

HSBC Managed Funds
HSBC Global Money Funds
HSBC Investment Highlight Series
Annual Report 2011



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The accompanying report of KPMG is for sole and exclusive use of the Trust. Further, the report of KPMG is as of 22 November 2011 and KPMG has carried out no procedures of any nature subsequent to that date which in any way extends that date.

Investment Adviser's Report

HSBC Managed Balanced Fund

Market review

The Fund rose in absolute terms during the period. Overall, risky assets and equities in particular generated positive returns. The second half of 2010 was especially fruitful for equity investors on the back of a global recovery in most of the developed and emerging markets. Despite investors' concerns about the challenging fiscal situation of some developed countries, economic data releases were robust and expanding. However, since the beginning of 2011, the economic picture has been more mitigated with mixed macro data releases combined with ongoing concerns about the social movements in the Middle East, and European and US sovereign debt challenges. The Fund outperformed its benchmark, benefiting from its overweight position in equities when markets performed strongly over the last months of 2010. In the face of market volatility during Q1 this year, the Fund turned to a more defensive position and then delivered a lower return. Over the full period, a positive contribution relative to the benchmark was also derived from a lower-than-benchmark exposure to bonds and cash. Successful stock selection in equity also added value, in particular in Hong Kong and North America.

HSBC Global Asset Management (Hong Kong) Limited

22 November 2011

Trustee's Report

HSBC Managed Balanced Fund ("the Fund")

We hereby confirm that, in our opinion, the Manager of the Fund has, in all material respects, managed the Fund in accordance with the provisions of the Trust Deed dated 18 January 1990, as amended, for the year ended 31 July 2011.

)
Amy FUNG) For and on behalf of
Bertha TAM) HSBC Trustee (Cayman) Limited,
) Trustee
)

Independent Auditors' Report to the Unitholders of HSBC Managed Balanced Fund ("the Fund")

Report on the financial statements

We have audited the financial statements of the Fund set out on pages 6 to 24, which comprise the statement of assets and liabilities as at 31 July 2011, the statement of comprehensive income, statement of changes in net assets attributable to unitholders, cash flow statement and distribution statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

Auditor's responsibility

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to

fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager and the Trustee, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 July 2011, and of its transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

Report on disclosure requirements under the Code

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

KPMG

Chartered Accountants
Grand Cayman, 22 November 2011

Statement of Assets and Liabilities

HSBC Managed Balanced Fund

as at 31 July 2011

	Note	2011 HKD	2010 HKD
ASSETS			
Financial assets at fair value through profit or loss	5, 7(e), 13(f)	2,203,385,837	2,262,367,239
Interest and dividends receivable		9,742,230	10,548,010
Subscriptions receivable		4,948,144	5,181,959
Amounts due from brokers	6	9,786,133	74,549,969
Cash and cash equivalents	7(b)	177,314,363	121,722,005
		<u>2,405,176,707</u>	<u>2,474,369,182</u>
LIABILITIES			
Financial liabilities at fair value through profit or loss	5, 13(f)	–	1,560,015
Redemptions payable		5,536,686	919,283
Amounts due to brokers	6	5,374,479	32,035,103
Distributions payable	11	3,227,476	–
Other payables	7(a), 7(c), 7(f)	4,527,132	4,305,905
		<u>18,665,773</u>	<u>38,820,306</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (BID PRICES)			
	12	<u>2,386,510,934</u>	<u>2,435,548,876</u>
Representing:			
Financial liabilities		<u>2,386,510,934</u>	<u>2,435,548,876</u>
Total number of units in issue			
"A" class income units	9(a)	<u>14,008,245</u>	<u>17,132,132</u>
"L" class income units	9(b)	<u>1,273,018</u>	<u>1,537,939</u>
Provident class units	9(c)	<u>66,169,564</u>	<u>75,878,435</u>
Accumulation units	9(d)	<u>7,444,358</u>	<u>8,512,351</u>
Net asset value per unit at bid prices			
"A" class income units		<u>24.93</u>	<u>22.40</u>
"L" class income units		<u>28.06</u>	<u>24.75</u>
Provident class units		<u>28.77</u>	<u>25.24</u>
Accumulation units		<u>13.14</u>	<u>11.61</u>

Approved by the Trustee and the Manager on 22 November 2011

)
Amy FUNG) For and on behalf of
Bertha TAM) HSBC Trustee (Cayman) Limited
)

)
Edgar Kai Man NG) For and on behalf of
Julie J KOO) HSBC Investment Funds
) (Hong Kong) Limited
)

The notes on pages 11 to 24 form part of these financial statements.

Statement of Comprehensive Income

HSBC Managed Balanced Fund

for the year ended 31 July 2011

	Note	2011 HKD	2010 HKD
Interest income	7(b)	670,868	506,451
Dividend income	7(e)	52,080,306	43,206,660
Net gains from financial instruments at fair value through profit or loss	3	330,362,188	113,755,599
Net foreign exchange loss		(1,996,066)	(128,336)
Other income		–	70,955
TOTAL REVENUE		381,117,296	157,411,329
Management fees	7(a)	22,050,330	21,339,571
Transaction costs	7(c), 7(d)	9,351,052	8,124,766
Trustee's fees	7(c)	2,688,913	2,572,469
Administrative fees	7(f)	686,577	700,093
Auditor's remuneration		282,229	436,510
Registrar's fees	7(a)	140,000	140,000
Safe custody fees, bank charges and miscellaneous expenses	7(a), 7(b)	1,473,520	1,279,522
TOTAL OPERATING EXPENSES		36,672,621	34,592,931
NET PROFIT FROM OPERATIONS BEFORE TAXATION		344,444,675	122,818,398
Taxation	4	(6,448,167)	(5,086,052)
NET PROFIT FROM OPERATIONS BEFORE DISTRIBUTIONS		337,996,508	117,732,346
Distributions to holders of class "A" income units	11	(5,934,704)	–
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		332,061,804	117,732,346

The notes on pages 11 to 24 form part of these financial statements.

Statement of Changes in Net Assets Attributable to Unitholders

HSBC Managed Balanced Fund

for the year ended 31 July 2011

	Note	2011 HKD	2010 HKD
Balance at the beginning of the year		2,435,548,876	2,306,354,838
Increase in net assets attributable to unitholders and total comprehensive income for the year		332,061,804	117,732,346
Transactions with unitholders			
<i>Subscriptions of units (excluding equalisation)</i>			
"A" class income units		39,816,595	56,182,166
"L" class income units		8,239,825	6,522,535
Provident class units		146,197,351	145,868,497
Accumulation units		6,871,575	6,353,901
<i>Redemptions of units (excluding equalisation)</i>			
"A" class income units		(116,219,877)	(72,228,836)
"L" class income units		(14,585,566)	(7,668,066)
Provident class units		(398,135,367)	(118,334,827)
Accumulation units		(18,296,184)	(8,208,613)
Income equalisation on subscriptions and redemptions	10	(34,988,098)	2,974,935
Total transactions with unitholders		(381,099,746)	11,461,692
Balance at the end of the year		2,386,510,934	2,435,548,876

The notes on pages 11 to 24 form part of these financial statements.

Cash Flow Statement

HSBC Managed Balanced Fund

for the year ended 31 July 2011

	2011	2010
	HKD	HKD
OPERATING ACTIVITIES		
Interest received	670,522	506,729
Dividends received	53,259,287	41,774,113
Management fees paid	(22,112,084)	(21,264,143)
Trustee's fees paid	(2,677,096)	(2,563,152)
Margin deposits withdrawn from/(placed with) brokers	39,946,653	(6,284,943)
Tax paid	(6,257,711)	(5,239,071)
Other operating expenses paid	(13,848,736)	(10,654,940)
Cash generated from/(used in) operating activities	48,980,835	(3,725,407)
INVESTING ACTIVITIES		
Payments on purchase of investments	(1,792,977,735)	(1,700,322,282)
Proceeds from sale of investments	2,178,545,014	1,664,906,084
Cash generated from/(used in) investing activities	385,567,279	(35,416,198)
FINANCING ACTIVITIES		
Proceeds from issue of units including equalisation	222,549,399	234,617,390
Payments on redemption of units including equalisation	(598,797,927)	(228,852,613)
Distributions paid	(2,707,228)	(4,461,959)
Cash (used in)/generated from financing activities	(378,955,756)	1,302,818
Net increase/(decrease) in cash and cash equivalents	55,592,358	(37,838,787)
Cash and cash equivalents at the beginning of the year	121,722,005	159,560,792
Cash and cash equivalents at the end of the year	177,314,363	121,722,005

The notes on pages 11 to 24 form part of these financial statements.

Distribution Statement

HSBC Managed Balanced Fund

for the year ended 31 July 2011

	Note	2011 HKD	2010 HKD
Amount available for distribution brought forward		250,452,803	218,757,045
Profit for the year available for distribution *		37,929,643	28,720,823
Income equalisation on subscriptions and redemptions		(34,988,098)	2,974,935
Distributions to unitholders	11	(5,934,704)	–
Amount available for distribution carried forward		247,459,644	250,452,803
Distribution history			
<i>"A" class income units</i>			
First distribution per unit		0.16	–
Date of distribution		12 August 2010	N/A
Second distribution per unit		0.23	–
Date of distribution		29 July 2011	N/A

* Profit for the year available for distribution is the adjusted total comprehensive income for the year, for which the calculation basis is in accordance with the relevant clauses of the Trust Deed.

The notes on pages 11 to 24 form part of these financial statements.

