, the Manager considers that such adjustment is required to fairly reflect the value of the investment.

The Trustee will perform any currency conversion at rates it determines appropriate.

The Trustee may use and rely on any financial, pricing and other data or information provided through electronic price feeds, mechanised or electronic systems of price or valuation dissemination or furnished by third parties such as the Manager, automatic processing services, brokers, market makers or intermediaries, administrator, valuations agent in determining the Net Asset Value of an Index Fund and the Trustee shall not be liable (in the absence of fraud, negligence or wilful default on its part) for any loss suffered by the Trust, any Index Fund, any Unitholder or any other person in doing so.

The above is a summary of how the various assets of an Index Fund are valued. Investors are encouraged to review the specific provisions of the Trust Deed in relation to valuation of assets.

<u>Suspension of Determination of Net Asset Value</u>

The Manager may, after giving notice to the Trustee, declare a suspension of the determination of the Net Asset Value of any Index Fund for the whole or any part of any period during which:

(a) there exists any state of affairs prohibiting the normal disposal and/or purchase of the investments of the relevant Index Fund;

(b) circumstances exist as a result of which, in the opinion of the Manager, it is not reasonably practicable to realise any Securities held or contracted for the account of that Index Fund or it is not possible to do so without seriously prejudicing the interest of Unitholders of Units of that Index Fund;

(c) there is a breakdown in any of the means normally employed in determining the Net Asset Value of the relevant Index Fund or the Net Asset Value per Unit of the relevant class or when for any other reason the value of any Securities or other property for the time being comprised in the relevant Index Fund cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained;

(d) the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, the Securities of that Index Fund or the subscription or redemption of Units of the relevant Index Fund is delayed or cannot, in the opinion of the Manager, be carried out promptly or at normal rates of exchange; or

(e) the right to redeem Units of the relevant class is suspended.

Any suspension shall take effect upon the declaration thereof and thereafter there shall be no determination of the Net Asset Value of the relevant Index Fund and the Manager shall be under no obligation to rebalance the Index Fund until the suspension is terminated on the earlier of: (a) the Manager declaring the suspension at an end; and (b) the first Dealing Day on which (i) the condition giving rise to the suspension shall have ceased to exist and (ii) no other condition under which suspension is authorised exists.

The Manager shall notify the SFC and publish a notice of suspension following the suspension, and at least once a month during the suspension, on its website at www.etf.hsbc.com/hk or in such other publications as it decides.

No Units will be issued or redeemed during any period of suspension of the Net Asset Value.

Issue Price and Redemption Value

In respect of each Index Fund, the Issue Price of Units of an Index Fund, created and issued pursuant to a Creation Application, will be the Net Asset Value of the relevant Index Fund divided by the total number of Units of the Index Fund in issue rounded to the nearest 4 decimal places (0.00005 or above being rounded up). The benefit of any rounding adjustments will be retained by the relevant Index Fund.

The Redemption Value of a Unit on a Dealing Day shall be the Net Asset Value of the relevant Index Fund divided by the total number of Units of the relevant class in issue for that Index Fund rounded to the nearest 4 decimal places (0.00005 or above being rounded up). The benefit of any rounding adjustments will be retained by the relevant Index Fund.

The last closing NAV and the intraday estimated NAV (on a delayed basis) of each Index Fund will be available on the Manager's website at www.etf.hsbc.com/hk whereas the intraday estimated NAV of each Index Fund will be disclosed on a near real time basis on Bloomberg. The relevant Bloomberg codes are as follows:

HSBC MSCI Golden Dragon ETF: 3088IV

HSBC MSCI HK ETF: 3000IV

HSBC MSCI China ETF: 3033IV

HSBC MSCI Taiwan ETF: 3083IV

Neither the Issue Price nor Redemption Value takes into account Duties and Charges or fees payable by a Participating Dealer.

FEES AND EXPENSES

There are different levels of fees and expenses applicable to investing in an Index Fund as set out in the following table, current as of the date of the prospectus.

(A) Fees and expenses payable by Participating Dealers on creation and redemption of Units (primary market)

HSBC MSCI Golden Dragon ETF

Transaction Fee	
In-kind creation / redemption	HK$15,000 per Application for the benefit of the Trustee and the Registrar Plus Conversion Agent's Fee (see note 1)
Application Cancellation Fee	HK$10,000 per Application (see note 2)
Extension Fee	HK$10,000 per Application (see note 3)
Partial Delivery Request Fee	HK$10,000 per Application (see note 4)
Daylight Settlement Fee	HK$10,000 per Application (see note 5)
Stamp duty	Nil
Transaction levy and trading fee	Nil
Other expenses, fees, charges and duties	Any other Duties and Charges (see note 6)

HSBC MSCI Hong Kong ETF

Transaction Fee	
(i) In-kind creation / redemption	HK$15,000 per Application for the benefit of the Trustee and the Registrar Plus Conversion Agent's Fee (see note 1)
(ii) Cash creation / redemption	HK$250 per transaction of purchase (for Creation Application) or sale (for Redemption Application) of listed Securities Plus Conversion Agent's Fee (see note 1)
(iii) A combination of In-kind creation / redemption and Cash creation / redemption	Fees payable for the benefit of the Registrar will be determined by the Registrar on a case-by-case basis. Participating Dealer should check with the Registrar before submitting the Application.

	Plus Conversion Agent's Fee (see note 1)
Application Cancellation Fee	HK$10,000 per Application (see note 2)
Extension Fee	HK$10,000 per Application (see note 3)
Partial Delivery Request Fee	HK$10,000 per Application (see note 4)
Daylight Settlement Fee	HK$10,000 per Application (see note 5)
Stamp duty	Nil
Transaction levy and trading fee	Nil
Other expenses, fees, charges and duties	Any other Duties and Charges (see note 6)

HSBC MSCI China ETF

Transaction Fee	
(i) In-kind creation / redemption	HK$15,000 per Application for the benefit of the Trustee and the Registrar Plus Conversion Agent's Fee (see note 1)
(ii) Cash creation / redemption	HK$250 per transaction of purchase (for Creation Application) or sale (for Redemption Application) of listed Securities Plus Conversion Agent's Fee (see note 1)
(iii) A combination of In-kind creation / redemption and Cash creation / redemption	Fees payable for the benefit of the Registrar will be determined by the Registrar on a case-by-case basis. Participating Dealer should check with the Registrar before submitting the Application. Plus Conversion Agent's Fee (see note 1)
Application Cancellation Fee	HK$10,000 per Application (see note 2)
Extension Fee	HK$10,000 per Application (see note 3)
Partial Delivery Request Fee	HK$10,000 per Application (see note 4)
Daylight Settlement Fee	HK$10,000 per Application (see note 5)
Stamp duty	Nil
Transaction levy and trading fee	Nil
Other expenses, fees, charges and	Any other Duties and Charges (see note 6)

duties	

<u>*HSBC MSCI Taiwan ETF*</u>

Transaction Fee	
Cash creation / redemption	HK$250 per transaction of purchase (for Creation Application) or sale (for Redemption Application) of listed Securities Plus Service Agent's Fee (HK$1,000 per book-entry deposit or book-entry withdrawal transaction)
Application Cancellation Fee	HK$10,000 per Application (see note 2)
Extension Fee	HK$10,000 per Application (see note 3)
Partial Delivery Request Fee	HK$10,000 per Application (see note 4)
Daylight Settlement Fee	HK$10,000 per Application (see note 5)
Stamp duty	Nil
Transaction levy and trading fee	Nil
Other expenses, fees, charges and duties	Any other Duties and Charges (see note 6)

Notes:

1. Transaction Fee:

   In respect of the HSBC MSCI Golden Dragon ETF, HSBC MSCI Hong Kong ETF and HSBC MSCI China ETF, the Transaction Fee comprises two components: (a) (i) HK$15,000 per Application for in-kind creations/redemptions; or (ii) HK$250 per sale or purchase transaction for cash creations/redemptions; or (iii) an amount determined on a case-by-case basis for a combination of in-kind and cash creations/redemptions, in each case payable for the benefit of the Trustee and/or Registrar; and (b) a Conversion Agent's Fee which ranges from HK$5,000 to HK$12,000 per day per Participating Dealer which is payable for the benefit of the Conversion Agent. The exact amount of Conversion Agent's Fee will depend on the aggregate Hong Kong dollar value of the Creation and Redemption Applications made on that day by that Participating Dealer, as more fully detailed below:

Total Aggregated Value Transacted Daily	**Conversion Agent's Fee**
HK$1 to HK$2,000,000	HK$5,000
HK$2,000,001 to HK$5,000,000	HK$8,000
HK$5,000,001 to HK$10,000,000	HK$10,000
Over HK$10,000,000	HK$12,000

   A Participating Dealer may pass on to the relevant investor such Transaction Fee.

   In respect of the HSBC MSCI Taiwan ETF, the Transaction Fee is payable by a Participating Dealer to the Trustee for the benefit of the Trustee, Registrar and/or the Service Agent. The Registrar and the Service Agent will charge a fee for each Application which will be met out of the Transaction Fee. A Participating Dealer may pass on to the relevant investor such Transaction Fee.

2. An Application Cancellation Fee is payable to the Trustee for the benefit of the Trustee and/or Registrar by a Participating Dealer in respect of either a withdrawn or failed Creation Application or Redemption Application. A Participating Dealer may also be required to pay a Cancellation Compensation to the Trustee, for the account of the relevant Index Fund, pursuant to the terms of the Operating Guidelines.
3. An Extension Fee is payable by a Participating Dealer to the Trustee for the benefit of the Trustee and/or Registrar on each occasion the Manager grants the Participation Dealer's request for extended settlement in respect of a Creation Application or Redemption Application.
4. A partial delivery request fee is payable by a Participating Dealer to the Trustee for the benefit of the Trustee and/or Registrar on each occasion the Manager grants the Participation Dealer's request for partial settlement.
5. A daylight settlement fee is payable by a Participating Dealer to the Trustee for the benefit of the Trustee and/or Registrar on each occasion the Manager grants the Participation Dealer's request for daylight real time settlement. It is payable when a Participating Dealer fails to complete a Creation Application by the Settlement Date and so opts to use daylight settlement available at Euroclear to settle trades on the same day.
6. A Participating Dealer may pass on to the relevant investor such other expenses, fees, charges and duties.

(B) Fees and expenses payable by investors on SEHK (secondary market)

Brokerage	Market rates
Transaction levy	0.003% of the price of the Units, payable by the buyer and the seller
Trading fee	0.005% of the price of the Units, payable by the buyer and the seller
Stamp duty	In respect of the HSBC MSCI Golden Dragon ETF, HSBC MSCI Hong Kong ETF and HSBC MSCI China ETF: 0.1% of the price of the Units, payable by both the buyer and seller (i.e. 0.2% in total), except in respect of qualifying market maker transactions In respect of the HSBC MSCI Taiwan ETF: Nil

No money should be paid to any intermediary in Hong Kong which is not licensed or recognised to carry on Type 1 regulated activity under Part V of the SFO.

(C) Fees and expenses payable by Index Funds

Management Fee

The Management Fee payable to the Manager will be a percentage of the Net Assets Value of each Index Fund, as specified in the "Key Information" section in respect of each Index Fund.

The Management Fee is calculated and accrued daily and payable monthly in arrears.

The Manager is also entitled to receive reimbursement for any reasonable disbursements and out-of-pocket expenses.

Operating Expenses

The Trust has a fee structure where, in respect of each Index Fund set out in "Descriptions of the Index Funds", 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 Index Fund as further explained below) 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 Index Funds from time to time.

The level of the Operating Expenses payable by each Index Fund (expressed as a percentage per annum of the Net Asset Value) is set out in the "Key Information" section in respect of each Index Fund under "Descriptions of the Index Funds".

The Operating Expenses are paid to and retained by the Manager, and the Manager is then responsible for the payment of the following fees and expenses out of the Operating Expenses:

(i) the fees and expenses of the Trustee and the Registrar;

(ii) all establishment costs of the Trust and Index Funds;

(iii) SFC authorisation fees;

(iv) the cost of listing and maintaining a listing of Units on any stock exchange;

(v) fees paid to the Hong Kong Mandatory Provident Fund Schemes Authority in connection with or arising out of that authority's approval of the Index Funds for the purposes of enabling the funds of mandatory provident fund schemes' constituent funds and approved pooled investment funds to be invested in the Index Funds;

(vi) the cost of convening and holding Unitholders' meetings;

(vii) professional fees and expenses for legal, auditing and other consulting services;

(viii) the costs and expenses of preparing, printing, publishing and distributing prospectuses, supplements, annual and semi-annual reports and other documents to current and prospective Unitholders;

(ix) the costs and expenses of the Investment Adviser appointed by the Manager; and

(x) such other costs and expenses (excluding non-recurring and extraordinary costs and expenses) as may arise from time to time and which have been approved by the Manager and the Trustee as necessary or appropriate for the continued operation of the Trust or of the Index Fund.

