

# HSBC MSCI CHINA ETF

## Simplified Prospectus

10 February 2011

**This Simplified Prospectus contains key information in relation to HSBC MSCI CHINA ETF (the “Fund”), a sub-fund of HSBC ETFs PLC (the “Company”), which is an open-ended investment company with variable capital constituted as an umbrella fund incorporated in Ireland on 27 February 2009 and authorised on 15 June 2009 by the Irish Financial Services Regulatory Authority, under the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2003 (as amended).**

**Potential investors are advised to read the Prospectus dated 10 February 2011, Appendix A, Appendix B and the Supplement dated 10 February 2011 in respect of the Fund (collectively, the “Prospectus”) before making an investment decision. The rights and duties of the investor as well as the legal relationship with the Company are in the Prospectus. Words and terms defined in the Prospectus have the same meaning in this Simplified Prospectus.**

**The base currency of the Fund is US Dollars.**

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<b>Investment Objective:</b>	<p>The investment objective of the Fund is to replicate the performance of the MSCI China Index (the <b>"Index"</b>), while minimising as far as possible the tracking error between the Fund's performance and that of the Index. The Index is a market-capitalisation weighted index designed to measure the performance of the largest Chinese companies, as listed in Hong Kong. Chinese equity markets are considered to be emerging markets and, accordingly, are subject to the risks described in the <b>"Risk Profile"</b> section below.</p>
<b>Investment Policy:</b>	<p>In seeking to achieve its investment objective, the Fund will aim to invest in securities included in the Index in generally the same proportions in which they are included in the Index. Most of the securities in which the Fund invests will be listed or traded on Recognised Markets, as defined in the Prospectus. The Fund may also invest in American Depositary Receipts, European Depositary Receipts and Global Depositary Receipts which are certificates typically issued by a bank or trust company evidencing ownership of shares of non-US issuer and are alternatives to directly purchasing the underlying securities included in the Index. Accordingly, the underlying exposure is to the issuers of equity securities included in the Index. Notwithstanding the foregoing, the Fund may not take exposure to all securities in the Index but will aim to ensure that the Fund's portfolio of assets will replicate the performance of the Index. The Fund may avail of the higher investment limits allowed to certain index-tracking funds, as described at paragraph 4 of the section of the Prospectus headed <b>"Investment Restrictions"</b>.</p> <p>The Fund may use the following financial derivative instruments (<b>"FDI"</b>), including but not limited to, futures, forwards, foreign exchange contracts (including spot and forward contracts), equity options, contracts for differences, certificates and notes which may be used to reduce tracking error between the Fund's performance and that of the Index. These instruments may be used for efficient portfolio management and/or investment purposes. The primary policy of the Fund is to acquire securities included in the Index, as described above, but FDI may be used where the direct holdings of securities may not be possible or where tracking error can be better minimised by using FDI. To the extent that the Fund uses FDI, there may be a risk that the volatility of the Fund may increase. However, the Fund is not expected to have an above average risk profile as a result of its use of or investment in FDI. FDI will be used within the limits stipulated by the Central Bank of Ireland and as described in <b>"Use of Financial Derivative Instruments"</b> in the Prospectus. Accordingly, although FDI may be inherently leveraged, the primary purpose of the use of FDI is to reduce tracking error, and, although the Fund will be leveraged as a result of its investments in FDI, such leverage will not exceed 100% of the Fund's total Net Asset Value.</p> <p>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 Fund with an appropriate level of risk, taking into account the risk profile of the Fund. In particular, FDI may be used for the purpose of minimising tracking error, i.e. the risk that the Fund return varies from the Index return. Equity futures, index futures and currency futures may be used to hedge against market risk or to gain exposure to an underlying market. Forward contracts may be used to hedge or to gain exposure to an increase in the value of an asset, currency or deposit. Foreign exchange contracts may be used to convert the currency of the underlying investments of each Fund into the Base Currency and to hedge the dividends received in a currency other than the Base Currency between the ex date and the pay date. Equity options may be used to hedge or achieve exposure to a particular market instead of using a physical security. Contracts for differences may be used to hedge or achieve exposure to a particular stock instead of using a physical security. Certificates may be used to achieve exposure to a stock or to a basket of stocks instead of using a physical security. Notes may be used to achieve exposure to a particular stock instead of using a physical security.</p> <p>The Fund may also enter into repurchase, reverse repurchase and securities lending agreements for efficient portfolio management purposes only under the conditions and within the limits stipulated by the Central Bank of Ireland and described in <b>"Portfolio Investment Techniques"</b> in the Prospectus.</p> <p>The volatility level of the Fund will have a strong correlation to the volatility level of the Index and is expected to be high.</p> <p><b>An investment in the Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.</b></p>