Notes to the Financial Statements

HSBC Managed Balanced Fund

1 The Fund

HSBC Managed Balanced Fund (“the Fund”) is an open-ended unit trust established under a Trust Deed dated 18 January 1990, as amended, and governed by the laws of the Cayman Islands. The Fund registered under the Mutual Funds Law of the Cayman Islands on 13 March 1997. The purpose of the Fund is to invest in a diversified portfolio of investments with steady long-term capital growth that will at least exceed Hong Kong inflation and is designed for individual unitholders, pension and provident funds and retirement schemes.

The Fund is authorised by the Hong Kong Securities and Futures Commission (“SFC”) under section 104 of the Hong Kong Securities and Futures Ordinance (“HKSF”) and is governed by the Hong Kong Code on Unit Trusts and Mutual Funds issued by the SFC.

2 Significant accounting policies

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Fund. There have been no significant changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Fund for the current and prior accounting periods reflected in these financial statements.

The Fund has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 16).

(b) Basis of preparation of the financial statements

The functional and presentation currency of the Fund is Hong Kong dollars reflecting the fact that the participating redeemable units of the Fund are issued and redeemed in Hong Kong dollars.

The financial statements are prepared on a fair value basis for financial assets and financial liabilities at fair value through profit or loss and derivative financial instruments. Other financial assets and financial liabilities are stated at amortised cost or redemption amount (redeemable units).

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

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

The accounting policies have been applied consistently by the Fund and are consistent with those used in the previous year.

(c) Foreign currency translation

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into Hong Kong dollars at the foreign exchange rates ruling at the date of the statement of assets and liabilities. Foreign currency exchange differences arising on translation and realised gains and losses on disposal or settlement of monetary assets and liabilities are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Hong Kong dollars at the foreign currency exchange rates ruling at the date that the values

Notes to the Financial Statements

were determined. Foreign currency exchange differences relating to investments at fair value through profit or loss are included in net gains from financial instruments at fair value through profit or loss. All other foreign currency exchange differences relating to monetary items including cash and cash equivalents are presented separately in profit or loss.

(d) Financial instruments

(i) Classification

All of the Fund's investments are classified as financial assets or financial liabilities at fair value through profit or loss. This category comprises financial instruments held for trading, which are instruments that the Fund has acquired principally for the purpose of short-term profit-taking. These include investments in equity and debt securities, unit trusts, and futures contracts.

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

Financial assets that are classified as loans and receivables include interest and dividends receivable, subscriptions receivable and amounts due from brokers.

Financial liabilities that are not at fair value through profit or loss include redemptions payable, amounts due to brokers, distributions payable and other payables.

(ii) Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

A regular way purchase or sale of financial assets is recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed their obligations under the contract or the contract is a derivative contract not exempted from the scope of HKAS 39.

(iii) Measurement

Financial instruments are measured initially at fair value (transaction price). Transaction costs on financial assets and liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in profit or loss.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities other than those at fair value through profit or loss are measured at amortised cost using the effective interest rate method. Financial liabilities arising from the redeemable units issued by the Fund are carried at the redemption amount representing the unitholders' right to a residual interest in the Fund's assets.

(iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the date of the statement of assets and liabilities without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

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

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

Notes to the Financial Statements

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

(v) Impairment

Financial assets that are stated at cost or amortised cost are reviewed at each date of the statement of assets and liabilities to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through profit or loss.

(vi) Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial assets expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with HKAS 39.

The Fund uses the weighted average method to determine realised gains and losses on derecognition.

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

(vii) Offsetting

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

(viii) Specific instruments

Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments

that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(e) Revenue recognition

Provided it is probable that the economic benefits will flow to the Fund and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend. Dividends from other investments are recognised in profit or loss as dividend income when declared. In some cases, the Fund may receive or choose to receive dividends in the form of additional shares rather than cash. In such cases, the Fund recognises the dividend income for the amount of the equivalent cash dividend with the corresponding debit treated as an additional investment.

(ii) Interest income

Interest income is recognised in profit or loss as it accrues, using the effective interest rate method. Interest income on bank deposits and margin deposits is disclosed separately on the face of profit or loss. Interest income on debt securities is included in net gains from financial instruments at fair value through profit or loss.

(f) Expenses

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

(g) Foreign exchange gains and losses

Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognised together with other changes in the fair value. Included in profit or loss line item Net foreign exchange loss are net foreign exchange gains and losses on monetary financial assets and financial liabilities other than those classified as fair value through profit or loss.

Notes to the Financial Statements

(h) Related parties

For the purposes of these financial statements, a party is considered to be related to the Fund if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Fund or exercise significant influence over the Fund in making financial and operating policy decisions, or has joint control over the Fund;
- (ii) the Fund and the party are subject to common control;
- (iii) the party is a subsidiary, an associate of the Fund or a joint venture in which the Fund is a venturer;
- (iv) the party is a member of key management personnel of the Fund or the Fund's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals; or
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the Fund.

(i) Subscriptions and redemptions

The Fund recognises unitholders' subscriptions and allots units upon receipt of a valid subscription application and derecognises them upon receipt of a valid redemption application.

(j) Units in issue

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Fund has multiple classes of redeemable units in issue – "A" class, "L" class, Provident class and Accumulation class. All the classes belong to the most subordinate class of financial instruments in the Fund and rank *pari passu* in all material respects and have the same terms and conditions other than different management fee rate. The redeemable units provide unitholders with the right to require redemption for cash at a value proportionate to the unitholders' share in the Fund's net assets at each daily redemption date, and

also in the event of the Fund's liquidation. In accordance with amendments to HKAS 32, such instrument is classified as a financial liability and is measured at the present value of the redeemable amounts.

(k) Finance costs

Distributions payable on redeemable units are recognised in profit or loss as finance costs.

(l) Segment reporting

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

3 Net gains from financial instruments at fair value through profit or loss

	2011	2010
	HKD	HKD
Realised gains	257,856,983	164,119,697
Unrealised gains/(losses)	72,505,205	(50,364,098)
	<u>330,362,188</u>	<u>113,755,599</u>

4 Taxation

There are no taxes on income or gains under Cayman Islands Law currently. Accordingly, no provision for Cayman Islands taxes is included in these financial statements.

No provision for Hong Kong profits tax has been made in the financial statements as the Fund is exempt from taxation under section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

Dividend income received by the Fund may be subject to non-recoverable withholding tax imposed in the country of origin. Dividend income is recorded gross of such taxes and the withholding tax is recognised in profit or loss as incurred.

Notes to the Financial Statements

Capital gains realised in certain jurisdictions may be subject to capital gains tax. Capital gains tax is charged to profit or loss on an accruals basis, using tax rates enacted or loss on an accruals basis, using tax rates enacted or substantively enacted at the date of statement of assets and liabilities.

Taxation in profit or loss represents:

	2011 HKD	2010 HKD
Overseas withholding tax	5,989,691	4,945,947
Spanish capital gains tax	458,476	140,105
	<u>6,448,167</u>	<u>5,086,052</u>

5 Financial assets and financial liabilities at fair value through profit or loss

	2011 HKD	2010 HKD
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Financial assets at fair value through profit or loss

Equities

Listed shares	1,565,280,518	1,611,223,209
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Debt securities

Listed bonds	469,002,406	448,623,160
Unlisted but quoted bonds	109,639,303	121,859,799
	<u>578,641,709</u>	<u>570,482,959</u>

Other investments

Unit trusts	58,358,960	76,765,452
Futures	1,104,650	384,001
Rights	–	3,461,294
Warrants	–	50,324
	<u>59,463,610</u>	<u>80,661,071</u>

2,203,385,837 2,262,367,239

2011
HKD 2010
HKD

Financial liabilities at fair value through profit or loss

Derivative liabilities

Futures		–	(1,560,015)
		<u>2,203,385,837</u>	<u>2,260,807,224</u>
Investments, at cost	1,995,951,369	2,125,505,106	
Net unrealised appreciation in value of investments	207,434,468	135,302,118	
Investments, at market value	<u>2,203,385,837</u>	<u>2,260,807,224</u>	

6 Amounts due from/(to) brokers

2011
HKD 2010
HKD

Balances due from brokers

Amounts receivable on sale of investments	2,797,226	27,614,409
Margin deposits	6,988,907	46,935,560
	<u>9,786,133</u>	<u>74,549,969</u>

Balances due to brokers

Amounts payable on purchase of investments	5,374,479	32,035,103
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Margin deposits represent cash deposits with brokers, transferred as collateral against open futures contracts.

7 Related parties transactions

The following is a summary of transactions with related parties for the year. All such transactions were entered into in the ordinary course of business and on normal commercial terms.

- (a) The Fund is managed by HSBC Investment Funds (Hong Kong) Limited (“the Manager”), which receives a management fee, payable monthly in arrears, equivalent to a percentage per annum of the net asset value of the Fund as follows:

Notes to the Financial Statements

For "A" class income units	- 1.5%
For "L" class in come units	- 1.2%
For Provident class units	- 0.75%
For Accumulation units	- 0.75%

In addition, the Manager, as the registrar's agent, receives registrar's fees per annum for each class of units and fees for various administrative functions performed on behalf of the Fund.

	2011 HKD	2010 HKD
(i) Management fees for the year	22,050,330	21,339,571
(ii) Registrar's fees and other administrative fees for the year	202,166	299,318
(iii) Management fees payable at year end	1,707,573	1,769,327
(iv) Registrar's fees and other administrative fees payable at year end	76,647	35,185

(b) (i) Bank accounts are maintained with HSBC Auckland, HSBC Bangkok, HSBC Bank Australia Ltd Sydney, HSBC Bank Malaysia Kuala Lumpur, HSBC Bank Plc Custody Department-GSS, HSBC Bank Plc International Division London, HSBC Bank USA New York, HSBC Jakarta, HSBC Manila, HSBC Mexico SA, HSBC Seoul, HSBC Singapore, HSBC Taipei, HSBC Tokyo, HSBC Trinkaus and Burkhardt and The Hongkong and Shanghai Banking Corporation Limited, which are members of the HSBC Group. The balances of these accounts amounted to \$176,784,770 (2010: \$121,144,253) at the year end. Interest income arising from these accounts amounted to \$360 (2010: \$246).