The Operating Expenses are calculated and accrued daily from the Net Asset Value of the Index Fund and payable monthly in arrears. If the Index Fund's expenses exceed the Operating Expenses as set out in the "Key Information" section in respect of each Index Fund under "Descriptions of the Index Funds, the Manager will cover any shortfall from its own assets. Conversely, if the Index Fund's expenses are less than the Operating Expenses as set out in the "Key Information" section in respect of each Index Fund under "Descriptions of the Index Funds, the Manager will retain the surplus for its own benefits.

As mentioned above, the Operating Expenses do not cover the Management Fee and certain duties, charges and other costs and expenses which will be paid separately out of the assets of the relevant Index Fund. Such duties, charges and other costs and expenses include, but are not limited to:

- taxes, governmental charges, brokerage and commissions, exchange costs and commissions, bank charges and other costs and expenses in relation to transactions involving all or part of the assets of the Index Funds;

- fees or other benefits received by the lending agent (which may include the Manager, Trustee or a Connected Person) in connection with Securities lending activity of the Trust;

- fees received by the Manager for oversight and management of any Securities lending activity of the Trust;

- full amount of all fees, costs and expenses charged or incurred by the Trustee or any custodians or sub-custodians in relation to transactions involving all or part of the assets of the Index Funds;

- costs and expenses incurred in negotiating, establishing and maintaining any borrowing or overdraft facility (including interest);

- full amount of all tax, levy, duty or similar charges and professional fees in relation to agreeing and/or contesting any such liabilities or recoveries to be paid out of or into the Trust; and

- any non-recurring and extraordinary costs and expenses including, but not limited to, litigation expenses and any unforeseen charges imposed on the Trust or its assets.

The above summary is, by its nature, limited and does not provide a complete description of the duties, charges and other ongoing costs and expenses that the Manager and the Trustee are entitled to charge to, or recover from, the assets of the Trust. Investors should review the specific provisions of the Trust Deed in relation to fees, costs and expenses payable by the Trust for further information in this regard.

<u>Total Expense Ratio or TER</u>

The estimated total expense ratio ("TER") of an Index Fund comprises the Operating Expenses and the Management Fee. It does not represent the tracking error and excludes certain duties, charges and other costs and expenses which will be paid separately out of the assets of the relevant Index Fund as explained above.

The estimated TER applicable to each Index Fund is set out in "Descriptions of the Index Funds".

<u>Costs Associated with Derivative Investments</u>

The Index Funds may invest in derivative instruments as a means of achieving an Index Fund's investment objective at the Manager's discretion, subject always to the investment restrictions set out in Schedule 1. The reason for investing through derivative instruments may or may not be necessitated by the Manager's internal policies and/or regulations. In any event, the fees and expenses of investing through derivatives shall be treated as a transaction cost to be borne by the relevant Index Fund.

<u>Establishment Costs</u>

The costs and expenses incurred by the Manager and the Trustee in establishing the Index Funds and the Trust will be covered by the Operating Expenses.

Increase of fees

The Management Fee and the Operating Expenses may be increased up to the maximum amount set out in the "Key Information" section in respect of each Index Fund on one month's notice to Unitholders of the relevant Index Fund. However, any increase in the maximum amount will require prior approval by Unitholders of the Index Fund, which must be approved by an extraordinary resolution at a meeting of Unitholders or by written resolution of all Unitholders.

Investment in another Collective Investment Scheme

If an Index Fund invests in another Collective Investment Scheme managed by the Manager, the Manager shall ensure that neither the Index Fund nor its Unitholders suffer an increase in the overall total of initial charges, management fees and other costs and charges payable to the Manager or any Connected Person by investing in the other Collective Investment Scheme.

Promotional Expenses

The Index Funds will not be responsible for any promotional expenses including those incurred by any marketing agents and any fees imposed by such marketing agents on their customers investing in the Index Funds will not be paid (either in whole or in part) out of the Index Funds.

RISK FACTORS

The following is a general discussion of a number of risks which may affect the NAV, yield, total return and trading price of the Units. See also the sub-section “Specific Risks” in the section “Descriptions of the Index Funds” of this prospectus for a discussion of additional risks particular to an Index Fund.

There can be no assurance that the investment objective of an Index Fund will be achieved. Prospective investors should carefully evaluate the merits and risks of an investment in a particular Index Fund in the context of their overall financial circumstances, knowledge and experience as an investor. Investment in the Index Fund is not suitable for investors who cannot afford to lose all or a significant part of their investment.

<u>Investment Risk</u>

Emerging Market Risk. Some overseas markets in which Index Funds may invest are considered emerging market countries. The economies of many emerging markets are still in the early stages of modern development and subject to abrupt and unexpected change. In many cases, governments retain a high degree of direct control over the economy and may take actions that have a sudden and widespread effect. Also, many less developed market and emerging market economies have a high degree of dependence on a small group of markets or even a single market that can render such economies more susceptible to the adverse impact of internal and external shocks.

Emerging market regions are also subject to special risks including, but not limited to: generally less liquid and less efficient securities markets; generally greater price volatility; exchange rate fluctuations and exchange control; higher volatility of the value of debt (particularly as impacted by interest rates); imposition of restrictions on the expatriation of funds or other assets; less publicly available information about issuers; the imposition of taxes; higher transaction and custody costs; settlement delays and risk of loss; difficulties in enforcing contracts; less liquidity and smaller market capitalisations; less well regulated markets resulting in more volatile stock prices; different accounting and disclosure standards; governmental interference; higher inflation; social, economic and political uncertainties; custodial and/or settlement systems may not be fully developed which may expose an Index Fund to sub-custodial risk in circumstances whereby the Trustee will have no liability; the risk of expropriation of assets and the risk of war.

Economic Risk. Economic instability in an emerging market may arise when such country is heavily dependent upon commodity prices and international trades. Economies in emerging market countries have been and may continue to be adversely affected by the economics of their trading partners, exchange controls, managed adjustments in relative currency values, trade barriers and other protectionist measures imposed or negotiated by the countries with which they trade. Some emerging market countries have experienced currency devaluations and some have experienced economic recessions causing a negative effect on their economies and securities markets.

Political and Social Risk. Some governments in emerging market countries are authoritarian or have been installed or removed as a result of military coup and some have periodically used force to suppress civil dissent. Disparities of wealth, the pace and success of democratisation and capital market development and ethnic, religious and racial disaffection, among other factors, have also led to social unrest, violence and/or labour unrest in some emerging market countries. Unanticipated political or social developments may result in sudden and significant investment losses. All of these factors can have a material impact on the Underlying Index and create a risk of higher price volatility which, in turn, can increase any tracking error.

Market Risk. Past performance is not indicative of future performance. The NAV of an Index Fund will change with changes in the market value of the Securities it holds. The price of Units and the income from them may go down as well as up. There can be no assurance that an Index Fund will achieve its investment objective or that an investor will achieve profits or avoid losses, significant or otherwise. The capital return and income of each Index Fund is based on the capital appreciation and income on the Securities it holds, less expenses incurred. Each Index Fund's return may fluctuate in response to changes in such capital appreciation or income. Furthermore, each Index Fund may experience volatility and decline in a manner that broadly corresponds with its Underlying Index. Investors in an Index Fund are exposed to the same risks that investors who invest directly in the underlying Securities would face. These risks include, for example, interest rate risks (risks of falling portfolio values in a rising interest rate market); income risks (risks of falling incomes from a portfolio in a falling interest rate market); and credit risk (risk of a default by the underlying issuer of a Security that forms part of the Underlying Index).

Asset Class Risk. Although the Manager is responsible for the continuous supervision of the investment portfolio of each Index Fund, the returns from the types of Securities in which an Index Fund invests may underperform or outperform returns from other Securities markets or from investment in other assets. Different types of securities tend to go through cycles of out-performance and underperformance when compared with other general Securities markets.

Foreign Security Risk. Index Funds may invest in the equity markets of a single country or multiple countries within a geographical region depending on the Underlying Index composition. These markets are subject to special risks associated with foreign investment including market fluctuations caused by factors affected by political and economic developments. Investing in the Securities of non-Hong Kong entities involves special risks and considerations not typically associated with investing in Hong Kong entities. These include differences in accounting, auditing and financial reporting standards, the possibility of nationalisation of assets, expropriation or confiscatory taxation, or regulation, the imposition of withholding taxes on payments or distributions referable to underlying Securities, adverse changes in investment, tax or exchange control regulations, economic growth and indicators (such as GDP, inflation rate, self sufficiency and balance of payments position of the relevant economy), government regulation, political instability that could affect local investments in foreign countries, and potential restrictions on the flow of international capital. Each of these factors may have a large impact on the performance of the Index Funds.

Passive Investments. The Index Funds are not actively managed. Accordingly, each Index Fund may be affected by a decline in the market segments relating to its Underlying Index. Each Index Fund invests (either directly or indirectly) in the Securities included in or representative of its Underlying Index regardless of their investment merit, except to the extent of any representative sampling strategy. The Manager does not attempt to select stocks individually or to take defensive positions in declining markets. Investors should note that the lack of discretion on the part of the Manager to adapt to market changes due to the inherent investment nature of Index Funds will mean that falls in the relevant Underlying Index are expected to result in corresponding falls in the value of the Index Funds.

Management Risk. Because there can be no guarantee that an Index Fund will fully replicate its Underlying Index and may hold non-index stocks, it is subject to management risk. This is the risk that the Manager's strategy, the implementation of which is subject to a number of constraints, may not produce the intended results. In addition, the Manager has absolute discretion to exercise Unitholders' rights with respect to Securities comprising the Index Fund. There can be no guarantee that the exercise of such discretion will result in the investment objective of the Index Fund being achieved.

Tracking Error Risk. The NAV of an Index Fund may not move or change exactly in line with its Underlying Index. Factors such as but not limited to fees and expenses of an Index Fund, imperfect correlation between an Index Fund's assets and the Securities constituting its

Underlying Index, restrictions in relation to the dealing and holding of any Securities by an Index Fund as a result of any constraints imposed upon such Index Fund, the Manager or any member of the HSBC Group by any agreements, regulations or competent authorities worldwide, inability to rebalance an Index Fund's holdings of Securities in response to changes in the constituents of the Underlying Index and creation and redemption of Units, rounding of Security prices, changes to the Underlying Indices and regulatory policies may affect the Manager's ability to achieve close correlation with the relevant Underlying Index. This may cause each Index Fund's returns to deviate from its Underlying Index.

Operational Risk. Trading errors are an intrinsic factor in any complex investment process, and will occur, notwithstanding the execution of due care and special procedures designed to prevent such errors. Such trade errors may have adverse consequences (for example, due to an inability to effectively correct such an error when detected).

Counterparty Risk to the executing broker. Institutions, such as brokerage firms, banks, and broker-dealers, may enter into transactions with the Trustee in relation to the sale and purchase of assets or Securities. Such institutions may also be issuers of the Securities in which an Index Fund invests. Bankruptcy, fraud, regulatory sanction or a refusal to complete a transaction at one of these institutions could significantly impair the operational capabilities or the capital position of the Trust or a particular Index Fund. The Manager will use reasonable efforts to mitigate such risks. There can be no guarantee that transactions between such counterparties will always be completed in the manner contemplated by, and favourable to, the Trust. Furthermore, the Trust is permitted to borrow in order to carry out its functions under the Trust Deed. Borrowings may be secured by the Securities or other assets of the Trust that are pledged to counterparties as collateral.

Counterparty Risk to the custodian. An Index Fund will be exposed to the credit risk of any custodian or any depository used by the Trustee where cash is held by the custodian or other depositaries. In the event of the insolvency of the custodian or other depositaries, the Index Fund will be treated as a general creditor of the custodian or other depositaries in relation to cash holdings of the Index Fund. The Index Fund's Securities are however maintained by the Trustee or other depositaries in segregated accounts.

Counterparty Risk of an exchange or clearing house. If any exchange or a clearing house becomes bankrupt or insolvent, the Trust could experience a loss of funds deposited through its broker as margin with the exchange or clearing house, a loss of any profits on its open positions on the exchange, and the loss of unrealised profits on its closed positions on the exchange.

Risk of Indemnity. Under the Trust Deed, the Trustee and the Manager have the right to be indemnified for any liability or expense incurred by them in performing their respective duties except as a result of their own negligence, fraud or wilful default. Any reliance by the Trustee or the Manager on the right of indemnity would reduce the assets of the affected Index Fund or the Trust and the value of the Units.

Operating cost. There is no assurance that the performance of the Index Fund will achieve its investment objective. The level of fees and expenses payable by the Index Fund will fluctuate in relation to the Net Asset Value. Although the amounts of certain ordinary expenses of the Index Fund can be estimated, the growth rate of the Index Fund, and hence its Net Asset Value, cannot be anticipated. Accordingly, no assurance can be given as to the performance of the Index Fund or the actual level of its expenses.