<p><b>Risk Profile:</b></p>	<p>Investment in the Fund carries with it a degree of risk including the risks described under <b>“Risk Factors”</b> in the Prospectus and the specific risk factors set out below. These investment risks are not purported to be exhaustive and potential investors should review the Prospectus carefully and consult with their professional advisors before making an application for Shares. Investment in the Fund is not for investors who can not afford to lose all or a significant part of their investment.</p> <p>An investor should consider his/her personal tolerance for the daily fluctuations of the market before investing in the Fund.</p> <p><b><i>FDI</i></b></p> <p>In the event the Fund uses FDI for efficient portfolio management or investment purposes, such use may increase the risk profile of the Fund.</p> <p>For information in relation to the risks associated with the use of FDI, please refer to the <b>“Risk Factors – Particular Risks of Financial Derivative Instruments”</b> section of the Prospectus.</p> <p><b><i>The Index</i></b></p> <p>An investment in the Fund exposes an investor to the market risks associated with fluctuations in the Index and the value of securities comprised in the Index. The value of the Index can increase as well as decrease and the value of an investment will fluctuate accordingly. There is no guarantee that the Fund’s investment objective will be achieved. The Fund is subject to tracking error, as described in the Prospectus, which is the risk that its returns may not correlate accurately to those of the Index. Furthermore, any re-weighting of the Index may increase the risk of tracking error.</p> <p>The past performance of the Index should not be seen as an indication of the future performance of the Index or the Fund.</p> <p><b><i>Emerging Markets</i></b></p> <p>The economies of emerging markets in which the Fund will invest may differ favourably or unfavourably from the economies of industrialised countries. Investments in emerging markets entail risks which include the possibility of political or social instability, adverse changes in investment or exchange control regulations, expropriation and withholding of dividends at source. In addition, such securities may trade with less frequency and volume than securities of companies and governments of developed, stable nations. Investments in these markets may also be adversely affected by laws, stock exchange practices or regulatory supervision not comparable with those in more developed markets.</p> <p>As a result of its investment in emerging market countries, therefore, the Fund may be subject to political, settlement, liquidity, currency accounting standards and custodial risks. Please refer to the <b>“Political and/or Regulatory Risks”</b> and <b>“Custodial Risk”</b> sections of the Prospectus for details of political, currency and custodial risks associated with investment in these countries. Risks in connection with settlement, liquidity and accounting standards are addressed below.</p> <p><b><i>Settlement and Liquidity Risks</i></b></p> <p>Shareholders should note that settlement mechanisms in emerging markets are generally less developed and reliable than those in more developed countries and that this therefore increases the risk of settlement default, which could result in substantial losses for the Fund in respect to investments in emerging markets. In addition, the settlement mechanisms in certain emerging markets may be untested. Some emerging markets use physical share delivery settlement procedures and in such circumstances, there may be share registration and delivery delays and it may not be possible to ensure delivery against payment.</p> <p>Shareholders should also note that the securities of companies domiciled in emerging markets are less liquid and more volatile than more developed stock markets and this may result in fluctuations in the price of the Shares of the Fund.</p>
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	<p><b>Accounting Standards</b></p> <p>The legal infrastructure and accounting, auditing and reporting standards in emerging markets in which the Fund may invest may not provide the same degree of information to investors as would generally apply internationally. In particular, valuation of assets, depreciation, exchange differences, deferred taxation, contingent liabilities and consolidation may be treated differently from international accounting standards.</p> <p>This document does not include detailed information on the political, economic and legal environment of the emerging markets in which the Fund may invest. Prospective investors should consult a stockbroker, bank manager, solicitor, accountant or other financial adviser for independent advice in relation to the relevant conditions and risk in investing in emerging markets generally.</p>
<b>Performance Data:</b>	The Fund has commenced trading but as it has been in existence for less than a year, no performance data is available.
<b>Profile of a Typical Investor:</b>	<p>Investment in the Fund may be suitable for investors seeking capital appreciation with a three-year time horizon through investments made primarily in equities that are listed or traded on Recognised Markets. An investor should consider his/her personal tolerance for the daily fluctuations of the market before investing in the Fund.</p> <p>Shares in the Fund will be available to both retail and institutional investors.</p>
<b>Distribution Policy:</b>	The Company intends to declare dividends twice annually.
<b>Fees and Expenses:</b>	<p><b>Annual Fees and Operating Expenses</b></p> <p>The total annual fees and operating expenses of the Fund (except for transaction charges and taxes or duty charges for portfolio re-balancing, all of which are paid separately out of the assets of the Fund) will be up to 0.60% per annum of the Net Asset Value of the Fund (the <b>"Total Expense Ratio"</b> or <b>"TER"</b>). Such fee shall accrue daily and be payable monthly in arrears. The Investment Manager will absorb (by reimbursement to the account of the Fund) any additional fees, costs or expenses over the Total Expense Ratio. The fees, costs and expenses which the Total Expense Ratio covers are set out in the next paragraph.</p> <p>Fees, costs and expenses paid from the TER may include, but are not limited to, fees and expenses paid to the Investment Manager, regulators, auditors and certain legal costs of the Company, including establishment expenses.</p> <p>Information on in-kind transaction fees is available from the Administrator. Direct Dealing (Cash Transaction) fees of up to 5% may be charged on both subscription and redemption monies.</p>
<b>Taxation:</b>	<p>The Company is an investment undertaking within the meaning of Section 739B of the Irish Taxes Consolidation Act 1997 and is not chargeable to Irish tax on its relevant income or relevant gains subject to the exceptions as set out in the section entitled <b>"Taxation"</b> in the Prospectus. No Irish stamp duty is payable on the issue, redemption or transfer of shares in the Company.</p> <p><b>Shareholders and potential investors should consult with their professional advisers in relation to the tax treatment of their holdings in the Company.</b></p>
<b>Publication of Share Price:</b>	The Net Asset Value per Share will be published each Dealing Day on <a href="http://www.etfs.hsbc.com">www.etfs.hsbc.com</a> and in such newspapers and on or through such other media as the Directors may from time to time determine.