(ii) Margin accounts amounting to \$6,988,907 (2010: \$46,935,560) are maintained with HSBC Bank Plc Futures Wholesale Trading Operations, which is a fellow subsidiary of the Manager within the HSBC Group. Interest income and interest expenses arising from these accounts amounted to \$174,797 (2010: \$128,992) and \$2,787 (2010: \$72) respectively.

(c) The Trustee of the Fund is HSBC Trustee (Cayman) Limited, a fellow subsidiary of the Manager within the HSBC Group, which receives a monthly fee equivalent to 0.1% per annum of the net asset value

of the Fund, subject to a minimum monthly fee of \$10,000. In addition, the Trustee provides valuation services to unitholders in return for a daily fee of \$580 (2010: \$580). Also, the Trustee provides services in connection with purchases and sales transactions, for which the Trustee receives a transaction fee of \$400 (2010: \$400) for each trade handled.

	2011 HKD	2010 HKD
(i) Trustee's fees for the year	2,688,913	2,572,469
(ii) Trustee's fees payable at year end	219,648	207,831
(iii) Transaction fees for the year	1,810,000	1,805,600
(iv) Transaction fees payable at year end	113,200	117,200

(d) In its purchases and sales of investments, the Fund utilises the brokerage services of HSBC Bank Plc Futures, HSBC Investment Funds (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited and HSBC Bank Plc, which are members of the HSBC Group. Details of transactions effected through these companies are as follows:

	HSBC Bank Plc Futures		HSBC Investment Funds (Hong Kong) limited	
	2011 HKD	2010 HKD	2011 HKD	2010 HKD
Commission paid for the year	17,200	72,949	-	-
Average rate of commission	0.04%	0.09%	-	-
Total aggregate value of such transactions for the year	43,648,161	83,994,533	11,980,000	-
Percentage of such transactions in value to total transactions for the year	0.65%	0.98%	0.18%	-

	The Hongkong and Shanghai Banking Corporation Limited		HSBC Bank Plc	
	2011 HKD	2010 HKD	2011 HKD	2010 HKD
Commission paid for the year	100,492	85,760	12,839	13,031
Average rate of commission	0.08%	0.13%	0.16%	0.15%
Total aggregate value of such transactions for the year	130,130,850	64,369,955	8,024,229	8,702,869
Percentage of such transactions in value to total transactions for the year	1.94%	0.75%	0.12%	0.10%

Notes to the Financial Statements

For the futures contracts transacted with HSBC Bank Plc Futures, the Fund pays HSBC Bank Plc Futures at a fixed rate per contract irrespective of the notional amount of the contract. The rates vary depending on the currency of cash futures contract.

The figures for commission paid do not include any trading margin which may be reflected in the market price of transactions with these entities on any transactions by the Fund during the year.

- (e) During the year, the Fund held investments in HSBC Holdings Plc and Hang Seng Bank Limited, which are the ultimate holding company and a fellow subsidiary, respectively of the Manager and the Trustee within the HSBC Group. The details of the market value of these investments and dividend income received for the year are as follows:

	2011 HKD	2010 HKD
(i) Market value at year end	53,930,576	71,521,986
(ii) Dividend income received for the year	2,327,286	2,269,388

The Fund also held investments in Halbis Funds – HSBC China A-Share Fund and HSBC Pooled Chinese Equity Fund, which are managed by the fellow subsidiaries of the Manager within the HSBC Group. The market value of these investments at year end is \$34,664,630 (2010: \$21,166,148).

- (f) HSBC Life (International) Limited, a fellow subsidiary of the Manager and the Trustee within the HSBC Group, receives a quarterly administrative fee equivalent to 0.7% per annum of the net asset value of the accumulation units in return for providing certain management services to holders of the accumulation units.

	2011 HKD	2010 HKD
(i) Administrative fees for the year	686,577	700,093
(ii) Administrative fees payable at year end	54,501	55,461

8 Soft commission arrangements

The Manager has entered into soft commission arrangements with brokers under which certain goods and services used to support investment decision making are received by the Manager. The Manager does not make direct payment for these services but transacts an agreed amount of business with the brokers on behalf of the Fund. Commission is paid from the Fund on these transactions.

The goods and services utilised for the Fund include the following:

- research and advisory services;
- economic and political analysis;
- portfolio analysis, including valuation and performance measurement;
- market analysis, data and quotation services;
- computer hardware and software incidental to the above goods and services; and
- clearing and custodian services and investment-related publications.

9 Units issued and redeemed

(a) "A" class income units

	2011	2010
Number of units in issue brought forward	17,132,132	17,847,137
Units issued during the year	1,650,702	2,498,508
Units redeemed during the year	(4,774,589)	(3,213,513)
Number of units in issue carried forward	14,008,245	17,132,132

(b) "L" class income units

	2011	2010
Number of units in issue brought forward	1,537,939	1,597,732
Units issued during the year	341,025	289,818
Units redeemed during the year	(605,946)	(349,611)
Number of units in issue carried forward	1,273,018	1,537,939

Notes to the Financial Statements

(c) Provident class units

	2011	2010
Number of units in issue		
brought forward	75,878,435	74,684,843
Units issued during the year	5,904,392	6,505,140
Units redeemed during the year	(15,613,263)	(5,311,548)
	<hr/>	<hr/>
Number of units in issue		
carried forward	66,169,564	75,878,435

(d) Accumulation units

	2011	2010
Number of units in issue		
brought forward	8,512,351	8,684,902
Units issued during the year	610,534	617,897
Units redeemed during the year	(1,678,527)	(790,448)
	<hr/>	<hr/>
Number of units in issue		
carried forward	7,444,358	8,512,351

The Fund does not have any externally imposed capital requirements.

10 Income equalisation

This is the proportion of the unit price which relates to the attributed accrued net expense or the undistributed accrued net income of the Fund at the date of issue or redemption of units.

11 Distributions

Distributions attributable to the year

	2011	2010
	HKD	HKD
"A" class income units		
Distributions declared of \$0.16 per unit on 16,920,172 units (2010: \$Nil)	2,707,228	–
Distributions declared of \$0.23 per unit on 14,032,505 units (2010: \$Nil)	3,227,476	–
	<hr/>	<hr/>
	5,934,704	–

Prior to July 2003, "A" class and Provident class unitholders were entitled to distributions from the Fund as determined by the Manager, if any. Pursuant to the Seventh Supplemental Deed dated 30 July 2003, no further distributions are to be made to the holders of Provident class units.

12 Reconciliation of net asset values

The net asset value presented in the financial statements and that quoted for pricing purposes at the year end ("Dealing NAV") are different as the principles for calculating the Dealing NAV as set out in the Explanatory Memorandum document are different from those required for financial reporting purposes under HKFRSs. The following reconciliation provides details of these differences:

	2011	2010
	HKD	HKD
NAV as reported in the financial statements as at 31 July	2,388,510,934	2,435,548,876
Adjustments for different bases adopted by the Fund in arriving at the Dealing NAV:		
– Use of trade pricing instead of bid pricing in valuing investments	1,997,385	3,891,305
	<hr/>	<hr/>
Dealing NAV as at 31 July	2,388,508,319	2,439,440,181

13 Financial instruments and associated risks

The Fund maintains an investment portfolio in a variety of listed and unlisted financial instruments as dictated by its investment management strategies. The objective is to achieve steady long-term capital growth that will at least exceed Hong Kong inflation. The Fund's investment portfolio comprises debt and equity instruments, futures contracts and investments in unit trusts.

The Fund's investing activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. The Manager and the Trustee have set out below the most important types of financial risks inherent in each type of financial instruments. The Manager and the Trustee would like to highlight that the following list of associated risks only sets out some of the risks but does not purport to constitute an exhaustive list of all the risks inherent in an investment in the Fund. Unitholders should note that additional information in respect of risks associated with financial instruments in the Fund can be found in the Fund's offering document.

Notes to the Financial Statements

The nature and extent of the financial instruments outstanding at the date of the statement of assets and liabilities and the risk management policies employed by the Fund are discussed below.

(a) Price risk

Price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The Fund is exposed to price risk arising from changes in market price. Price risk is managed by investing in a portfolio of different investments in accordance with the investments objectives of the Fund.

Price sensitivity

The impact on a 5% increase in value of the investments at 31 July 2011, with all other variables held constant, is shown below. An equal change in the opposite direction would have reduced the net asset value by an equal but opposite amount. The analysis is performed on the same basis for 2010:

	Market exposure HKD	Change in net assets if investment value increased by 5% HKD
As at 31 July 2011		
Equities	1,565,280,518	78,264,026
Futures	95,403,121	4,770,156
Unit trusts	58,358,960	2,917,948

As at 31 July 2010

Equities	1,611,223,209	80,561,160
Futures	38,867,812	1,943,391
Unit trusts	76,765,452	3,838,273
Rights	3,461,294	173,065
Warrants	50,324	2,516

(b) Interest rate risk

Interest rate risk arises from change in interest rates which may affect the value of debt instruments and therefore result in potential gain or loss to the Fund. The Fund's interest rate risk is managed on an ongoing basis by the Manager.

The following table indicates the period in which the interest bearing assets and liabilities mature at the date of statement of assets and liabilities.