Possible early termination of an Index Fund. An Index Fund may be terminated early under certain circumstances, as described in the section "Termination". Upon an Index Fund being terminated, the net cash proceeds (if any) derived from the realisation of the investments comprised in the Index Fund will be distributed to the Unitholders in accordance with the Trust

Deed. Any such amount distributed may be more or less than the capital invested by the Unitholder.

Concentration Risk. To the extent that the Underlying Index or portfolio is concentrated in the Securities in a particular market, industry, group of industries, sector, asset class or countries with interdependent economies, the Index Fund may be susceptible to increased price volatility and adverse economic, market, political or regulatory occurrences affecting that market, industry, group of industries, sector, asset class and countries. Such volatility and occurrences may have a magnified impact on the performance of the Index Fund.

Cross Class liabilities. An Index Fund may have more than one class of Units. Although separate class accounts will be established in the books of such Index Fund for each of its classes and assets and liabilities will be allocated to the relevant class account, if the liabilities of a particular class exceed its assets, creditors of the Index Fund may have recourse to the assets attributable to the other classes.

<u>Market trading risks associated with an Index Fund</u>

Absence of active market and liquidity risks. Although Units of each Index Fund are listed for trading on the SEHK, there can be no assurance that an active trading market for such Units will develop or be maintained. In addition, if the underlying Securities which comprise an Index Fund themselves have limited trading markets, or if the spreads are wide, this may adversely affect the price of the Units and the ability of an investor to dispose of its Units at the desired price. If a Unitholder needs to sell its Units at a time when no active market for them exists, the price it receives for its Units – assuming it is able to sell them – is likely to be lower than the price received if an active market did exist.

Liquidity Risk. Following listing on the SEHK, it is unlikely that the Units will initially be widely held. Accordingly, any investor buying Units in small numbers may not necessarily be able to find other buyers should that investor wish to sell. To address this risk, one or more Market Makers have been appointed.

Reliance on Market Makers. Investors should note that liquidity in the market for the Units may be adversely affected if there is no Market Maker for an Index Fund. It is the Manager's intention that there will always be at least one Market Maker for the Units.

Reliance on Participating Dealers. The creation and redemption of Units may only be effected through Participating Dealers. A Participating Dealer may charge a fee as it determines appropriate for providing this service. Participating Dealers will not be able to create or redeem Units during any period when, amongst other things, dealings on the SEHK are restricted or suspended, settlement or clearing of securities through the CCASS is disrupted or the Underlying Index is not compiled or published. In addition, Participating Dealers will not be able to issue or redeem Units if some other event occurs that impedes the calculation of the NAV of an Index Fund or disposal of an Index Fund's Securities cannot be effected. In addition, a Participating Dealers will not be able to facilitate the creation or redemption of Units if the Manager has rejected the relevant Creation Application or Redemption Application. Since the number of Participating Dealers at any given time will be limited, and there may even be only one Participating Dealer at any given time, there is a risk that investors may not always be able to create or redeem Units freely.

Units may trade at prices other than NAV. Units of an Index Fund trade on the SEHK at prices above or below the most recent NAV. The NAV per Unit of each Index Fund is calculated at the end of each Business Day and fluctuates with changes in the market value of such Index Fund's holdings and changes in the exchange rate between the Hong Kong dollar and the subject foreign currency. The trading prices of an Index Fund's Units fluctuate continuously throughout the trading hours based on market supply and demand rather than NAV. The trading price of an

Index Fund's Units may deviate significantly from NAV particularly during periods of market volatility. Any of these factors may lead to the Units of an Index Fund trading at a premium or discount to the NAV in the secondary market. On the basis that Units can be created and redeemed in Application Units at NAV, the Manager believes that large discounts or premiums to NAV are not likely to be sustained over the long-term. While the creation/redemption feature is designed to make it likely that a particular Index Fund's Units will normally trade at prices close to the Index Fund's next calculated NAV, trading prices are not expected to correlate exactly with the relevant Index Fund's NAV due to reasons relating to timing as well as market supply and demand factors. In addition, disruptions to creations and redemptions or the existence of extreme market volatility may result in trading prices that differ significantly from NAV. In particular, if an investor purchases Units at a time when the market price is at a premium to NAV or sells when the market price is at a discount to NAV, then the investor may sustain losses.

Differences between primary and secondary market trading hours. Units of an Index Fund may trade on the SEHK even when the Index Fund does not accept orders to create or redeem Units. On such days, Units may trade in the secondary market with more significant premiums or discounts than might be experienced on days when the Index Fund accepts creation and redemption orders. Additionally, as foreign stock exchanges may be open when Units in an Index Fund are not priced, the value of the Securities in an Index Fund's portfolio may change on days when investors will not be able to purchase or sell an Index Fund's Units.

The market prices of underlying Securities listed on a foreign stock exchange may not be available during part of all of the SEHK trading sessions due to trading hour differences which may result in the trading price of the Index Fund deviating away from NAV.

Cost of trading Units. Buying or selling Units involves various types of costs that apply to all Securities transactions. When trading Units through a broker investors will incur a brokerage commission or other charges imposed by the broker. In addition, investors on the secondary market, will also incur the cost of the trading spread, which is the difference between what investors are willing to pay for the Units (bid price) and the price they are willing to sell Units (ask price). Frequent trading may detract significantly from investment results and an investment in Units may not be advisable particularly for investors who anticipate regularly making small investments.

Suspension of trading. Investors and prospective investors will not be able to buy, nor will investors be able to sell, Units on the SEHK during any period in which trading of the Units is suspended. The SEHK may suspend the trading of Units whenever the SEHK determines that it is appropriate in the interests of a fair and orderly market to protect investors. The subscription and redemption of Units may also be suspended if the trading of Units is suspended.

Effect of redemptions. If significant redemptions of Units are requested by a Participating Dealers, it may not be possible to liquidate the Index Fund's investments at the time such redemptions are requested or the Manager may be able to do so only at prices which the Manager believes does not reflect the true value of such investments, resulting in an adverse effect on the return to the investors. Where significant redemptions of Units are requested by the Participating Dealers, the Manager may suspend the right of Participating Dealers to require redemption, or may extend the period for the payment of redemption moneys.

In addition, the Manager may also in certain circumstances suspend the determination of the Net Asset Value of the Index Fund for the whole or any part of any period. Please see the section headed "Determination of Net Asset Value" for further details.

Conflicts of Interests. The Manager, the Trustee, the Investment Adviser, the Market Maker and the Participating Dealer all belong to HSBC Group. As described in the section "Conflict of Interests", it is possible that the Manager, the Trustee, the Investment Adviser, the Market Maker and the Participating Dealer or other investment advisers or agents as may be appointed by the

Manager, the Trustee, the Investment Adviser, the Market Maker and/or the Participating Dealer from time to time may, in the course of their business, have potential conflicts of interests in relation to the Trust. In circumstances where there may be a conflict of interest, the Manager, the Trustee, the Investment Adviser, the Market Maker and the Participating Dealer will have regard, so far as practicable, to their respective obligations to act in the interests of the Trust. In the event that such conflicts do arise, the Manager, the Trustee, the Investment Adviser, the Market Maker and the Participating Dealer will use their best efforts to resolve such conflicts fairly.

Securities Risk. The investments of the Index Funds are subject to risks inherent in all Securities (including settlement and counterparty risks). The value of holdings may fall as well as rise. The global markets are currently experiencing very high levels of volatility and instability, resulting in higher levels of risk than is customary (including settlement and counterparty risks).

Borrowing Risks. The Manager may borrow for the account of the Index Fund (up to 10% of the Net Asset Value of the Index Fund) for various reasons, such as facilitating the creation or redemption of Units or defraying operating expenses, enabling the Manager to acquire Securities for the account of any Index Fund or for any other proper purpose as may be agreed by the Manager and the Trustee. Borrowing involves an increased degree of financial risk and may increase the exposure of the Trust to factors such as rising interest rates, downturns in the economy or deterioration in the conditions of the assets underlying its investments. There can be no assurance that the Trust will be able to borrow on favourable terms, or that the Trust's indebtedness will be accessible or be able to be refinanced by the Trust at any time.

Foreign exchange risk. The Units listed on the SEHK are traded in Hong Kong dollar but the Underlying Indices may be calculated in a currency other than Hong Kong dollar. Accordingly, Unitholders will be exposed to foreign exchange currency risks arising from the fluctuations of these currencies.

Risks associated with the Underlying Index

The Underlying Index is subject to fluctuations. The Underlying Index is subject to fluctuations. The performance of the Units should, before fees and expenses, correspond closely with the performance of the Underlying Index. If the Underlying Index experiences volatility or declines, the price of the Units will vary or decline accordingly.

Composition of and weightings in the Underlying Index may change. The companies which comprise the Underlying Index are changed by the Underlying Index Provider from time to time. The price of the Units may rise or fall as a result of such changes. The composition of the Underlying Index may also change if one of the constituent companies were to delist its shares or if a new eligible company were to list its shares and be added to the Underlying Index. If this happens, the weighting or composition of the Securities owned by the Underlying Index Fund would be changed as considered appropriate by the Manager to achieve the Investment Objective. Thus, an investment in Units will generally reflect the Underlying Index as its constituents change from time to time, and not necessarily the way it is comprised at the time of an investment in the Units.

Licence to use Underlying Index may be terminated. The Manager is granted a licence by each of the Index Providers to use the relevant Underlying Index to create the Index Fund based on the relevant Underlying Index and to use certain trade marks and any copyright in the relevant Underlying Index. An Index Fund may not be able to fulfil its objective and may be terminated if the relevant licence agreement is terminated. An Index Fund may also be terminated if the relevant Underlying Index ceases to be compiled or published and there is no replacement Underlying Index using the same or substantially similar formula for the method of calculation as used in calculating the relevant Underlying Index. The Index Provider and the Manager (and its Connected Persons) are independent of one another.

Compilation of Underlying Index. The Securities of each Underlying Index are determined and composed by the Index Providers without regard to the performance of the Index Fund. No Index Fund is sponsored, endorsed, sold or promoted by any relevant Index Provider. No Index Provider makes any representation or warranty, express or implied, to investors in the relevant Index Fund or other persons regarding the advisability of investing in securities generally or in the relevant Index Fund particularly. No Index Provider has any obligation to take the needs of the Manager or investors in the relevant Index Fund into consideration in determining, composing or calculating the relevant Underlying Index. There is no assurance that the Index Provider will compile the relevant Underlying Index accurately, or that the relevant Underlying Index will be determined, composed or calculated accurately. In addition, the process and the basis of computing and compiling each Underlying Index and any of its related formulae, constituent companies and factors may at any time be changed or altered by the Index Providers without notice. Consequently there can be no guarantee that the actions of an Index Provider will not prejudice the interests of the relevant Index Fund, the Manager or investors.

Composition of the Underlying Index may change. The Securities constituting the relevant Underlying Index will change as the Securities of the Underlying Index are delisted, or as the Securities mature or are redeemed or as new Securities are included in the relevant Underlying Index. When this happens the weightings or composition of the Securities owned by an Index Fund will change as considered appropriate by the Manager to achieve the investment objective. Thus, an investment in Units will generally reflect the relevant Underlying Index as its constituents change and not necessarily the way it is comprised at the time of an investment in Units. However, there can be no guarantee that a particular Index Fund will, at any given time accurately reflect the composition of the relevant Underlying Index (refer to “Tracking Error Risk”).

Regulatory Risks

Withdrawal of SFC Authorisation. Each Index Fund has been authorised as a Collective Investment Scheme under the Code by the SFC pursuant to section 104 of the SFO. SFC authorisation is not a recommendation or endorsement of an Index Fund nor does it guarantee the commercial merits of an Index Fund or its performance. It does not mean an Index Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors. The SFC reserves the right to withdraw the authorisation of any Index Fund or impose such conditions as it considers appropriate. Without limiting the foregoing, the SFC may withdraw authorisation where the SFC no longer considers the Underlying Index acceptable. If the Manager does not wish an Index Fund to continue to be authorised by the SFC, the Manager will give Unitholders at least three months’ notice of the intention to seek SFC’s withdrawal of such authorisation. In addition, any authorisation granted by the SFC may be subject to certain waivers which may be withdrawn or varied by the SFC. If as a result of such withdrawal or variation of waivers it becomes illegal, impractical or inadvisable to continue an Index Fund, the relevant Index Fund will be terminated.

Units may be delisted from the SEHK. The SEHK imposes certain requirements for the continued listing of securities, including the Units, on the SEHK. Investors cannot be assured that the Index Funds will continue to meet the requirements necessary to maintain the listing of Units on the SEHK or that the SEHK will not change the listing requirements. If the Units of an Index Fund are delisted from the SEHK, Unitholders will have the option to redeem their Units by reference to the NAV of the relevant Index Fund. Where the Index Fund remains authorised by the SFC, such procedures required by the Code will be observed by the Manager.