<b>How to Buy/ Sell Units/ Shares:</b>	<p>Investors may, subject to the provisions of the Prospectus, subscribe for Shares, redeem, exchange or transfer Shares on any Dealing Day directly through:</p> <p>HSBC Securities Services (Ireland) Limited 1 Grand Canal Square Grand Canal Harbour Dublin 2 Ireland Fax No.: +353 1 649 7560</p> <p>The Shares were admitted to the official list of the UK Listing Authority and to trading on the main market of the London Stock Exchange on 28 January 2011.</p> <p>The Company is a recognised scheme in the UK for the purposes of Section 264 of the Financial Services and Markets Act 2000, as amended or re-enacted from time to time.</p>
<b>Additional Important Information:</b>	<p><b>Directors</b> Peter Blessing, Eimear Cowhey, Simeon Brown, David Shubotham</p>
	<p><b>Administrator and Company Secretary</b> HSBC Securities Services (Ireland) Limited</p>
	<p><b>Custodian</b> HSBC Institutional Trust Services (Ireland) Limited</p>
	<p><b>Investment Manager and Promoter</b> HSBC Global Asset Management (UK) Limited</p>
	<p><b>Auditors</b> PricewaterhouseCoopers</p>
	<p><b>Distributor and UK Representative</b> HSBC Global Asset Management (UK) Limited</p>
	<p><b>Registrar and Transfer Agent</b> Computershare Investor Services (Ireland) Limited</p>
	<p><b>Sponsor</b> J&amp;E Davy</p>
	<p>Additional information and copies of the Prospectus, the latest annual and half yearly reports may be obtained (free of charge) from the Administrator at the address above.</p>