All amounts stated in '000

	2011				Total HKD
	1 year or less HKD	Over 1 year to 5 years HKD	Over 5 years HKD	Non-interest bearing HKD	
Assets					
Financial assets at fair value					
through profit or loss	16,173	216,955	345,514	1,624,744	2,203,386
Interest and dividends receivable	-	-	-	9,742	9,742
Subscriptions receivable	-	-	-	4,948	4,948
Amounts due from brokers	6,989	-	-	2,797	9,786
Cash and cash equivalents	177,315	-	-	-	177,315
Total assets	200,477	216,955	345,514	1,642,231	2,405,177
Liabilities					
Redemptions payable	-	-	-	(5,537)	(5,537)
Amounts due to brokers	-	-	-	(5,375)	(5,375)
Distributions payable	-	-	-	(3,227)	(3,227)
Other payables	-	-	-	(4,527)	(4,527)
Total liabilities	-	-	-	(18,666)	(18,666)
Total interest sensitivity gap	200,477	216,955	345,514		

Notes to the Financial Statements

All amounts stated in '000

	2010				Total HKD
	1 year or less HKD	Over 1 year to 5 years HKD	Over 5 years HKD	Non-interest bearing HKD	
Assets					
Financial assets at fair value through profit or loss	34,249	213,799	322,435	1,691,884	2,262,367
Interest and dividends receivable	-	-	-	10,548	10,548
Subscriptions receivable	-	-	-	5,182	5,182
Amounts due from brokers	46,936	-	-	27,614	74,550
Cash and cash equivalents	121,722	-	-	-	121,722
Total assets	202,907	213,799	322,435	1,735,228	2,474,369
Liabilities					
Financial liabilities at fair value through profit or loss	-	-	-	(1,560)	(1,560)
Redemptions payable	-	-	-	(919)	(919)
Amounts due to brokers	-	-	-	(32,035)	(32,035)
Other payables	-	-	-	(4,306)	(4,306)
Total liabilities	-	-	-	(38,820)	(38,820)
Total interest sensitivity gap	202,907	213,799	322,435		

Interest rate sensitivity

At the date of the statement of assets and liabilities, assuming all other factors unchanged, it is estimated that an increase in interest rate of 50 basis points would result in a decrease in the net assets attributable to the unitholders and the profit for the year by \$17,300,482 (2010: \$18,716,276); an equal change in the opposite direction would result in an increase in the net assets attributable to unitholders by an equal amount. The analysis is performed on the same basis for 2010.

(c) Currency risk

The Fund may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Fund is exposed to risks that the exchange rate of its functional currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than the Hong Kong dollar.

The fluctuations in the rate of exchange between the currency in which the asset or liability is denominated and the functional currency could result in an appreciation or depreciation in the fair value of that asset or liability. The Manager may attempt to mitigate this risk by using financial derivative instruments. The Manager monitors the Fund's currency exposures on an ongoing basis.

Currency sensitivity

At 31 July 2011, had the Hong Kong dollar ("HKD") weakened by 5% in relation to respective currencies, with all other variables held constant, net assets attributable to unitholders and the profit for the year would have increased by the amounts shown below. The analysis is performed on the same basis for 2010.

	Net exposure HKD	Change in net assets if HKD weakened by 5% HKD
As at 31 July 2011		
<i>Currencies</i>		
Argentine Peso	529,593	26,480
Australian Dollar	84,616,364	4,230,818
British Pound	117,635,609	5,881,781
Canadian Dollar	30,483,402	1,524,170
Danish Krone	4,520,128	226,006
Euro	352,137,796	17,606,890
Indonesian Rupiah	8,464,648	423,232
Japanese Yen	441,104,812	22,055,241
Malaysian Ringgit	7,555,585	377,779
Mexican Peso	4,419,721	220,986
New Zealand Dollar	2,619,317	130,966
Norwegian Kroner	10,201,488	510,074
Philippine Peso	3,093,337	154,667
Polish Zloty	5,284,232	264,212
Singapore Dollar	9,204,997	460,250
South Korean Won	51,737,121	2,586,856
Swedish Krona	9,368,317	468,416
Swiss Franc	34,868,317	1,743,416
Taiwanese Dollar	30,925,027	1,546,251
Thai Baht	5,773,424	288,671
Total	1,214,543,235	60,727,162

Notes to the Financial Statements

	Change in net assets if HKD weakened by 5%	
	Net exposure HKD	HKD
As at 31 July 2010		
<i>Currencies</i>		
Argentine Peso	554,741	27,737
Australian Dollar	112,026,997	5,601,350
British Pound	125,689,188	6,284,459
Canadian Dollar	17,752,783	887,639
Danish Krone	5,690,798	284,540
Euro	365,917,318	18,295,866
Indonesian Rupiah	4,332,913	216,646
Japanese Yen	397,904,753	19,895,238
Malaysian Ringgit	7,675,338	383,767
Norwegian Kroner	4,734,560	236,728
Philippine Peso	1,102,670	55,133
Polish Zloty	4,752,451	237,622
Singapore Dollar	10,214,757	510,738
South Korean Won	34,133,112	1,706,656
Swedish Krona	2,445,186	122,259
Swiss Franc	31,645,273	1,582,264
Taiwanese Dollar	26,266,051	1,313,302
Thai Baht	3,847,399	192,370
Total	1,156,686,288	57,834,314

As the HKD is pegged to the United States dollar ("USD"), the Fund does not expect any significant movements in USD/HKD exchange rate. A 5% appreciation of the HKD against the above currencies would have resulted in an equal but opposite effect on the financial statements, on the basis that all other variables remain constant.

(d) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund's exposure to credit risk is monitored by the Manager on an ongoing basis.

At 31 July 2011, all of the Fund's financial assets were exposed to credit risk. These include investments and cash and cash equivalents placed with banks and the Custodian.

At the date of statement of assets and liabilities, the Fund invested in debt securities with the following credit quality expressed as a percentage of debt securities:

As at 31 July 2011	
Rating	% of debt securities
Aaa/AAA	55.76
Aa1/AA+	3.04
Aa2/AA	12.83
Aa3/AA-	26.73
A2/A	0.88
A3/A-	0.76
Total	100.00

As at 31 July 2010	
Rating	% of debt securities
Aaa/AAA	63.45
Aa1/AA+	3.33
Aa2/AA	24.64
A1/A+	7.77
A2/A	0.81
Total	100.00

Credit risk is managed by the reviewing and monitoring of the credit quality of debt instruments held by the Fund or the issuers of the debt instruments held by the Fund on an ongoing basis.

Credit risk arising from transactions with brokers relates to transaction awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used.

The majority of the cash held by the Fund are deposited with the HSBC Group. Bankruptcy or insolvency of the bank may cause the Fund's rights with respect to the cash held by the bank to be delayed or limited. The Manager monitors the credit rating and financial position of the bank on an ongoing basis.

Substantially all of the assets of the Fund are held by the Custodian. Bankruptcy or insolvency of the Custodian may cause the Fund's rights with respect to securities held by the Custodian to be delayed or limited. The Custodian is a group company of the HSBC, for which the credit risk is considered insignificant.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the date of statement of assets and liabilities.

Notes to the Financial Statements

At both 31 July 2011 and 2010, there were no significant concentrations of credit risk to counterparties except to the Custodian.

(e) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund. The Fund is exposed to daily liquidity risk on redemption of units.

The Fund's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements in the short and longer term.

The Fund's listed investments are considered to have insignificant exposures to liquidity risk as they are all readily realisable under normal market condition. The Fund, however, also invests in unlisted investments such as unlisted bonds and unit trusts which are not publicly traded on exchanges and may be illiquid. The market value of these unlisted investments at the year end was \$144,303,933 (2010: \$143,025,947).

As at 31 July 2011 and 2010, the Fund's financial liabilities are due within three months, except for redemptions payable which is repayable on demand.

(f) Specific instruments

Derivatives

At 31 July 2011 and 2010, the Fund's holdings in derivatives translated into Hong Kong dollars were as specified in the following tables.

As at 31 July 2011

Type of contract	Expiration	Underlying	Fair value assets HKD	Fair value (liabilities) HKD
Futures	September 2011	United States equity indices	1,104,650	-

As at 31 July 2010

Type of contract	Expiration	Underlying	Fair value assets HKD	Fair value (liabilities) HKD
Futures	September 2010	Australian equity indices	384,001	-
Futures	September 2010	European equity indices	-	(138,682)
Futures	August 2010	Hong Kong equity indices	-	(141,450)
Futures	September 2010	Japanese equity indices	-	(844,156)
Futures	September 2010	United States equity indices	-	(435,727)
			384,001	(1,560,015)

Futures

Futures are commitments either to purchase or sell a designated financial instrument, currency, commodity or index at a specified future date for a specified price and may be settled in cash or the underlying financial asset. Futures are standardised exchange-traded contracts. Initial margin requirements for futures are met in cash or other instruments, and changes in futures contract values are marked to market daily. Futures contracts have little credit risk because the counterparties are futures exchanges.

Futures contracts result in exposure to market risk based on changes in market prices relative to contracted prices. Market risks arise due to the possible movement in foreign currency exchange rates, indices, and securities' values underlying these instruments. In addition, because of the low margin deposits normally required in relation to notional contract sizes, a high degree of leverage may be typical of a futures contract and may result in substantial losses to the Fund. Trading in futures contracts may be subject to asset liquidity risk. Certain futures exchanges do not permit trading in particular futures contracts at prices that represent a material fluctuation in price during a single day's trading beyond certain preset limits. If prices fluctuate during a single day's trading beyond those limits, the Fund could be prevented from promptly liquidating unfavourable positions and thus could be subject to substantial losses.

14 Fair value information

The Fund's financial instruments are measured at fair value on the date of statement of assets and liabilities. Fair value estimates are made at a specified point in time, based on market conditions and information about the financial instruments. Usually, fair values can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including interest and dividends

Notes to the Financial Statements

receivable, subscriptions receivable, amounts due from brokers, redemptions payable, amount due to brokers, distributions payable and other payables, the carrying amounts approximate fair values due to the immediate or short-term nature of these financial instruments.