Legal and Regulatory Risk. Each Index Fund must comply with regulatory constraints or changes in the laws affecting it or its investment restrictions which might require a change in the investment policy and objectives followed by an Index Fund. Furthermore, such change in the laws may have an impact on the market sentiment which may in turn affect the performance of the Underlying Index and as a result the performance of an Index Fund. It is impossible to predict whether such an impact caused by any change of law will be positive or negative for any Index Fund. In the worst case scenario, a Unitholder may lose all its investments in the Index Fund.

Taxation in overseas jurisdictions. The Index Funds will make investments in a number of different jurisdictions. Interest, dividend and other income realised by an Index Fund from sources in these jurisdictions, and capital gains realised on the sale of assets may be subject to withholding and other taxes levied by the jurisdiction in which the income is sourced and/or in which the issuer is located and/or in which the permanent establishment is located. It is impossible to predict the rate of foreign tax that the Index Funds may be required to pay since the nature and amounts of assets to be invested in any particular jurisdiction, the tax treatment of the activities of the Index Funds in any particular jurisdiction, and the ability of the Index Funds to reduce such taxes in any particular jurisdiction are not known. It is not practical to provide more specific disclosure of the tax consequences that might result from an investment in an Index Fund.

US HIRE Act on Compliance with United States Withholding Requirements. The US Hiring Incentives to Restore Employment Act (the "HIRE Act") was signed into US law in March 2010 and includes provisions commonly referred to as "FATCA." Broadly, FATCA requires financial institutions to report to the US Internal Revenue Service ("IRS") certain information on US persons that hold accounts outside the United States of America, as a safeguard against evasion of US federal income tax. In addition, FATCA generally imposes a 30% withholding tax on certain US source payments (including dividends, interest and gross proceeds from the sale or other disposal of property that can produce US source income) when made to an individual or entity that does not comply with FATCA provisions. The 30% withholding could also apply to payments otherwise attributable to US source income (also known as "foreign passthru payments"). FATCA is generally effective on 1 January 2013.

The basic terms of FATCA currently classify each of the Index Funds as a 'Foreign Financial Institution', such that in order to comply with FATCA, the Index Funds may be required to obtain from all Unitholders mandatory documentary evidence of their US and/or non-US status.

Based on the legal and tax advice the Trust has received to date, in order to protect Unitholders from the effect of any FATCA withholding, it is the intention of the Trust and each of the Index Funds to be compliant with the requirements of FATCA. Hence, it is possible that this may require the Trust, in respect of each Index Fund (through its agents or service providers) as far as legally permitted, to report information on the holdings or investment returns of any Unitholders to the US tax authorities and to require the redemption of and/or apply withholdings to payments to Unitholders who fail to provide the information and documents required to identify their status, or who are non-FATCA compliant financial institutions or who fall within other categories specified in the FATCA provisions and regulations.

All Unitholders should consult their own tax and professional advisors regarding the FATCA requirements with respect to their own situation. In particular, Unitholders who hold their Units through intermediaries should confirm the FATCA compliance status of those intermediaries to ensure that they do not suffer the above mentioned withholding tax on their investment returns.

Risks relating to Investments in Derivatives

Derivatives Risk. A derivative is a financial contract or instrument the value of which depends on, or is derived from, the value of an underlying asset such as a Security or an index. Each Index Fund may invest in stock index future contracts and other derivatives. Derivatives have a high degree of price variability and are subject to occasional rapid and substantial changes. Compared to conventional Securities, derivatives can be more sensitive to changes in interest rates or to sudden fluctuations in market prices due to both the low margin deposits required, and the extremely high degree of leverage involved in futures pricing. As a result, a relatively small price movement in a futures contract may result in immediate and substantial loss (or gain) to the Index Fund. An Index Fund's losses may be greater if it invests in derivatives than if it invests only in conventional Securities. In addition, many derivatives are not traded on exchanges. As a result, an Index Fund that engages in transactions involving derivatives is subject to the risk of the inability or refusal to perform with respect to such contracts on the part of any counterparties with which that Index Fund trades and as such may also expose the Index Fund to additional liquidity risks. This risk is also affected by the fact that over-the-counter derivatives markets are generally not regulated by government authorities and participants in these markets are not required to make continuous markets in the contracts they trade. Furthermore, the use of derivatives may increase tracking error due to the potentially higher cost of investment when compared to a physical holding of the underlying Securities comprising the relevant Underlying Index

Counterparty Risk in relation to Derivative Transactions. An Index Fund may invest in derivatives in order to achieve its investment objective. In addition to the risk "Counterparty Risk" above, the relevant Index Fund will be exposed to counterparty credit risk, liquidity risk, legal and operations risk, and may suffer losses potentially equal to the full value of the derivative if the counterparty fails to perform its obligation under the derivative contract. From time to time, the counterparties with which an Index Fund effects transactions might cease making markets or quoting prices in certain of the instruments. In such instances, an Index Fund might be unable to enter into a desired transaction or to enter into any offsetting transaction with respect to an open position, which might adversely affect its performance. Further, in contrast to exchange-traded instruments, forward foreign exchange contracts do not provide a trader with the right to offset its obligations through an equal and opposite transaction. For this reason, entering into forward foreign exchange contracts, the Trust may be required to and must be able to, perform its obligations under the contract.

Derivatives Trading Relationships. Where an Index Fund invests in unlisted, or off exchange, derivatives, it will do so over in the over-the-counter ("OTC") markets. Participants in the OTC markets typically enter into transactions only with those counterparties which they believe to be sufficiently creditworthy, unless the counterparty provides margin, collateral, letters of credit or other credit enhancements. While the Manager believes that it will be able to establish the necessary counterparty business relationships to permit it to effect transactions in the OTC markets, including the swaps markets, there can be no assurance that it will be able to do so. An inability to establish such relationships would limit its activities and could require it to conduct a more substantial portion of such activities in the futures markets. Moreover, the counterparties with which it expects to establish such relationships will not be obligated to maintain the credit lines extended to it, and such counterparties could decide to reduce or terminate such credit lines at their discretion.

Risk factors relating to the PRC

World Trade Organisation (the "WTO") increases competition for PRC companies. Mainland China's accession to the WTO occurred on 11 December 2001. As a member of the WTO, Mainland China is required to significantly reduce the trade barriers for imports that have historically existed and that currently exist in Mainland China, such as: reducing restrictions on trading for certain kinds of products on foreign companies; lifting prohibitions, quantitative restrictions or other measures maintained against imports over time and significantly reducing tariffs. Any present or future increase in foreign competition may have a material adverse effect on PRC companies and their business operations.

PRC economic, political and social conditions as well as government policies. The economy of Mainland China, which has been in a state of transition from a planned economy to a more market oriented economy, differs from the economies of most developed countries in many respects, including the level of government involvement, its state of development, its growth rate, control of foreign exchange, and allocation of resources.

Although the majority of productive assets in Mainland China are still owned by the PRC government at various levels, in recent years, the PRC government has implemented economic reform measures emphasising utilisation of market forces in the development of the economy of Mainland China and a high level of management autonomy. The economy of Mainland China has experienced significant growth in the past 20 years, but growth has been uneven both geographically and among various sectors of the economy. Economic growth has also been accompanied by periods of high inflation. The PRC government has implemented various measures from time to time to control inflation and restrain the rate of economic growth.

For more than 20 years, the PRC government has carried out economic reforms to achieve decentralisation and utilisation of market forces to develop the economy of the PRC. These reforms have resulted in significant economic growth and social progress. There can, however, be no assurance that the PRC government will continue to pursue such economic policies or, if it does, that those policies will continue to be successful. Any such adjustment and modification of those economic policies may have an adverse impact on the securities market in the PRC as well as the underlying Securities of the Index Fund. Further, the PRC government may from time to time adopt corrective measures to control the growth of the PRC economy which may also have an adverse impact on the capital growth and performance of the Index Fund.

Political changes, social instability and adverse diplomatic developments in the PRC could result in the imposition of additional government restrictions including expropriation of assets, confiscatory taxes or nationalisation of some or all of the property held by the underlying issuers of the A Shares in the Underlying Index.

PRC government control of currency conversion and future movements in exchange rates. Various PRC companies derive their revenues in RMB but have requirements for foreign currency, including for the import of materials, debt service on foreign currency denominated debt; purchases of imported equipment and payment of any cash dividends declared in respect of e.g. H shares.

The existing PRC foreign exchange regulations have significantly reduced government foreign exchange controls for transactions under the current account, including trade and service related foreign exchange transactions and payment of dividends. However, the Manager cannot predict whether the PRC government will continue its existing foreign exchange policy or when the PRC government will allow free conversion of the RMB to foreign currency.

Foreign exchange transactions under the capital account, including principal payments in respect of foreign currency-denominated obligations, currently continue to be subject to significant foreign exchange controls and require the approval of the State Administration for Foreign Exchange. Since 1994, the conversion of RMB into Hong Kong dollars and United States dollars has been based on rates set by the People's Bank of China, which are set daily based on the previous day's PRC interbank foreign exchange market rate. The Manager cannot predict nor give any assurance of any future stability of the RMB to Hong Kong dollar exchange rate. Fluctuations in exchange rates may adversely affect the Index Fund's Net Asset Value and any declared dividends.

PRC laws and regulations. The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference but have no precedent value. Since 1979, the PRC government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce taxation and trade. Two examples are the promulgation of the Contract Law of the PRC to unify the various economic contract laws into a single code, which went into effect on 1 October 1999, and the Securities Law of the PRC, which went into effect on 1 July 1999. However, because these laws and regulations affecting securities markets are relatively new and evolving, and because of the limited volume of published cases and judicial interpretation and their non-binding nature, interpretation and enforcement of these regulations involve significant uncertainties. In addition, as the PRC legal system develops, no assurance can be given that changes in such laws and regulations, their interpretation or their enforcement will not have a material adverse effect on their business operations.

Accounting and Reporting Standards. Accounting, auditing and financial reporting standards and practices applicable to PRC companies may be different to those standards and practices applicable to countries that have more developed financial markets. For example, there are differences in the valuation methods of properties and assets and in the requirements for disclosure of information to investors.

Taxation in the PRC. The PRC government has implemented a number of tax reform policies in recent years. The current tax laws and regulations may be revised or amended in the future. Any revision or amendment in tax laws and regulations may affect the after-taxation profit of PRC companies and foreign investors in such companies.

As mentioned in the Taxes section, 10% withholding tax has been enforced on payment of dividends and interest to foreign investors from offshore listed PRC companies. However, the PRC tax authorities have not sought to collect such withholding tax to date on capital gains realised by foreign investors on buying and selling of offshore listed PRC company shares (such as H shares and B shares), notwithstanding the strict technical position that withholding tax is legally applicable to such capital gains under the CIT Law.

There is a risk the PRC tax authorities would seek to collect this tax on capital gains realised by foreign investors on sale of H shares and B shares without giving any prior warning (possibly on a retrospective basis). If such tax is collected, the tax liability will be payable by the relevant Index Fund.

To ensure fairness to all Unitholders, the Index Fund reserves the right to make any provision for taxes or to deduct or to withhold an amount on account of taxes (which may be payable by the Index Fund to the PRC tax authorities in respect of its investments in the relevant shares) from assets of the Index Fund. As of the date of this prospectus, no provision has been made in respect of such potential tax.

Furthermore, there is a possibility that the current tax laws, rules, regulations and practice in the PRC and/or the current interpretation or understanding thereof may change in the future and such change(s) may have retrospective effect. The Index Fund could become subject to additional taxation that is not anticipated as of the date hereof or when the relevant investments are made, valued or disposed of. Any of those changes may reduce the income from, and/or the value of, the relevant investments in the Index Fund.

Any provision for taxes made by the Index Fund may be more than or less than the actual PRC tax liabilities of the Index Fund. In case of a shortfall in the provision for taxes of the Index Fund, the relevant amounts shall be debited from the assets of the Index Fund to meet its actual PRC tax liabilities. This would result in a reduction of the Net Asset Value of the Index Fund, and such reduction would be borne by all remaining Unitholders of the Index Fund at the relevant time. Conversely, in the case of a surplus in the provision for taxes of the Index Fund, the excess amounts above its actual PRC tax liabilities will credited to the account of the Index Fund and be reflected in the Net Asset Value of the Index Fund, and Unitholders who have already redeemed their Units at the relevant time shall have no right to claim or demand distribution of any part of such excess provision for PRC taxes. The impact (whether beneficial or adverse) or degree of impact on individual Unitholders of the Index Fund may vary, depending on factors such as the level of the provision for taxes of the Index Fund and the amount of the shortfall or surplus at the relevant time and when the relevant Unitholders subscribed for (or purchased) and/or redeemed (or disposed of) their Units in the Index Fund.

Risk factors relating to Taiwan

Political Risks. There is a lower level of government supervision and enforcement activity in the regulation of the Taiwan securities market compared to those in more developed markets. Investors should note that the political issues and the diplomatic situations, as well as social factors of the country/region might have an impact on the performance of the Index Fund. The performance of the Index Fund may be affected by uncertainties such as changes in the government in Taiwan or its policies regarding inward investment, taxation and the restrictions on currency repatriation and other developments in the laws and regulations of Taiwan. Each of the government in Taiwan and in the PRC claims to be the only legitimate government for Taiwan. There can be no guarantee that the PRC will not use forcible means, which it has refused to forego, to gain control of Taiwan. The Index Fund's assets maybe affected by other political or diplomatic uncertainty or developments, social and religious instability, higher inflation and other considerations.

Government Intervention. There may be substantial government intervention in the economy, including restrictions on investment in companies or industries deemed sensitive to relevant national interests. Foreign investment made directly into Taiwan is permitted under the "Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals" and relevant foreign exchange settlement procedures. Foreign institutional investors are required to register with the Taiwan Stock Exchange and obtain an investment ID as Foreign Institutional Investors ("FINI"). So far, except for certain investment threshold limitation in the restricted industries, there should be no more investment quotas applicable to FINI.

Exchange Controls. The repatriation of capital may be hampered by changes in Taiwan regulations concerning exchange controls or political circumstances. Any amendments to the Taiwan exchange control regulations may impact adversely on the performance of the Index Fund.

Taxation in Taiwan. Currently, dividend derived from Taiwan company is subject to withholding tax of 20% for FINI if no tax treaty applies. Furthermore, securities transaction tax at the rate of 0.3% of the transaction amount is payable by the seller on the sale of Taiwanese securities. However, it is uncertain as to whether the Taiwanese government will increase the above tax rates and whether the Taiwanese government will in the future impose any additional taxation such as capital gains tax on purchase or sale of Taiwanese securities in particular on the purchase or sale executed by foreign investors or collective investment schemes domiciled in other jurisdictions.

MANAGEMENT OF THE TRUST

The Manager

The Manager is HSBC Investment Funds (Hong Kong) Limited.

HSBC Investment Funds (Hong Kong) Limited was founded in 1973 and is a licensed corporation under the SFO for Types 1 (dealing in securities), 4 (advising on securities), 5 (advising on futures contracts), 6 (advising on corporate finance) and 9 (asset management) regulated activities. It offers advisory and investment management services to a broad range of investment funds. The Manager, as manager of an SFC authorised scheme, is also subject to, and is required to comply with, the Code.

The Manager is an indirectly-held wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited which is ultimately a wholly-owned subsidiary of HSBC Holdings plc, a public company incorporated in England.

Under the Trust Deed, the monies forming part of each Index Fund are invested, at the direction of the Manager, in accordance with the Trust Deed. The Manager is responsible for placing purchase and sale orders and providing continuous supervision of the investment portfolio of each Index Fund.

Without limiting the other powers mentioned in this prospectus, the Manager may purchase and sell investments for the account of any Index Fund and subject to the provisions of the Trust Deed and enter into such contracts including sale and purchase agreements, loans, stock lending arrangements and broker and trading agreements in accordance with the Trust Deed, as it deems appropriate in the performance of its role as Manager.

The Manager has delegated its discretionary investment management duties to the Investment Adviser as mentioned in the section "Investment Adviser" below. In addition, the Manager may also from time to time, subject to any applicable requirements under the Code, at its own cost and discretion delegate its duties other than the discretionary investment management duties to other entities.

The Directors of the Manager

The Directors of the Manager are as follows:

BERRY, Stuart Glenn, Chief Operating Officer, Asia-Pacific

Mr. Berry is Chief Operating Officer for HSBC Global Asset Management in Asia and has been working in the industry since 1986. Prior to joining HSBC in 2011, Mr. Berry worked as a strategic program manager at iShares within Blackrock and previously as the President of BGI Trust and Banking in Japan. He holds a BA (Hons) from Lincoln College, the University of Oxford.

CONXICOEUR, Patrice Pierre Henri, Managing Director, Global Head of Insurance Coverage

Mr. Conxicoeur leads HSBC Global Asset Management's practice with insurers worldwide. Before assuming this position in May 2011, Mr. Conxicoeur headed HSBC Global Asset Management's institutional business in the Asia Pacific region. Previously, he was Chief Executive of Sinopia Asset Management, Asia-Pacific (2004 to 2008), and Chief Executive of Sinopia T&D Asset Management in Tokyo (2000 to 2004). Mr. Conxicoeur joined Sinopia in Paris in 1992, and held various positions there, lastly as Head of Strategy, Equities and Balanced Products.

Mr. Conxicoeur graduated from the Lyon Graduate School of Business (now E.M. Lyon) in France.

KOO, Julie J, Director, Head of Institutional Business, Asia-Pacific

Ms. Koo oversees sales, client management and marketing of the institutional business of HSBC Global Asset Management in the Asia-Pacific region.

Ms. Koo joined HSBC Global Asset Management in 2010 as Head of Institutional Sales for Asia-Pacific. Prior to joining HSBC, Ms. Koo spent over 15 years with Fidelity International where she held various positions within the institutional business, most recently as Executive Director, Head of Institutional Business Development, Asia ex Japan. Ms. Koo started her career in 1994 at Fidelity Management Trust Company in the United States of America. Ms. Koo holds a Bachelor degree from Mount Holyoke College in South Hadley, MA, USA.

LAM, Po Yee, Managing Director, Head of Wholesale Business, Asia-Pacific

Ms. Lam is responsible for developing the wholesale business as well as implementing the sales and marketing strategies of retail fund distribution.

Ms. Lam joined HSBC Global Asset Management in 1999 as Associate Director, Retail Business, and was later promoted to Director, Head of Wholesale Business, Asia-Pacific. Prior to joining HSBC, Ms. Lam was Vice President of Investment Services at Citibank for the period 1993-1999. She oversaw the retail investment business and was responsible for the formulation and execution of business strategies. She started her career at Gartmore Fund Management Limited.

MALDONADO-CODINA, Guillermo Eduardo, Chief Investment Officer, Asia-Pacific and Strategy Chief Investment Officer, Equities

Dr. Maldonado is HSBC Global Asset Management's Chief Investment Officer, Asia-Pacific and Strategy Chief Investment Officer for equities globally. Based in Hong Kong, Dr. Maldonado oversees the investment strategies in the region. He has worked in the asset management industry since joining HSBC in 1993 as a European derivative-based portfolio manager.

Over the past 18 years, Dr. Maldonado has headed up a number of investment functions, such as non-traditional investments (including passive indexation mandates, fund-of-funds, structured products and hedge funds). He became Strategy Chief Investment Officer, Equities and Chief Investment Officer for the UK in 2010. He was also involved in the management of some Asian portfolios in Hong Kong during 1993-1994.

Dr. Maldonado holds a D. Phil in Laser Physics from Oxford University and an MBA from the Cranfield School of Management.

MUNRO, Joanna, Chief Executive Officer, Asia-Pacific

Ms. Munro oversees HSBC Global Asset Management's institutional and retail businesses in Hong Kong, China, Taiwan, India, Singapore and Japan.

She joined HSBC Global Asset Management in 2005 as Global Chief Investment Officer and became CEO of Multimanager in 2007, before becoming Global Head of Product in July 2010.

Prior to joining HSBC, Ms. Munro was responsible for UK institutional business and the global consultant relations team at AXA Investment Managers, and held senior positions at Salomon Brothers Asset Management, Barra Inc (USA) and ABN Amro Asset Management. Ms. Munro started her career in 1986 at Prudential Portfolio Managers. Ms. Munro holds a BA (Hons) in Maths and Engineering from Queens' College Cambridge (UK), an MSc in Economics from the London School of Economics and an MBA from Stanford University (USA).

NG Kai Man Edgar, Director, Head of Business Support, Asia Pacific

Mr. Ng oversees management of the Operations function in the Asia Pacific region.

Mr. Ng has been working in the asset management industry since 1989. Prior to joining HSBC in 2008, Mr. Ng worked as Chief Operating Officer at Credit Agricole Asset Management in Hong Kong. He holds an MBA from the University of Manchester, and is a Certified Public Accountant with Hong Kong Institute of Certified Public Accountants (HKICPA).

Investment Adviser

HSBC Global Asset Management (Hong Kong) Limited has been appointed by the Manager as the Investment Adviser. The Manager has delegated its investment management duties to the Investment Adviser and the Investment Adviser is responsible for the selection and ongoing monitoring of the Trust's Investments. The Investment Adviser is a licensed corporation under the SFO for Types 1 (dealing in securities), 2 (dealing in futures contracts), 4 (advising on securities), 5 (advising on futures contracts) and 9 (asset management) regulated activities. The Investment Adviser, as investment adviser of an SFC authorised scheme, is also subject to, and is required to comply with, the Code. The Investment Adviser will be reimbursed by the Manager out of the Operating Expenses.

The Investment Adviser may from time to time, subject to any applicable requirements under the Code, at its own cost and discretion delegate its duties other than the discretionary investment management duties to other entities.

Trustee and Registrar

The Trustee of the Trust is HSBC Institutional Trust Services (Asia) Limited, which is a registered trust company in Hong Kong. The Trustee is an indirect wholly owned subsidiary of HSBC Holdings plc.

Under the Trust Deed, the Trustee is responsible for the safekeeping of the assets of the Trust. The Trustee may, however, appoint any person or persons (including a Connected Person) to be custodian of the assets of the Trust or to otherwise act as its agent. The Trustee is required to exercise reasonable skill, care and diligence in the selection, appointment and monitoring of such persons and, during the term of their appointment, must satisfy itself as to the ongoing suitability of such persons to provide custodial services to the Trust, having regard to the market or markets for which such persons are appointed to act as custodian.

The Trustee will remain as trustee of the Trust until its retirement or removal by the Manager. The circumstances under which the Trustee may be removed are set out in the Trust Deed and described in the section "Retirement and Removal of Trustee" below.

The Trustee will also act as the Registrar of the Index Funds. The Registrar is entitled, in the absence of manifest error, to rely upon the register of Unitholders as conclusive evidence of the matters contained in the register of Unitholders. In addition to the amount paid by the Manager out of the estimated TER, the Trustee will be entitled to other fees described in the section "Fees and Expenses" above.

The Trustee will not participate in transactions or activities or make any payments denominated in US dollars, which, if carried out by a US person, would be subject to sanctions of the Office of Foreign Assets Control of the US Department of the Treasury. HSBC group of companies has adopted a policy of compliance with the sanctions issued by the Office of Foreign Assets Control. As part of its policy, the Trustee may request for additional information if deemed necessary.

Indemnities of the Trustee and Manager

The Trustee and the Manager benefit from various indemnities in the Trust Deed. Except as provided under the Trust Deed, the Trustee and the Manager shall be entitled to be indemnified out of, and have recourse to, the relevant Index Fund or the Trust generally, in respect of any liabilities, costs, claims or demands arising directly or indirectly from the proper performance of the Trust. Nothing in any of the provisions of the Trust Deed shall exempt either the Trustee or the Manager (as the case may be) from or indemnify them against any liability for breach of trust or any liability which by virtue of any rule of law would otherwise attach to them in respect of any negligence, fraud or wilful default of which they may be liable in relation to their duties.

Service Agent

HK Conversion Agency Services Limited acts as Service Agent of HSBC MSCI Taiwan ETF under the terms of the Service Agreement entered into among the Manager, the Trustee, the Registrar, the Participating Dealers, the Service Agent and HKSCC. The Service Agent performs, through HKSCC, certain of its services in connection with the creation and redemption of Units in HSBC MSCI Taiwan ETF by Participating Dealers.

Conversion Agent

HK Conversion Agency Services Limited acts as Conversion Agent of HSBC MSCI Golden Dragon ETF, HSBC MSCI China ETF and HSBC MSCI Hong Kong ETF under the terms of the Conversion Agency Agreement entered into among the Manager, the Conversion Agent and HKSCC. The Conversion Agent performs, through HKSCC, certain of its services in connection with the creation and redemption of Units in HSBC MSCI Golden Dragon ETF, HSBC MSCI China ETF and HSBC MSCI Hong Kong ETF by Participating Dealers.

Participating Dealer

A Participating Dealer may act for its own account or for the account of its clients in making creation and redemption applications. Each Participating Dealer must usually (i) be licensed or registered for Type 1 (dealing in securities) regulated activity under the SFO; (ii) be a participant of the SEHK; and (iii) be acceptable to the Trustee. The latest list of the Participating Dealers is available at www.etf.hsbc.com/hk.

Market Maker

A Market Maker is a broker or dealer permitted by the SEHK to make a market for the Units in the secondary market and whose obligations include quoting bid prices to potential sellers and offer prices to potential buyers when there is a wide spread between the prevailing bid prices and offer prices for the Units on the SEHK. Market Makers facilitate the efficient trading of Units by providing liquidity in the secondary market when it is required, in accordance with the market making requirements of the SEHK.

Subject to applicable regulatory requirements, the Manager intends to ensure that there is at least one Market Maker for the Index Funds on the listing date on the SEHK. If the SEHK withdraws its permit to the existing Market Maker(s), the Manager will endeavour to ensure that there is at least one other Market Maker to facilitate the efficient trading of Units. The latest list of Market Makers is available at www.hkex.com.hk.