Valuation of financial instruments

The Fund's accounting policy on fair value measurements is detailed in significant accounting policy in note 2(d)(iv).

The Fund measures fair values using the three levels of fair value hierarchy defined in HKFRS 7, Financial instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

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

Fair values of financial assets and financial liabilities that are traded in active markets, such as equities, debt securities, unit trusts, futures, rights and warrants which are listed on recognised stock exchanges are based on quoted market prices or dealer price quotations. For all other financial instruments, the Fund determines fair value using valuation techniques.

The Fund uses widely recognised valuation models for determining the fair value of the debt securities and unit trusts which do not have quoted market price in active market. Valuation techniques include net present value, discounted cash flow models, comparison to similar instruments for which market observable prices exist, comparison to quoted prices for identical instruments that are considered less than active and other valuation models.

The following analyses financial instruments at fair value at the date of the statement of assets and liabilities, by

the level in the fair value hierarchy into which the fair value measurement is categorised.

31 July 2011

**Level 1
HKD**

*Financial assets at fair value
through profit or loss*

Equity securities	1,565,280,518
Debt securities	578,641,709
Unit trusts	58,358,960
Futures	1,104,650
	<u>2,203,285,837</u>

31 July 2010

**Level 1
HKD**

*Financial assets at fair value
through profit or loss*

Equity securities	1,611,223,209
Debt securities	570,482,959
Unit trusts	76,765,452
Futures	384,001
Rights	3,461,294
Warrants	50,324
	<u>2,262,367,239</u>

*Financial liabilities at fair value
through profit or loss*

Futures	<u>(1,560,015)</u>
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There are no significant transfers between the levels during the year.

15 Segment information

The Manager makes the strategic resource allocation on behalf of the Fund and determines the operating segments based on the internal reporting used to make strategic decisions.

The Manager's asset allocation decisions are based on one single and integrated investment strategy, and the Fund's performance is evaluated on an overall basis. Accordingly the Manager considers that the Fund has one single operating segment which is investing in a portfolio of financial instruments to generate investment returns in

Notes to the Financial Statements

accordance with the investment objective stipulated in the Explanatory Memorandum. There were no changes in the operating segment during the year.

All revenues generated from investments by the Fund are disclosed in note 3. The segment information provided to the Manager is the same as that disclosed in profit or loss and the statement of assets and liabilities.

16 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting year ended 31 July 2011

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and Interpretations and new standards which are not yet effective for the year ended 31 July 2011, and which have not been adopted in these financial statements. These include the following which may be relevant to the Fund:

	Effective for accounting periods beginning on or after
Improvements to HKFRSs 2010	1 January 2011
HKAS 24 (Revised), <i>Related party disclosures</i>	1 January 2011
HKFRS 9, <i>Financial instruments</i>	1 January 2013
HKFRS 13, <i>Fair value measurement</i>	1 January 2013

The Fund is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Fund's results of operations and financial position.

Portfolio Statement (Unaudited)

HSBC Managed Balanced Fund

as at 31 July 2011

	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
Equities							
Listed investments				AIR CHINA LTD H SHARES	550,000	4,515,500	0.19
				ANHUI CONCH CEMENT CO LTD H SHARES	82,000	2,993,000	0.13
				BANK OF CHINA LTD H SHARES	3,733,100	13,364,498	0.56
France				BANK OF COMMUNICATIONS CO LTD H SHARES	513,040	3,483,542	0.15
AIR FRANCE SA	31,309	2,954,150	0.12	BANK OF EAST ASIA LTD	68,258	2,054,566	0.09
AXA SA	28,518	4,184,421	0.18	BEIJING ENTERPRISES HOLDINGS LTD	32,500	1,274,000	0.05
BNP PARIBAS SA	8,945	4,554,648	0.19	BELLE INTERNATIONAL HOLDINGS LTD	321,000	5,463,420	0.23
BOUYGUES SA	9,051	2,673,325	0.11	BOC HONG KONG HOLDINGS LTD	213,809	4,981,750	0.21
CAP GEMINI SA	8,964	3,449,347	0.14	BRILLIANCE CHINA AUTOMOTIVE HOLDINGS LTD	430,000	4,278,500	0.18
CASINO GUICHARD PERRACHON SA	4,340	3,090,203	0.13	CHEUNG KONG (HOLDINGS) LTD	99,339	11,821,341	0.49
CIE DE SAINT GOBAIN SA	8,790	3,977,547	0.17	CHEUNG KONG INFRASTRUCTURE (HOLDINGS) LTD	55,000	2,466,750	0.10
CIE GENERALE DE				CHINA CITIC BANK H SHARES	388,000	1,846,880	0.08
GEOHYSIQUE-VERITAS SA	15,919	4,197,273	0.18	CHINA COMMUNICATIONS CONSTRUCTION CO LTD H SHARES	543,000	3,605,520	0.15
CREDIT AGRICOLE SA	30,136	2,908,618	0.12	CHINA CONSTRUCTION BANK H SHARES	3,315,460	20,821,089	0.87
GDF SUEZ SA	15,890	4,062,372	0.17	CHINA LIFE INSURANCE CO LTD H SHARES	540,000	14,013,000	0.59
LAFARGE SA	6,415	2,685,845	0.11	CHINA METAL RECYCLING HOLDINGS LTD	379,800	3,942,324	0.16
MICHELIN SA (CIE GENERALE DES ETABLISSEMENTS) CLASS B	5,016	3,295,115	0.14	CHINA MINSHENG BANKING CORP LTD H SHARES	241,000	1,655,670	0.07
NATIXIS SA	22	783	0.00	CHINA MOBILE LTD	303,646	23,502,200	0.98
PEUGEOT SA	10,234	3,041,652	0.13	CHINA NATIONAL BUILDING MATERIAL H SHARES	698,000	10,916,720	0.46
SAFRAN SA	10,923	3,551,681	0.15	CHINA NETCOM TECHNOLOGY HOLDINGS LTD	10,395,000	2,089,395	0.09
SANOFI-AVENTIS SA	13,440	8,171,168	0.34	CHINA OVERSEAS GRAND OCEANS GROUP LTD	29,000	325,960	0.01
SOCIETE GENERALE SA	12,705	4,942,959	0.21	CHINA OVERSEAS LAND & INVESTMENT LTD	272,000	4,732,800	0.20
TOTAL SA	9,358	3,959,953	0.17	CHINA PACIFIC INSURANCE GROUP CO LTD H SHARES	45,400	1,339,300	0.06
VALLOUREC SA	3,698	2,945,803	0.12	CHINA PETROLEUM & CHEMICAL CORP H SHARES	1,332,000	10,229,760	0.43
VEOLIA ENVIRONNEMENT SA	16,219	2,870,293	0.12	CHINA RESOURCES GAS GROUP LTD	216,000	2,484,000	0.10
VIVENDI SA	13,357	2,498,449	0.10	CHINA SHANSHUI CEMENT GROUP LTD	314,000	2,945,320	0.12
		<u>74,015,605</u>	<u>3.10</u>	CHINA SHENHUA ENERGY CO LTD H SHARES	102,000	3,993,300	0.17
				CHINA SINGYES SOLAR TECHNOLOGIES HOLDINGS LTD	617,000	3,985,820	0.17
Germany							
ALLIANZ SE	5,526	5,618,214	0.24				
BILFINGER BERGER SE	4,796	3,688,852	0.15				
DEUTSCHE BOERSE AG	5,426	3,114,718	0.13				
DEUTSCHE POST AG	27,429	3,803,432	0.16				
FRESENIUS MEDICAL CARE AG & CO KGAA	8,328	4,987,649	0.21				
HENKEL AG & CO KGAA PREFERRED SHARES	6,911	3,639,725	0.15				
		<u>24,852,590</u>	<u>1.04</u>				
Hong Kong							
AGRICULTURAL BANK OF CHINA H SHARES	908,000	3,822,680	0.16				
AIA GROUP LTD	578,000	16,530,800	0.69				