Auditor

The Manager has appointed KPMG to act as the auditor of the Trust and each of the Index Funds ("Auditor"). The Auditor is independent of the Manager and the Trustee.

Conflicts of Interest

The Manager, the Trustee, the Investment Adviser, the Market Maker, the Participating Dealer or their respective associated companies may:

(a) contract or enter into any financial, banking, insurance or other transaction with one another, the Unitholders, Participating Dealers, or any corporation or body any of whose securities, financial instruments or investment products form part of the assets of the Trust and be interested in any such contract or transaction; and

(b) invest in and deal in, the Units or in securities or any property of the kind included in the property of the Trust for their respective individual accounts or for the account of a third party.

It is possible that the Manager, the Trustee, the Investment Adviser, the Market Maker, the Participating Dealer or other investment advisers or agents as may be appointed by the Manager, the Trustee, the Investment Adviser, the Market Maker and/or the Participating Dealer from time to time may, in the course of their business, have potential conflicts of interests in relation to the Trust and may promote, manage, advise or otherwise be involved in any other funds or investment companies while they act as the Manager, the Trustee, the Investment Adviser, the Market Maker and/or the Participating Dealer of the Trust. For instance, associated companies or directors of the Manager, the Investment Adviser, the Market Maker, the Participating Dealer or such other investment advisers may act as underwriter(s) for securities sold to the Trust or provide investment management and/or advisory services to other clients (including other funds).

The Manager, the Trustee, the Investment Adviser, the Market Maker, the Participating Dealer or their respective associated companies will be free to render services similar to those which the Manager, the Trustee, the Investment Adviser, the Market Maker or the Participating Dealer is providing to the Trust or to other clients (including other funds).

The Manager, the Trustee, the Investment Adviser, the Market Maker, the Participating Dealer or other investment advisers or agents as may be appointed by the Manager, the Trustee, the Investment Adviser, the Market Maker and/or the Participating Dealer are required to devote such time and effort to the Trust's business as is necessary to promote the interests of the Trust. Conflicts, however, may arise (i) in the allocation of resources and attention by the Manager, the Trustee, the Investment Adviser, the Market Maker, the Participating Dealer or such other investment advisers between the Trust and other funds managed or advised by, and/or other clients of, the Manager, the Trustee, the Investment Adviser, the Market Maker, the Participating Dealer or such other investment advisers; and (ii) in the allocation of investment opportunities identified by the Manager, the Investment Adviser or such other investment advisers between the Trust and other funds managed or advised by, and/or other clients of, the Manager, the Investment Adviser or such other investment advisers.

Currently, the Manager, the Investment Adviser or their respective associated companies are also the investment manager or investment adviser of a number of funds whose investment objectives, investment approach and investment restrictions are similar to those of the Trust.

The Manager and the Investment Adviser are aware of the potential conflicts of interests in allocating investment opportunities between the Trust and such other funds. The Manager and the Investment Adviser have therefore developed internal systems and controls to ensure that all the funds and accounts which they manage, including the Trust, are treated fairly, after considering whether or not the acquisition or disposition of investment is economical to a particular fund or account and the objectives, restrictions and strategies of such fund or account.

The Manager and the Investment Adviser may, in accordance with applicable law and regulation, effect agency cross transactions where both the sale and purchase of an investment are effected for clients (including the Trust on the one hand) of the Manager, the Investment Adviser and/or their respective associated companies provided that the sale and purchase decisions are in the interests of both clients, permitted within the investment guidelines/ objectives of both clients and the transactions are executed on an arm's length basis and at the best price reasonably obtainable by the Trust having regard to the kind, size and time of the transaction.

The Manager, the Investment Adviser or their respective associated companies may enter into investments for the account of the Trust as agent for the Trustee provided that they shall account for all rebates of brokerage and commission which they may derive from or in connection with any such purchase or sale to the Trust on whose behalf such transaction was effected.

Neither the Manager nor the Investment Adviser shall (except in the case of (i) a purchase for the account of the Trust of any unit, share or other interest in a Collective Investment Scheme managed by the Manager and the Investment Adviser or any Connected Person of any of them, (ii) the creation or redemption of Units by a Participating Dealer who is a Connected person of the Manager or the Investment Adviser, or (iii) foreign exchange transactions undertaken for the account of the Trust by the Manager and the Investment Adviser or any Connected Person of any of them), without the approval of the Trustee, as principal sell or deal in the sale of investments to the Trustee for the account of the Trust or otherwise deal as principal with the Trust.

At present, the Trustee and the Participating Dealer are also the trustee and participating dealer of a number of funds whose investment objectives, investment approach and investment restrictions are similar to those of the Trust.

In circumstances where there may be a conflict of interest, the Manager, the Trustee, the Investment Adviser, the Market Maker and the Participating Dealer will have regard, so far as practicable, to their respective obligations to act in the interests of the Trust. In the event that such conflicts do arise, the Manager, the Trustee, the Investment Adviser, the Market Maker and the Participating Dealer will use their best efforts to resolve such conflicts fairly.

Cash Rebate and Commission

The Manager and the Investment Adviser are responsible for selecting brokers and dealers through whom transactions for the account of the Trust are to be executed (which may include the Manager, the Investment Adviser and their respective connected persons). Neither the Manager, the Investment Adviser nor any other company within the Manager's group will receive cash commissions or other rebates from brokers or dealers in respect of transactions for the account of the Trust. The Manager, the Investment Adviser or any of its connected persons reserves the right to effect transactions by or through the agency of another person (or person connected with him) with whom it has an arrangement under which that party will from time to time provide it with or procure for it goods, services or other benefits (such as research and advisory services, portfolio analysis or computer hardware and software incidental to such goods or services) the nature of which is such that their provision is of demonstrable benefit to the Unitholders as a whole and for which no direct payment is made but instead the Manager, the Investment Adviser or any of its connected persons undertake to place business with that party. For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

STATUTORY AND GENERAL INFORMATION

Reports and Accounts

The financial year-end of the Trust and each Index Fund is 31 October every year.

Investors should note that the audited accounts and half-yearly unaudited reports of the Trust and the Index Funds will be available in both English and Chinese. Audited accounts and half-yearly unaudited reports of the Trust and the Index Funds will be available from the Manager's website at www.etf.hsbc.com/hk within four months of the end of each financial year-end and two months of the end of the semi-financial year-end respectively. Hard copies of these financial reports may also be obtained from the Manager free of charge.

On or before the publication of audited accounts and half-yearly unaudited reports within the relevant timeframe, notice will be given to Unitholders to notify them where the financial reports, in printed and electronic forms, can be obtained. Unitholders will be given at least one month's prior notice of any change to the mode of delivery of the audited accounts and half-yearly unaudited reports.

The reports will provide details of the assets of the Trust and will include a list of any constituent Securities of an Underlying Index, if any, that each accounts for more than 10% of the weighting of the Underlying Index as at the end of the relevant period and their respective weighting. The reports shall also provide a comparison of the Index Fund's performance and the actual Underlying Index Performance over the relevant period and such other information as is required under the Code.

Trust Deed

The Trust was established under Hong Kong law by a trust deed made between the Manager and the Trustee. All Unitholders are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the Trust Deed. The Trust Deed contains provisions for the indemnification of the Trustee and the Manager out of the assets of the Trust and their relief from liability in certain circumstances (summarised above in "Indemnities of the Trustee and Manager"). Unitholders and intending applicants are advised to consult the terms of the Trust Deed.

Modification of Trust Deed

The Trustee and the Manager may agree to modify the Trust Deed by supplemental deed provided that in the opinion of both the Trustee and the Manager such modification (i) does not materially prejudice the interests of Unitholders, does not operate to release to any material extent the Trustee, the Manager or any other person from any responsibility to the Unitholders and (with the exception of the costs incurred in connection with the relevant supplemental deed) does not increase the costs and charges payable out of the assets of any Index Fund or (ii) is necessary in order to make possible compliance with any fiscal, statutory or official requirement (whether or not having the force of law) or (iii) is made to correct a manifest error. In all other cases modifications, alterations and additions require the sanction of an extraordinary resolution of the Unitholders affected. The SFC must also give its prior approval to all amendments to the Trust Deed.

The Manager will notify affected Unitholders of the amendments as soon as practicable after they are made if such notification is required under the Code.

Voting Rights

Unitholders' meetings may be convened by the Manager, by the Trustee or by Unitholders representing one-tenth or more of the current Units in issue on not less than 21 days' notice.

These meetings may be used to modify the terms of the Trust Deed, including increasing the maximum fees payable to the service providers, removing the Trustee or terminating the Trust at any time. Such amendments to the Trust Deed must be considered by Unitholders of at least 25% of the Units in issue and passed by at least a 75% majority of the votes cast.

Other matters that require an ordinary resolution being passed would be considered by Unitholders of at least 10% of the Units in issue and passed by a simple majority of 50% of the votes cast.

The Trust Deed contains provisions for the holding of separate meetings of Unitholders holding Units of different classes where only the interests of Unitholders of such class are affected.

Retirement and Removal of Manager

The Manager may be removed by prior notice in writing to the Manager by the Trustee in any of the following events:

(a) if the Manager goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or if a receiver is appointed over any of its assets and not discharged within 60 days;

(b) if the Trustee forms the opinion for good and sufficient reason that a change of Manager is desirable in the interests of the Unitholders and shall so state in writing to the Manager;

(c) if Unitholders holding not less than 50% in value of the Units for the time being outstanding (for which purpose Units held or deemed to be held by the Manager shall not be regarded as being outstanding) shall deliver to the Trustee in writing a request that the Manager should retire; or

(d) SFC withdraws its approval of the Manager as manager of the Trust.

The Manager shall have power to retire in favour of some other person considered by the Trustee to be suitably qualified, subject to such person entering into a deed or deeds providing for the matters necessary or desirable to secure due performance of its duties as Manager and being approved by an extraordinary resolution.

The Trustee shall, as soon as practicable prior to the appointment of the new Manager, give notice to the Unitholders specifying the name and the address of the office of the new Manager.

Retirement and Removal of Trustee

Subject to the prior approval of the SFC, the Trustee may retire from office by giving not less than 90 days' written notice (or such shorter period of notice as the SFC may approve) to the Manager and the Unitholders provided that adequate arrangements have been made for another trustee approved by the SFC to replace the outgoing Trustee.

The Trustee may be removed by prior notice in writing to the Trustee by the Manager in any of the following events:

(a) if the Trustee goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Manager) or if a receiver is appointed over any of its assets and not discharged within 60 days;

(b) if the Manager acting in good faith and in the best interests of Unitholders, wishes to remove the Trustee;

(c) if Unitholders holding not less than 50% in value of the Units for the time being outstanding (for which purpose, Unit held or deemed to be held by the Trustee shall not be regarded as being outstanding) shall deliver in writing a request that the Trustee shall retire; or

(d) SFC withdraws its approval of the Trustee as trustee of the Trust.

In any of such events, the Manager shall appoint a suitably qualified corporation as the new trustee of the Trust. The removal of the outgoing Trustee shall, subject to the approval of the SFC, be effective on and from the date on which the appointment of the new Trustee takes effect.

Termination

The Trust may be terminated by the Trustee if: (i) the Manager goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or a receiver is appointed over any of its assets and not discharged within 60 days; (ii) in the opinion of the Trustee, the Manager is incapable of performing its duties satisfactorily; (iii) the Manager has failed to perform its duties satisfactorily or has, in the opinion of the Trustee, done something calculated to bring the Trust into disrepute or that is harmful to the interests of Unitholders; (iv) a law is passed that renders it illegal, or in the opinion of the Trustee, impracticable or inadvisable to continue the Trust; (v) the Trustee is unable to find an acceptable person to replace the Manager within 30 days after the removal of the Manager, or the person nominated shall fail to be approved by Extraordinary Resolution; or (vi) 30 days after the Trustee notifies the Manager of its intention to retire, no new person willing to act as trustee has been identified.

The Manager may terminate the Trust if: (i) after one year from the date of the Trust Deed, the aggregate Net Asset Value of all the Units in each Index Fund is less than HK$100 million; (ii) any law or regulation is passed or amended or any regulatory directive or order is imposed that affects the Trust and which renders the Trust illegal or in the good faith opinion of the Manager, makes it impracticable or inadvisable to continue the Trust; or (iii) within a reasonable time and using commercially reasonable endeavours, the Manager is unable to find a person acceptable to act as the new trustee after deciding to remove the Trustee in accordance with the Trust Deed.