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	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
Equities							
Listed investments							
				KINGBOARD CHEMICAL HOLDINGS LTD	65,807	2,438,149	0.10
				KUNLUN ENERGY CO LTD	132,000	1,718,640	0.07
CHINA TAIPING INSURANCE HOLDINGS CO LTD	129,200	2,317,848	0.10	KWG PROPERTY HOLDING LTD	731,500	3,979,360	0.17
CHINA TELECOM CORP LTD				LI & FUNG LTD	347,724	4,499,548	0.19
				LIFESTYLE INTERNATIONAL HOLDINGS LTD	123,000	3,124,200	0.13
CHINA YURUN FOOD GROUP LTD	254,000	6,210,300	0.26	LONGFOR PROPERTIES CO LTD	135,000	1,620,000	0.07
CHINA ZHENGTONG AUTO SERVICES HOLDINGS LTD	321,500	3,311,450	0.14	MIE HOLDINGS CORP	1,204,000	3,624,040	0.15
CLP HOLDINGS LTD	107,985	7,758,722	0.32	MTR CORP LTD	73,732	1,946,525	0.08
CNOOC LTD	1,035,360	17,994,557	0.75	NWS HOLDINGS LTD	61,239	692,001	0.03
COMBA TELECOM SYSTEMS HOLDINGS LTD	163,960	1,173,954	0.05	PARKSON RETAIL GROUP LTD	76,500	835,380	0.04
COSCO PACIFIC LTD	106,000	1,335,600	0.06	PCCW LTD	1,413,000	4,804,200	0.20
DAH CHONG HONG HOLDINGS LTD	347,000	3,546,340	0.15	PETROCHINA CO LTD H SHARES	976,000	10,755,520	0.45
DONGFENG MOTOR GROUP CO LTD H SHARES	672,000	10,308,480	0.43	PICC PROPERTY & CASUALTY CO LTD H SHARES	186,000	2,499,840	0.10
DONGYUE GROUP	455,000	3,862,950	0.16	PING AN INSURANCE (GROUP) CO OF CHINA H SHARES	230,500	17,460,375	0.73
EMPEROR WATCH & JEWELLERY LTD	3,360,000	5,611,200	0.23	POLY (HONG KONG) INVESTMENT LTD	146,000	845,340	0.04
EVA PRECISION INDUSTRIAL HOLDINGS LTD	2,422,000	7,120,680	0.30	POWER ASSETS HOLDINGS LTD	130,448	8,453,030	0.35
EVERGRANDE REAL ESTATE GROUP LTD	374,000	2,184,160	0.09	SATERI HOLDINGS LTD	312,000	1,182,480	0.05
GALAXY ENTERTAINMENT GROUP LTD	65,000	1,309,750	0.05	SHANGHAI INDUSTRIAL HOLDINGS LTD	32,000	905,600	0.04
GCL POLY ENERGY HOLDINGS LTD	1,674,000	7,382,340	0.31	SHANGRI-LA ASIA LTD	57,500	1,148,850	0.05
GOME ELECTRICAL APPLIANCES HOLDING LTD	761,000	2,785,260	0.12	SHENZHOU INTERNATIONAL GROUP	95,000	1,083,000	0.05
GREAT WALL MOTOR CO LTD H SHARES	359,500	4,220,530	0.18	SINGAMAS CONTAINER HOLDINGS LTD	876,000	2,365,200	0.10
HAIER ELECTRONICS GROUP CO LTD	243,000	2,298,780	0.10	SINO PROSPER HOLDINGS LTD	11,700,000	2,375,100	0.10
HANG LUNG PROPERTIES LTD	228,000	6,566,400	0.27	SINOPEC SHANGHAI PETROCHEMICAL CO LTD			
HANG SENG BANK LTD	24,100	2,947,430	0.12	H SHARES	1,114,000	3,609,360	0.15
HENGAN INTERNATIONAL GROUP CO LTD	45,500	3,066,700	0.13	SITC INTERNATIONAL HOLDINGS CO LTD	262,000	859,360	0.04
HONG KONG & CHINA GAS CO LTD	132,165	2,513,778	0.10	SJM HOLDINGS LTD	131,000	2,567,600	0.11
HONG KONG EXCHANGES AND CLEARING LTD	58,300	9,368,810	0.39	SKYWORTH DIGITAL HOLDINGS LTD	998,000	4,990,000	0.21
HSBC HOLDINGS PLC	578,158	44,257,995	1.85	SUN HUNG KAI PROPERTIES LTD	125,928	14,922,468	0.63
HUTCHISON WHAMPOA LTD	188,832	17,145,946	0.72	SWIRE PACIFIC LTD CLASS A	30,504	3,340,188	0.14
HYSAN DEVELOPMENT CO LTD	85,674	3,118,534	0.13	TCL COMMUNICATION TECHNOLOGY HOLDINGS LTD	748,000	4,966,720	0.21
INDUSTRIAL AND COMMERCIAL BANK OF CHINA H SHARES	5,498,095	32,603,703	1.37	TECHTRONIC INDUSTRIES CO LTD	287,000	2,336,180	0.10
JIANGXI COPPER CO LTD H SHARES	257,000	7,041,800	0.29	TENCENT HOLDINGS LTD	53,700	10,890,360	0.46
JOHNSON ELECTRIC HOLDINGS LTD	400,000	1,832,000	0.08	TPV TECHNOLOGY LTD	828,000	3,179,520	0.13
KERRY PROPERTIES LTD	82,500	3,118,500	0.13	WEICHAI POWER CO LTD H SHARES	24,000	1,012,800	0.04
				WHARF (HOLDINGS) LTD, THE	166,475	9,514,046	0.40
				XINYI GLASS HOLDINGS CO LTD	148,000	972,360	0.04
				XTEP INTERNATIONAL HOLDINGS LTD	1,149,500	5,241,720	0.22

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	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
Equities							
Listed investments							
YANZHOU COAL MINING CO LTD				BROTHER INDUSTRIES LTD	10,400	1,263,357	0.05
H SHARES	252,000	7,497,000	0.31	CANON INC	19,650	7,430,903	0.31
ZHONGSHENG GROUP				CAPCOM CO LTD	2,100	427,713	0.02
HOLDINGS LTD	215,500	3,555,750	0.15	CENTRAL JAPAN RAILWAY CO	35	2,350,265	0.10
ZIJIN MINING GROUP CO LTD				CHUBU ELECTRIC POWER CO INC	7,600	1,014,547	0.04
H SHARES	663,000	2,777,970	0.12	CHUGOKU ELECTRIC POWER CO LTD	4,100	515,029	0.02
				COCA-COLA WEST CO LTD	6,100	945,508	0.04
				DAI NIPPON PRINTING CO LTD	16,000	1,412,078	0.06
				DAIDO STEEL CO LTD	11,000	608,696	0.03
				DAIHATSU MOTOR CO LTD	9,000	1,228,701	0.05
		576,761,882	24.17	DAI-ICHI LIFE INSURANCE CO LTD	133	1,463,879	0.06
				DAIICHI SANKYO CO LTD	2,300	369,974	0.01
				DAINIPPON SCREEN MFG CO LTD	15,000	917,891	0.04
				DAINIPPON SUMITOMO			
				PHARMACEUTICAL CO LTD	6,200	488,956	0.02
Indonesia				DAITO TRUST CONSTRUCTION CO LTD	2,300	1,718,647	0.07
ASTRA INTERNATIONAL TBK	13,000	837,176	0.03	DAIWA HOUSE INDUSTRY CO LTD	15,000	1,566,170	0.07
BANK RAKYAT INDONESIA				DAIWA SECURITIES GROUP INC	9,000	305,358	0.01
PERSERO TBK	513,500	3,224,469	0.14	DENKI KAGAKU KOGYO KK	29,000	1,092,280	0.05
INDO TAMBANGRAYA MEGAH	46,500	2,152,641	0.09	DENSO CORP	6,800	1,886,917	0.08
PT PERUSAHAAN GAS NEGARA	291,500	1,062,192	0.04	DISCO CORP	2,000	906,783	0.04
TAMBANG BATUBARA BUKIT				DOWA HOLDINGS CO LTD	17,000	887,496	0.04
ASAM TBK	60,000	1,155,042	0.05	EAST JAPAN RAILWAY CO	3,607	1,762,864	0.07
UNITED TRACTORS	93	2,293	0.00	EBARA CORP	23,000	1,052,091	0.04
				EISAI CO LTD	5,600	1,769,944	0.07
				ELECTRIC POWER DEVELOPMENT			
				CO LTD	5,900	1,215,372	0.05
		8,433,813	0.35	ELPIDA MEMORY INC	6,700	481,029	0.02
				FANUC CORP	1,800	2,655,522	0.11
Ireland				FUJI HEAVY INDUSTRIES LTD	20,000	1,252,128	0.05
KERRY GROUP PLC	10,777	3,469,203	0.15	FUJIFILM HOLDINGS CORP	1,600	376,931	0.02
				FUJIKURA LTD	28,000	1,026,341	0.04
				FUJITSU LTD	40,000	1,833,762	0.08
				HAMAMATSU PHOTONICS KK	2,600	909,712	0.04
Italy				HANKYU HANSHIN HOLDINGS INC	28,000	876,490	0.04
AUTOGRILL SPA	31,161	3,202,304	0.14	HEIWA CORP	5,200	656,883	0.03
UNICREDIT SPA	293,270	4,102,750	0.17	HINO MOTORS LTD	22,000	1,061,886	0.04
				HITACHI CAPITAL CORP	7,300	835,917	0.03
				HITACHI HIGH-TECHNOLOGIES CORP	4,800	806,532	0.03
		7,305,054	0.31	HITACHI LTD	65,000	3,143,953	0.13
				HITACHI METALS LTD	5,000	550,836	0.02
				HITACHI TRANSPORT SYSTEM LTD	3,500	490,552	0.02
Japan				HOKKAIDO ELECTRIC POWER CO INC	2,200	262,583	0.01
ABC-MART INC	1,300	390,664	0.02	HONDA MOTOR CO LTD	16,600	5,154,427	0.22
AEON CO LTD	16,300	1,596,565	0.07	INPEX CORP	22	1,330,689	0.06
AEON CREDIT SERVICE CO LTD	7,600	832,665	0.03	ITO EN LTD	6,100	865,433	0.04
AEON MALL CO LTD	5,100	1,020,707	0.04				
AISIN SEIKI CO LTD	4,900	1,469,040	0.06				
AJINOMOTO CO INC	16,000	1,541,330	0.06				
ALPS ELECTRIC CO LTD	11,200	977,145	0.04				
AOZORA BANK LTD	40,000	751,277	0.03				
ASAHI GLASS CO LTD	21,000	1,891,522	0.08				
ASAHI KASEI CORP	30,000	1,650,992	0.07				
ASTELLAS PHARMA INC	7,572	2,289,995	0.10				
AUTOBACS SEVEN CO LTD	2,300	805,906	0.03				
BRIDGESTONE CORP	12,700	2,453,273	0.10				

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Equities							
Listed investments				NIPPON MEAT PACKERS INC	10,000	1,084,505	0.05
				NIPPON SHEET GLASS CO LTD	45,000	1,117,828	0.05
				NIPPON SHOKUBAI CO LTD	4,000	407,144	0.02
				NIPPON STEEL CORP	38,000	997,664	0.04
				NIPPON TELEGRAPH AND TELEPHONE CORP	8,700	3,338,336	0.14
				NIPPON TELEVISION NETWORK CORP	660	782,419	0.03
				NIPRO CORP	2,500	356,958	0.01
				NISHI-NIPPON BANK LTD	21,000	502,568	0.02
				NISSAN MOTOR CO LTD	41,000	3,403,164	0.14
				NISSHINBO HOLDINGS INC	13,000	997,664	0.04
				NISSIN FOODS HOLDINGS CO LTD	2,500	739,665	0.03
				NITORI HOLDINGS CO LTD	1,400	1,058,856	0.04
				NITTO DENKO CORP	900	338,075	0.01
				NKSJ HOLDINGS INC	9,495	488,023	0.02
				NOMURA HOLDINGS INC	31,800	1,204,164	0.05
				NOMURA RESEARCH INSTITUTE LTD	6,200	1,149,454	0.05
				NTN CORP	25,000	1,173,870	0.05
				NTT DATA CORP	49	1,321,591	0.06
				NTT DOCOMO INC	228	3,257,755	0.14
				OBIC CO LTD	240	368,610	0.02
				OJI PAPER CO LTD	35,000	1,357,146	0.06
				ORACLE CORP JAPAN	2,800	729,183	0.03
				ORIX CORP	2,460	2,069,223	0.09
				OSAKA GAS CO LTD	44,000	1,350,683	0.06
				OTSUKA HOLDINGS CO LTD	1,800	385,696	0.02
				PACIFIC METALS CO LTD	5,000	290,817	0.01
				PANASONIC CORP	28,700	2,674,920	0.11
				POINT INC	710	248,063	0.01
				RENGO CO LTD	17,000	868,614	0.04
				RESONA HOLDINGS INC	9,600	370,307	0.02
				RYOHIN KEIKAKU CO LTD	2,900	1,171,346	0.05
				SANTEN PHARMACEUTICAL CO LTD	3,600	1,125,098	0.05
				SAPPORO HOKUYO HOLDINGS INC	15,500	521,198	0.02
				SAWAI PHARMACEUTICAL CO LTD	600	481,665	0.02
				SEGA SAMMY HOLDINGS INC	6,900	1,154,513	0.05
				SEKISUI CHEMICAL CO LTD	19,000	1,366,032	0.06
				SEVEN & I HOLDINGS CO LTD	4,728	1,047,947	0.04
				SHARP CORP	15,000	1,076,931	0.05
				SHIKOKU ELECTRIC POWER CO INC	2,300	389,947	0.02
				SHIN ETSU CHEMICAL CO LTD	2,500	1,050,172	0.04
				SHINSEI BANK LTD	131,000	1,283,129	0.05
				SHIONOGI & CO LTD	7,100	954,970	0.04
				SHIZUOKA BANK LTD	19,000	1,389,055	0.06
				SKY PERFECT JSAT HOLDINGS INC	290	992,716	0.04
				SOFTBANK CORP	9,300	2,826,680	0.12

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Equities							
Listed investments							
SOJITZ CORP	54,200	831,898	0.03				
SONY CORP	15,700	3,086,688	0.13				
SONY FINANCIAL HOLDINGS INC	7,200	1,006,227	0.04				
SUMITOMO CORP	14,998	1,646,228	0.07				
SUMITOMO FORESTRY CO LTD	5,900	433,721	0.02				
SUMITOMO HEAVY INDUSTRIES LTD	22,000	1,195,177	0.05				
SUMITOMO METAL MINING CO LTD	13,000	1,794,482	0.07				
SUMITOMO MITSUI FINANCIAL GROUP INC	22,500	5,525,522	0.23				
SUMITOMO MITSUI TRUST HOLDINGS INC	77,150	2,212,491	0.09				
SUMITOMO REAL ESTATE SALES CO LTD	570	205,480	0.01				
SUMITOMO REALTY & DEVELOPMENT CO LTD	2,000	384,525	0.02				
TAIHEIYO CEMENT CORP	65,000	991,100	0.04				
TAKEDA PHARMACEUTICAL CO LTD	10,300	3,822,273	0.16				
TEIJIN LTD	34,000	1,181,040	0.05				
THE CHUGOKU BANK LTD	3,000	296,573	0.01				
THK CO LTD	4,200	843,975	0.04				
TOHOKU ELECTRIC POWER CO INC	8,600	864,070	0.04				
TOKAI RIKA CO LTD	4,000	611,927	0.03				
TOKIO MARINE HOLDINGS INC	11,697	2,685,914	0.11				
TOKYO ELECTRIC POWER CO INC	11,700	502,114	0.02				
TOKYU CORP	38,000	1,327,660	0.06				
TOKYU LAND CORP	29,000	1,054,211	0.04				
TONEN GENERAL SEKIYU KK	13,000	1,270,708	0.05				
TOPPAN FORMS CO LTD	5,800	380,102	0.02				
TOSHIBA CORP	61,000	2,457,706	0.10				
TOSHIBA TEC CORP	22,000	726,436	0.03				
TOSOH CORP	32,000	1,059,866	0.04				
TOYODA GOSEI CO LTD	5,600	956,788	0.04				
TOYOTA MOTOR CORP	31,400	10,003,597	0.42				
UBE INDUSTRIES LTD	15,000	396,844	0.02				
ULVAC INC	3,300	475,516	0.02				
UNY CO LTD	11,900	907,238	0.04				
WEST JAPAN RAILWAY CO	1,700	560,479	0.02				
YAMADA DENKI CO LTD	2,200	1,364,012	0.06				
YAMATO KOGYO CO LTD	1,800	421,685	0.02				
YAMAZAKI BAKING CO LTD	10,000	1,074,407	0.05				
YOKOHAMA RUBBER CO LTD	15,000	705,837	0.03				
ZEON CORP	5,000	422,593	0.02				
		249,700,533	10.46				
				Malaysia			
				AIRASIA BHD			
				134,200	1,385,063	0.06	
				AXIATA GROUP BHD			
				129,900	1,732,994	0.07	
				CIMB GROUP HOLDINGS BHD			
				136,200	2,958,060	0.13	
				RHB CAPITAL BHD			
				61,907	1,479,468	0.06	
					7,555,585	0.32	
				Netherlands			
				ARCELORMITTAL			
				15,355	3,749,310	0.16	
				HEINEKEN NV			
				10,881	5,029,772	0.21	
				ING GROEP NV			
				64,391	5,422,884	0.23	
				KONINKLIJKE KPN NV			
				42,305	4,712,393	0.20	
				KONINKLIJKE PHILIPS ELECTRONICS NV			
				16,095	3,126,873	0.13	
				RANDSTAD HOLDING NV			
				9,888	3,479,843	0.14	
				REED ELSEVIER NV			
				39,843	4,149,859	0.17	
					29,670,934	1.24	
				New Zealand			
				TELECOM CORP OF NEW ZEALAND			
				146,507	2,619,317	0.11	
				Norway			
				NORSK HYDRO ASA			
				54,413	3,027,675	0.13	
				SUBSEA 7 SA			
				16,525	3,399,161	0.14	
				TELENOR ASA			
				20,211	2,629,008	0.11	
					9,055,844	0.38	
				Singapore			
				DBS GROUP HOLDINGS LTD			
				14,324	1,439,488	0.06	
				GLOBAL LOGISTIC PROPERTIES LTD			
				66,000	858,998	0.04	
				HONG KONG LAND HOLDINGS LTD			
				102,941	5,391,951	0.23	
				SEMBCORP INDUSTRIES LTD			
				22,000	722,242	0.03	
				SINGAPORE TELECOMMUNICATIONS LTD			
				67,000	1,453,354	0.06	
				STX OSV HOLDINGS LTD			
				249,000	2,474,911	0.10	
				UNITED OVERSEAS BANK LTD			
				9,573	1,267,632	0.05	
				YANGZHIJIANG SHIPBUILDING HOLDINGS LTD			
				106,000	988,372	0.04	
					14,596,948	0.61	
				South Korea			
				BS FINANCIAL GROUP INC			
				18,200	2,186,509	0.09	
				GS ENGINEERING & CONSTRUCTION CORP			
				2,580	2,260,292	0.10	
				GS HOLDINGS CORP			
				1,243	831,661	0.03	

Portfolio Statement (Unaudited)