The Manager may, in its absolute discretion, by notice in writing to the Trustee, terminate any Index Fund if: (i) after one year from the date of establishment of the relevant Index Fund, the aggregate Net Asset Value of all the Units in the relevant Index Fund is less than HK$100 million; (ii) any law or regulation shall be passed or amended or any regulatory directive or order is imposed that affects the relevant Index Fund and which renders such Index Fund illegal or in the good faith opinion of the Manager makes it impracticable or inadvisable to continue such Index Fund; (iii) its Underlying Index is no longer available for benchmarking or if the Units of the relevant Index Fund are no longer listed on the SEHK or any such other stock exchange from time to time determined by the Manager; (iv) at any time, the Index Fund ceases to have any Participating Dealer; or (v) the Manager is unable to implement its investment strategy. Further, the Unitholders may at any time authorise termination of the Trust or any Index Fund by extraordinary resolution.

Unless previously terminated as described above or under another provision in the Trust Deed, the Trust shall in any event terminate at the expiry of 80 years from the date of the Trust Deed.

Notice of any termination of an Index Fund will be given to the Unitholders after the SFC has approved the notice. The notice will contain the reasons for the termination, the consequences to Unitholders of terminating the Index Fund and the alternatives available to them, the effective date of termination (which shall not be less than three months after the service of such notice) and any other information required by the Code.

Unless previously terminated, the Trust will terminate on 25 February 2091.

Inspection of Documents

Copies of the following constitutive documents are available for inspection free of charge at the offices of the Manager and copies thereof may be obtained from the Manager at a cost of HK$150 per set:

(a) the Trust Deed;
(b) the Participation Agreement;
(c) the Conversion Agency Agreement;
(d) the Service Agreement; and
(e) the audited accounts and the half-yearly unaudited reports of the Trust.

Part XV of the SFO

Part XV of the SFO sets out the Hong Kong disclosure of interests' regime applicable to Hong Kong listed companies. The regime does not apply to unit trusts that are listed on the SEHK like the Index Funds. Consequently, Unitholders are not obliged to disclose their interest in an Index Fund. Further, pursuant to section 323(1)(c)(i) of the SFO, Unitholders are not considered to hold an interest in the underlying shares of a Hong Kong listed company held by the Index Fund.

Anti-Money Laundering and other Regulations

As part of the Manager's and the Trustee's responsibility for the prevention of money laundering and to comply with all applicable laws to which the Manager, the Trustee or the Trust is subject, the Manager, the Registrar or the Trustee may require a detailed verification of an investor's identity and the source of payment of any subscriptions. Depending on the circumstances of each application, a detailed verification might not be required where:

- the investor makes the payment from an account held in the investor's name at a recognised financial institution; or

- the application is made through a recognised intermediary.

These exceptions apply only if the financial institution or intermediary is within a country recognised by the Trustee and the Manager as having sufficient anti-money laundering regulations.

In addition, the Trustee shall not be obliged in any way to carry out or otherwise participate in any transaction or activity which, if carried out by a US person, would be subject to the sanctions of the Office of Foreign Assets Control of the US Department of the Treasury.

Change of Underlying Index

The Manager reserves the right with the prior approval of the SFC and provided that in its opinion the interests of the Unitholders would not be adversely affected, to replace the Underlying Index with another Underlying Index. The circumstances under which any such replacement might occur include but are not limited to the following events:

(a) the Underlying Index ceasing to exist;

(b) the licence to use the Underlying Index being terminated;

(c) a new index becoming available that supersedes the existing Underlying Index;

(d) a new index becoming available that is regarded as the market standard for investors in the particular market and/or would be regarded as more beneficial to the Unitholders than the existing Underlying Index;

(e) investing in the Securities comprised within the Underlying Index becomes difficult;

(f) the Index Provider increasing its licence fees to a level considered too high by the Manager;

(g) the quality (including accuracy and availability of the data) of the Underlying Index having in the opinion of the Manager, deteriorated;

(h) a significant modification of the formula or calculation method of the Underlying Index rendering that index unacceptable in the opinion of the Manager; and

(i) the instruments and techniques used for efficient portfolio management not being available.

The Manager may change the name of the Index Fund if the Underlying Index changes or for any other reasons including if the licence to use the relevant Underlying Index is terminated. Any change to the Underlying Index and/or the name of the Index Fund will be notified to investors by notice in writing.

<u>Information available on the Internet</u>

The Manager will publish important news and information with respect to the Index Funds, both in the English and in the Chinese languages, on the Manager's website at www.etf.hsbc.com/hk including:

- this prospectus and the product key fact statement in respect of each Index Fund (as revised from time to time);
- the latest annual and semi-annual financial reports;
- any notices for material alterations or additions to the offering document or constitutive document;
- any public announcements made by any Index Fund, including information with regard to the relevant Underlying Index, notices of the suspension of the calculation of the NAV, changes in fees and the suspension and resumption of trading;
- the last closing NAV and the intraday estimated NAV (on a delayed basis) of each Index Fund; and
- the latest list of the Participating Dealers and Market Makers.

The intraday estimated NAV of each Index Fund will be disclosed on a near real time basis on Bloomberg. The relevant Bloomberg codes are as follows:

HSBC MSCI Golden Dragon ETF: 3088IV

HSBC MSCI HK ETF: 3000IV

HSBC MSCI China ETF: 3033IV

HSBC MSCI Taiwan ETF: 3083IV

The last closing level of the Indices is available on Reuters, Bloomberg and the website of the Index Provider.

Notices

All notices and communications to the Manager and Trustee should be made in writing and sent to the following addresses:

Manager	**Trustee**
HSBC Investment Funds (Hong Kong) Limited	HSBC Institutional Trust Services (Asia) Limited
HSBC Main Building	HSBC Main Building
1 Queen's Road Central	1 Queen's Road Central
Hong Kong	Hong Kong

Queries and Complaints

Investors may contact the Manager at its address as set out above, or by phone at its telephone number: (852) 2284 1108 or by email: hsbc.etf@hsbc.com.hk to seek any clarification regarding the Trust or any Index Fund or to file a complaint. The Manager will respond to any query or complaint as soon as practicable and generally in any event within one month.

TAXES

The following summary of Hong Kong, Mainland China and Taiwan taxation is of a general nature, for information purposes only, and is not intended to be an exhaustive list of all of the tax considerations that may be relevant to a decision to purchase, own, redeem or otherwise dispose of Units. This summary does not constitute legal or tax advice and does not purport to deal with the tax consequences applicable to all categories of investors. Prospective investors should consult their own professional advisers as to the implications of their subscribing for, purchasing, holding, redeeming or disposing of Units both under the laws and practice of Hong Kong, Mainland China and/or Taiwan and the laws and practice of their respective jurisdictions. The information below is based on the law and practice in force in Hong Kong, Mainland China and Taiwan at the date of this prospectus. The relevant laws, rules and practice relating to tax are subject to change and amendment (and such changes may be made on a retrospective basis). As such, there can be no guarantee that the summary provided below will continue to be applicable after the date of this prospectus.

Hong Kong

The Trust / Index Fund

Profits Tax: As each Index Fund has been authorised as a Collective Investment Scheme by the SFC pursuant to section 104 of the SFO, profits of each Index Fund arising from the sale or disposal of securities, net investment income received by or accruing to the Index Fund and other profits of the Index Fund are exempt from Hong Kong profits tax.

Stamp Duty: Pursuant to a remission order issued by the Secretary for the Treasury on 20 October 1999, any Hong Kong stamp duty on the transfer of Securities to any Index Fund by an investor pursuant to an application in specie will be remitted or refunded. Similarly, Hong Kong stamp duty on the transfer of Securities by any Index Fund to an investor upon redemption of Units will also be remitted or refunded.

No Hong Kong stamp duty is payable by any Index Fund on an issue or redemption of Units.

The Unitholders

Profits Tax: Hong Kong profits tax will not be payable by the Unitholder (other than Unitholders carrying on a trade, profession or business of investing in securities in Hong Kong) on any gains or profits made on the sale, redemption or other disposal of the Units and on any distributions made by any Index Fund. In accordance with the practice of the Inland Revenue Department of Hong Kong (as of the date of this prospectus) tax should not be payable in Hong Kong in respect of dividends payable to Unitholders.

Stamp Duty:

HSBC MSCI Taiwan ETF

Approval has been given by the Financial Services and Treasury Bureau for remission or refund in full of stamp duty payable or paid in respect of any contract notes or instruments of transfer relating to transactions in Units in the HSBC MSCI Taiwan ETF.

No Hong Kong ad valorem stamp duty is payable by an investor in relation to an issue of Units to him or her or the redemption of Units by him or her.

HSBC MSCI Golden Dragon ETF, HSBC MSCI China ETF and HSBC MSCI

Hong Kong ETF

The sale of Units by an investor will be subject to stamp duty at the current rate of 0.1% of the price of the Units being sold payable by the seller. The purchase of Units by an investor will be subject to stamp duty at the same rate payable by the purchaser. Liability to stamp duty arises whether the sale or purchase is on or off the SEHK, except in respect of qualifying market maker transactions.

No Hong Kong ad valorem stamp duty is payable by an investor in relation to an issue of Units to him or her or the redemption of Units by him or her.

<u>Mainland China</u>

The Trust / Index Fund

<u>Corporate Income Tax ("CIT")</u>: The Manager and the Trustee intend to manage and operate the Trust and the Index Fund in such a manner that the Trust and the Index Fund should not be treated as tax resident enterprises of the PRC or non-tax resident enterprises with an establishment or place of business in the PRC for CIT purposes. As such, it is expected that the Trust and the Index Fund should not be subject to CIT on an assessment basis and would only be subject to CIT on a withholding basis to the extent the Trust or the Index Fund directly derive PRC sourced income.

H shares and B shares

The relevant Index Fund would be subject to 10% PRC withholding tax on interest income, dividends and capital gains from direct trading on investment in H shares and B shares which are considered to be PRC sourced income under PRC tax laws. The relevant Index Fund would be managed and operated such that it would not be considered a tax resident enterprise in the PRC and it would not be considered to have a permanent establishment in the PRC. As such, it would be subject to PRC CIT on a withholding basis in respect of PRC sourced income.

To date, PRC withholding tax has been enforced on dividend and interest payments from H shares and B shares. However, as a matter of practice, PRC withholding tax has not been strictly enforced on capital gains realised by non-resident enterprises from the purchase and sale of H shares and B shares traded on open stock exchanges although such gains are technically subject to the 10% withholding tax under PRC tax laws.

Red chips

Under the current general provisions of the CIT Law, the source of dividend income and capital gains derived by the relevant Index Fund from investing in shares of "Red chip" companies would depend on whether the "Red chip" companies, as offshore incorporated companies, would be treated as PRC tax resident enterprises under the CIT Law due to their place of effective management being considered to be in the PRC.

The State Administration of Taxation issued a tax notice, Guo Shui Fa [2009] No.82 ("Notice 82") that took effect from 1 January 2008, which clarifies the recognition criteria on what constitute a "place of effective management" for overseas incorporated domestically-controlled enterprises ("OIDCE") that would be relevant for the determination of PRC residency status under the CIT Law.

Where a "Red chip" company falls within the recognition criteria under Notice

82, resulting in its place of effective management being considered to be in the PRC (and thus is considered a PRC tax resident enterprise), any dividend income paid from the "Red chip" companies or gains on disposal of "Red chips" would be technically considered to be PRC sourced income and subject to withholding tax when paid to a non-resident enterprises.

However, although the 10% withholding tax has been enforced on dividends paid on "Red chip" companies, it has not been enforced with respect to capital gains derived by non-resident enterprises on acquisition and disposition of "Red chips" traded on open stock exchanges.

In any event, if the "Red chip" companies are not treated or declared itself as PRC tax resident enterprises, any dividends received by, or capital gains realised by, the relevant Index Fund on disposal of "Red chips" should not be considered PRC source income and therefore should not be subject to 10% PRC withholding tax.

<u>Stamp Duty ("SD"):</u>

B shares

The purchase and disposal of B shares will attract SD at the rate of 0.1% (effective from 24 April 2008) to be payable by each of the purchaser and seller. From 19 September 2008 onwards, only the seller will be liable for SD on the sale of B shares, and the buyer will not be liable for SD on the purchase of B shares.

H shares and Red chips

The purchase and disposal of securities listed outside PRC should not be subject to SD in the PRC. As such, purchase and disposal of H shares and Red chips should not be subject to PRC SD.

<u>Business Tax ("BT"):</u> Under Cai Shui [2002] No. 191, the transfer of unlisted equity interest is exempted from BT.

Under PRC laws and regulations, there is no BT on dividend income or profit distributions on equity investment derived by foreign investors, such as the relevant Index Fund.

However, BT would apply at the rate of 5% on any gross amount of PRC sourced interest income derived by the relevant Index Fund.

The Unitholders

<u>Individual Income Tax ("IIT")</u>: Non-PRC national individual Unitholders should not be subject to IIT as a result of their investment in receiving distributions from the Index Fund. There should be no PRC withholding tax applicable to investment distributions from or gains realised on disposal of Units in the Index Fund as such distributions and gains should not be considered to be PRC-sourced (because it is expected that the Index Fund will not be a tax resident enterprise of the PRC).

Individual Unitholders who are domiciled in the PRC or non-PRC national individual Unitholders who have resided in the PRC for five consecutive full years will be subject to IIT on investment distributions derived from the Index Fund on a receipts basis.

CIT: Corporate Unitholders who are considered to be non-PRC tax resident enterprises without an establishment or place of business in the PRC should not be subject to CIT as a result of their investment in the Index Fund. There should also be no PRC withholding taxes applicable to investment distributions from the Index Fund to such Unitholders as such distributions would not be considered to be PRC-sourced (because it is expected that the Index Fund will not be a tax resident enterprise of the PRC).

Corporate Unitholders who are considered to be: (i) tax resident enterprises of the PRC; or (ii) non-PRC tax resident enterprises who have an establishment or place of business in the PRC (and where such establishment holds the Units in the Index Fund as part of its business) would likely be subject to CIT on investment distributions derived from the Index Fund on an accrual basis.

Taiwan

The Trust / Index Fund

Income Tax

Capital gain derived from Taiwan securities is exempted from income tax pursuant to Article 4-1 of Income Tax Act. Dividend derived from Taiwan company is subject to withholding tax of 20% for FINI if no tax treaty applies.

Securities Transaction Tax

Securities transaction tax at the rate of 0.3% of the transaction amount is payable by the seller on the sale of securities.

Business Tax

Securities upon which a securities transaction tax has been imposed in accordance with the law are exempted from business tax pursuant to Article 8 of Business Tax Act.

SCHEDULE 1

Investment Restrictions

If any of the restrictions or limitations set out in this Schedule 1 is breached, the Manager will make it a priority objective to take all necessary steps within a reasonable period to remedy such breach, taking into account the interests of the Unitholders.

The Trustee will take reasonable care to ensure compliance with the investment and borrowing limitations set out in the constitutive documents and the conditions under which the scheme was authorised.

The investment restrictions applicable to each Index Fund that are included in the Trust Deed are summarised below:

(a) the Index Funds may not collectively hold more than 10% of the ordinary shares issued by any single issuer;

(b) no more than 10% of the latest available Net Asset Value of an Index Fund may be invested in Securities issued by any single issuer (other than government and other public Securities);

(c) no more than 15% of the latest available Net Asset Value of an Index Fund may be invested in Securities which are not quoted, listed or dealt in on any stock exchange, over-the-counter market or other organised Securities market that is open to the international public and on which such Securities are regularly traded;

(d) no more than 30% of the latest available Net Asset Value of an Index Fund may be invested in government and other public Securities of the same issue. Subject to the foregoing, any Index Fund may invest all of its assets in government and other public Securities in at least six different issues;

(e) no Index Fund may hold options and warrants valued at more than 15% of its latest available Net Asset Value, except that this 15% limit will not apply to options and warrants acquired for hedging purposes;

(f) no more than 20% of the latest available Net Asset Value of an Index Fund may be invested in (i) commodities including physical commodities, and other commodity-based investments and excluding, for this purpose, shares of companies engaged in the production, processing or trading of commodities; and (ii) futures contracts on an unhedged basis; and

(g) where an Index Fund invests in units or shares of other Collective Investment Schemes ("underlying schemes"),

    (i) the value of units or shares in underlying schemes which are neither recognised jurisdiction schemes (as defined under the Code) nor authorised by the SFC, held for the account of the Index Fund, may not exceed 10% of the Net Asset Value of the Index Fund; and

    (ii) the Index Fund may invest in one or more underlying schemes which are either recognised jurisdiction schemes or schemes authorised by the SFC, but the value of the units or shares held for the account of the Index Fund in each such underlying scheme may not exceed 30% of the Net Asset Value of the Index Fund, unless the underlying scheme is authorised by the SFC and its name and key investment information are disclosed in the offering document of the Index Fund, provided that:

(1) the objective of each underlying scheme may not be to invest primarily in any investment prohibited by the investment restrictions set out in chapter 7 of the Code, and where that underlying scheme's objective is to invest primarily in investments restricted by the investment restrictions set out in chapter 7 of the Code, such holdings may not be in contravention of the relevant limitation;

(2) where an investment is made in any underlying scheme(s) managed by the Manager or its Connected Persons, all initial charges on the underlying scheme(s) must be waived; and

(3) the Manager may not obtain a rebate on any fees or charges levied by an underlying scheme or its management company,

save that the above restrictions do not apply to the extent that:

- the holding is permitted under the Code;

- any waiver has been obtained for any Index Fund from the SFC;

- any Index Fund may hold investments in Securities of any single issuer exceeding 10% of the latest available Net Asset Value of the relevant Index Fund if any constituent Securities account for more than 10% of the weighting of its Underlying Index and that Index Fund's holding of any such constituent Securities does not exceed their respective weightings in the Underlying Index, except where the weightings are exceeded as a result of changes in the composition of the Underlying Index and the excess is only transitional and temporary in nature, or otherwise approved by the SFC;

- HSBC MSCI Golden Dragon ETF may invest in the HSBC Greater China ETFs in roughly the same weighting as the MSCI China Index, MSCI Hong Kong Index and MSCI Taiwan Index represent in the MSCI Golden Dragon Index, subject to a maximum deviation from each Index weight of 3%. Such deviation may be unavoidable because the HSBC Greater China ETFs, like any other ETFs, are subject to tracking error risk. Factors such as but not limited to fees and expenses of a HSBC Greater China ETF, imperfect correlation between a HSBC Greater China ETF's assets and the Securities constituting its Underlying Index, restrictions in relation to the dealing and holding of any Securities by a HSBC Greater China ETF as a result of any constraints imposed upon such HSBC Greater China ETF, the Manager or any member of the HSBC Group by any agreements, regulations or competent authorities worldwide, inability to rebalance a HSBC Greater China ETF's holdings of Securities in response to changes in the constituents of the Underlying Index and creation and redemption of Units, rounding of Security prices, changes to the Underlying Indices and regulatory policies may result in tracking error; and

- where representative sampling strategy is used by an Index Fund and that Index Fund holds investments in Securities of any single issuer exceeding 10% of its latest available Net Asset Value, then any excess of the weighting of constituent Securities to their respective weightings in the relevant Underlying Index will be subject to a maximum limit of 3%, or such other percentage as reasonably determined by the Manager after consultation with the SFC. Disclosures will be made in the annual and interim reports as to whether such limit has been complied with, and any non-compliance with this limit will be reported to the SFC on a timely basis.

In addition, the Trust is subject to the following additional restrictions. The Manager shall not for the account of an Index Fund:

(a) invest in Securities or contracts which are not quoted, listed or dealt in on a Recognised Market unless the Manager reasonably believes (either generally or in any particular case) that (i) it is not possible to make an investment more advantageously in some other manner and (ii) it is not possible to effect such investment on a Recognised Market;

(b) invest in any type of real estate (including buildings) or interests in real estate (including options or rights, but excluding shares in real estate companies and interests in real estate investment trust (REITs));

(c) make short sales unless (i) the Index Fund's liability to deliver Securities does not exceed 10% of its latest available Net Asset Value; and (ii) the Security which is to be sold short is actively traded on a market where short selling activity is permitted;

(d) write uncovered options or write a call option if the aggregate of the exercise prices of all such call options written in respect of the Index Fund would exceed 25% of the Net Asset Value of the Index Fund;

(e) invest in any Security or other property which involves the assumption of any liability which is unlimited;

(f) lend, make a loan out of the assets of the Index Fund without the prior written consent of the Trustee, except to the extent that the acquisition of an investment or the making of a deposit might constitute a loan;

(g) assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person without the prior written consent of the Trustee;

(h) invest in any Security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5%, or collectively they own more than 5%, of the total nominal amount of all the issued Securities of that class; or

(i) invest in any Security where a call is to be made for any sum unpaid on that Security, unless that call could be met in full out of cash or near cash from the Index Fund, the amount of which has not already been taken into account for the purposes of (d).

For the purposes of stamp duty relief the HSBC MSCI Taiwan ETF will not invest in any Hong Kong stock. In this respect, "Hong Kong stock" should have the same meaning as that under Section 2 of the Stamp Duty Ordinance (Cap.117).

<u>Stock Lending</u>

The Trustee may, at the written request of the Manager, arrange for the Securities of any Index Fund to be loaned by the Trust. This kind of Securities lending will occur only if the Manager has used reasonable endeavours to satisfy itself that the relevant counterparties are banks or other financial institutions of sound financial standing and that collateral in an amount at least equal to the current market value of the securities loaned has been provided to the Trust by the borrower. Net income will be credited to the relevant Index Fund which loaned the Securities. The lending agent, which may include the Manager, Trustee or a Connected Person, is entitled to retain any fees or other benefits it receives on a commercial basis in connection with such Securities lending. Such fees or other benefits are not included in the Operating Expenses in respect of any Index Fund. The Manager shall be entitled to receive a fee for the oversight and management of any securities lending activity of the Trust. The fee that the Manager receives in connection with such securities lending services that it provides in respect of any securities lending activity is payable in addition to any fee payable to the Manager in respect of investment management services and is therefore not included in the Operating Expenses in respect of any Index Fund. These fees or other benefits may include a percentage of the gross lending revenues earned as well as fees for managing any cash collateral received from the relevant borrower. The Trust shall be entitled to receive the balance of the gross securities lending fee, net of the fees for the above lending agent and Manager, for the account of the relevant Index Fund for any securities the subject of a loan. Generally, the maximum level of Securities available for lending is limited to 20% of the latest available Net Asset Value of the relevant Index Fund (however the Manager may determine a higher or lower percentage).

Where the securities lending agent of an Index Fund is a member of the HSBC Group, details of such Connected Party transaction will be disclosed in the Trust's annual reports.

As of the date of this prospectus, there is no current intention for the Index Funds to engage in securities lending, repurchase transaction or other similar over-the-counter transactions, but this may change in light of market circumstances and where any of the Index Funds does engage in these types of transactions, prior approval shall be obtained from the SFC and no less than one month's prior notice will be given to the Unitholders.

<u>Collateral Risk Management</u>

Borrower in stock lending arrangements may be required to provide collateral to the relevant Index Fund(s).

Collateral may consist of cash, securities as agreed between the Manager and the borrower, or letters of credit issued by a bank approved by the Manager and not affiliated with the borrower. Cash received as collateral will be invested by the Manager in money market instruments either directly or in funds or accounts which invest in such instruments, including funds or accounts managed by the Manager or a Connected Person. Collateral received and held by the Trustee will be held in a segregated account in the books of the Trustee, opened in the name of the Trustee for and on behalf of the relevant Index Fund.

With regard to Securities as collateral, the Manager approves of collateral instruments based on the following criteria:

- liquidity of the collateral (based on the market size of the security), number of market makers/dealers, bid-ask spreads, benchmark spreads, trading volumes and concentration of holdings;

- market risk exposure to the collateral, based on price volatility and volatilities of other relevant parameters; and in certain cases correlations to the security being collateralised; and

- issuer risk of debt securities, based on the creditworthiness of the issuer.

Summary details of the form and nature of the collateral (such as asset class and geographical allocation) actually posted to the Index Funds (if any) will be available on the Manager's website www.etfs.hsbc.com/hk.

All loans and related non-cash collateral are revalued daily (marked to market) using latest available closing market prices, and where necessary, collateral values are topped up through margin calls.

In the event of an insolvency or an event of default with respect to the borrower, the payment and delivery obligations of the parties under the securities and borrowing arrangement will be accelerated and netted off, and replaced by an obligation of one party to pay a single sum to the other based on the latest mark-to-market valuations.

As of the date of this prospectus, there is no current intention for the Index Funds to engage in securities lending. Therefore no collateral has been received by the Index Funds as of the date of this prospectus.

Counterparty Risk Management

To mitigate borrower's risk, the Manager applies viability checks including counterparty credit review and monitors the credit quality of that counterparty against established limits or thresholds. The Manager reviews and approves the types of transactions and limits requested by the business units on the basis of a counterparty's ability to meet its obligations. In addition, the Manager selects only those borrowers with whom there is sufficient knowledge and comfort with their credit quality.

If a new counterparty expresses its interest in establishing a borrowing relationship, the Manager will perform a comprehensive review in accordance with the Manager's counterparty rating process and other available information, for example, the counterparty's financial statements, business reputation, earnings, management quality, external credit ratings, the scope of business operations etc.

The Manager seeks to mitigate counterparty exposure by limiting the total amount of lending to a single counterparty and by applying consistent standards in evaluating the risk exposure of each transaction.

Borrowing Policy

Borrowing against the assets of any Index Fund is allowed up to a maximum of 10% of its latest available Net Asset Value. The Trustee may at the request of the Manager borrow for the account of any Index Fund any currency, and charge or pledge assets of an Index Fund, for the following purposes:

- facilitating the creation or redemption of Units or defraying operating expenses;
- enabling the Manager to acquire Securities for the account of any Index Fund; or
- for any other proper purpose as may be agreed by the Manager and the Trustee.

SCHEDULE 2

Index Disclaimer

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