HSBC Managed Balanced Fund

as at 31 July 2011

	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
Equities							
Listed investments							
The Philippines							
	321,000	1,929,666	0.08				
	82,400	1,163,671	0.05				
		<u>3,093,337</u>	<u>0.13</u>				
United Kingdom							
	126,890	3,618,817	0.15	AMERSOURCEBERGEN CORP	3,372	1,005,852	0.04
	30,492	5,633,551	0.24	ANALOG DEVICES INC	3,200	857,270	0.04
	134,781	7,939,500	0.33	APACHE CORP	1,614	1,556,563	0.07
	36,117	3,317,915	0.14	APPLE INC	2,192	6,670,367	0.28
	77,023	3,020,509	0.13	ARCHER DANIELS MIDLAND CO	4,073	964,474	0.04
	103,593	3,633,027	0.15	ARROW ELECTRONICS INC	1,715	463,988	0.02
	88,414	6,725,151	0.28	ASSURANT INC	1,271	353,178	0.02
	10,299	2,788,302	0.12	AT&T INC	11,961	2,726,046	0.11
	84,044	3,287,239	0.14	AUTOZONE INC	357	794,610	0.03
	10,678	2,616,302	0.11	AVNET INC	1,643	374,970	0.02
	111,586	3,607,814	0.15	AVON PRODUCTS INC	4,400	899,579	0.04
	45,813	4,041,589	0.17	BALL CORP	3,086	933,288	0.04
	8,833	3,905,810	0.16	BANK OF AMERICA CORP	13,553	1,025,753	0.04
	8,404	4,623,636	0.19	BAXTER INTERNATIONAL INC	2,858	1,294,943	0.05
	30,115	8,627,125	0.36	BECTON DICKINSON & CO	1,100	716,611	0.03
	61,261	3,003,969	0.13	BED BATH & BEYOND INC	1,700	775,296	0.03
	21,369	5,326,014	0.22	BERKSHIRE HATHAWAY INC CLASS A	1	868,307	0.04
	192,948	4,246,175	0.18	BERKSHIRE HATHAWAY INC CLASS B	1,572	908,924	0.04
	30,164	4,999,833	0.21	BEST BUY INC	3,200	687,911	0.03
		<u>84,962,278</u>	<u>3.56</u>	BIOGEN IDEC INC	1,857	1,473,493	0.06
				BOEING CO	2,882	1,583,020	0.07
				BRISTOL MYERS SQUIBB CO	7,100	1,586,625	0.07
				BUNGE LTD	1,700	911,247	0.04
				CAPITAL ONE FINANCIAL CORP	2,644	985,094	0.04
				CARDINAL HEALTH INC	3,001	1,023,603	0.04
				CATERPILLAR INC	1,831	1,410,047	0.06
				CB RICHARD ELLIS GROUP INC CLASS A	4,859	825,642	0.04
				CBS CORP CLASS B	5,500	1,173,345	0.05
				CELANESE CORP SERIES A	1,400	601,049	0.03
				CEPHALON INC	150	93,522	0.00
				CF INDUSTRIES HOLDINGS INC	530	642,012	0.03
				CHESAPEAKE ENERGY CORP	3,500	937,094	0.04
				CHEVRON CORP	5,215	4,228,238	0.18
				CIGNA CORP	2,600	1,008,219	0.04
				CISCO SYSTEMS INC	6,494	808,361	0.03
				CITIGROUP INC	4,620	1,378,485	0.06
				CLIFFS NATURAL RESOURCES INC	1,300	909,525	0.04
				COCA COLA CO	3,173	1,681,031	0.07
				COLGATE PALMOLIVE CO	971	638,627	0.03
				CONOCOPHILLIPS	4,414	2,478,187	0.10
				COVIDIEN PLC	1,000	396,039	0.02
				CUMMINS INC	1,214	992,808	0.04
				DARDEN RESTAURANTS INC	2,343	928,101	0.04
				DELL INC	9,918	1,255,447	0.05
				DELTA AIR LINES INC	10,004	614,452	0.03
				DIRECTV CLASS A	1,715	677,335	0.03
United States of America							
	600	407,528	0.02				
	4,362	1,742,820	0.07				
	3,144	1,448,544	0.06				
	8,146	781,611	0.03				
	3,500	1,130,787	0.05				
	2,841	1,019,739	0.04				
	1,500	460,538	0.02				
	2,300	765,856	0.03				
	3,715	761,847	0.03				
	290	502,985	0.02				
	3,001	674,137	0.03				
	4,747	1,851,505	0.08				
	2,000	842,897	0.04				

Portfolio Statement (Unaudited)

HSBC Managed Balanced Fund

as at 31 July 2011

	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
Equities							
Listed investments							
				INTERNATIONAL BUSINESS MACHINES CORP	3,158	4,470,582	0.19
				INTERNATIONAL PAPER CO	3,830	886,632	0.04
DISCOVER FINANCIAL SERVICES	6,288	1,254,212	0.05	ITT CORP	966	401,773	0.02
DISH NETWORK CORP CLASS A	2,958	683,153	0.03	JABIL CIRCUIT INC	3,287	468,343	0.02
DOVER CORP	1,900	895,682	0.04	JOHNSON & JOHNSON	3,858	1,945,305	0.08
DST SYSTEMS INC	1,100	439,158	0.02	JP MORGAN CHASE & CO	10,018	3,156,208	0.13
DU PONT EI DE NEMOURS & CO	3,715	1,489,526	0.06	KEYCORP	6,600	412,578	0.02
DUKE REALTY CORP	4,200	459,299	0.02	KINETIC CONCEPTS INC	1,000	521,998	0.02
DUN & BRADSTREET CORP	914	516,431	0.02	KROGER CO	4,716	914,561	0.04
EASTMAN CHEMICAL CO	1,229	925,374	0.04	LINCOLN NATIONAL CORP	4,100	846,233	0.04
EATON CORP	2,700	1,009,325	0.04	LORILLARD INC	1,223	1,011,989	0.04
EDISON INTERNATIONAL	3,400	1,008,374	0.04	MACYS INC	4,500	1,011,921	0.04
ELI LILLY & CO	4,673	1,394,299	0.06	MARATHON OIL CORP	3,458	833,668	0.03
ENERGY CORP	1,900	969,278	0.04	MARATHON PETROLEUM CORP	1,729	590,144	0.02
EXELON CORP	3,001	1,031,088	0.04	MATTEL INC	3,858	801,096	0.03
EXXON MOBIL CORP	10,833	6,736,449	0.28	MCDERMOTT INTERNATIONAL INC	4,130	649,620	0.03
FEDEX CORP	1,700	1,150,686	0.05	MCDONALDS CORP	2,863	1,930,304	0.08
FIFTH THIRD BANCORP	7,860	774,999	0.03	MCKESSON CORP	1,786	1,128,574	0.05
FIRSTENERGY CORP	2,200	765,654	0.03	MELCO CROWN ENTERTAINMENT LTD ADR	46,675	5,504,419	0.23
FLEXTRONICS INTERNATIONAL LTD	8,447	424,011	0.02	MERCK & CO INC	3,502	931,897	0.04
FLUOR CORP	1,857	919,703	0.04	METLIFE INC	3,800	1,218,826	0.05
FORD MOTOR CO	7,319	696,555	0.03	METROPCS COMMUNICATIONS INC	4,430	561,452	0.02
FRANKLIN RESOURCES INC	790	782,084	0.03	MICROSOFT CORP	21,823	4,659,022	0.20
FREEPORT-MCMORAN COPPER & GOLD CLASS B	4,173	1,722,601	0.07	MOHAWK INDUSTRIES INC	1,000	405,782	0.02
GAMESTOP CORP CLASS A	2,572	472,719	0.02	MOODY'S CORP	1,286	356,945	0.01
GANNETT INC	3,500	348,375	0.01	MYLAN INC	4,144	735,803	0.03
GENERAL ELECTRIC CO	16,204	2,258,281	0.09	NATIONAL OILWELL VARCO INC	1,640	1,030,180	0.04
GILEAD SCIENCES INC	3,873	1,278,768	0.05	NCR CORP	3,100	482,292	0.02
GOLDMAN SACHS GROUP INC	619	651,203	0.03	NISOURCE INC	3,059	480,206	0.02
GOOGLE INC CLASS A	380	1,788,846	0.07	NORTHEAST UTILITIES	1,630	431,971	0.02
HALLIBURTON CO	4,144	1,768,124	0.07	NORTHROP GRUMMAN CORP	2,100	989,800	0.04
HARRIS CORP	2,645	821,978	0.04	OCCIDENTAL PETROLEUM CORP	1,629	1,246,996	0.05
HARTFORD FINANCIAL SERVICES GROUP INC	4,230	771,185	0.03	ORACLE CORP	9,933	2,367,588	0.10
HERSHEY CO	1,480	651,315	0.03	PARKER HANNIFIN CORP	1,329	818,145	0.03
HESS CORP	1,867	997,853	0.04	PATTERSON-UTI ENERGY INC	3,144	797,177	0.03
HEWLETT PACKARD CO	7,031	1,926,878	0.08	PENTAIR INC	1,500	430,490	0.02
HOME DEPOT INC	3,287	895,181	0.04	PEPSICO INC	1,735	865,637	0.04
HONEYWELL INTERNATIONAL INC	3,144	1,301,264	0.05	PETSMART INC	1,300	435,611	0.02
HORMEL FOODS CORP	3,586	809,463	0.03	PFIZER INC	21,436	3,214,675	0.14
HUMANA INC	1,643	953,434	0.04	PHILIP MORRIS INTERNATIONAL INC	5,260	2,918,314	0.12
HUNTINGTON BANCSHARES INC	8,734	411,186	0.02	PLAINS EXPLORATION & PRODUCTION CO	1,900	578,017	0.02
INTEL CORP	15,163	2,639,138	0.11	POPULAR INC	21,200	394,932	0.02

Portfolio Statement (Unaudited)

HSBC Managed Balanced Fund

as at 31 July 2011

	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
Equities							
Listed investments							
				WW GRAINGER INC	840	971,959	0.04
				WYNDHAM WORLDWIDE CORP	1,700	458,473	0.02
						<u>208,969,978</u>	<u>8.76</u>
PPG INDUSTRIES INC	1,400	918,816	0.04	Unlisted investments			
PPL CORP	5,000	1,087,723	0.05				
PRICELINE INC	300	1,257,728	0.05				
PRINCIPAL FINANCIAL GROUP INC	3,758	809,623	0.03	AYALA LAND INC PREFERRED SHARES	380,000	0	0.00
PROCTER & GAMBLE CO	4,027	1,931,018	0.08				
PUBLIC STORAGE INC	1,057	986,677	0.04				
QUALCOMM INC	1,532	654,138	0.03	Equities (Total)		<u>1,565,280,518</u>	<u>65.59</u>
ROSS STORES INC	1,286	759,498	0.03	Debt securities			
RR DONNELLEY & SONS CO	2,800	410,521	0.02	Bonds			
RYDER SYSTEM INC	1,114	488,857	0.02	Listed investments			
SAIC INC	6,700	836,093	0.04				
SCHLUMBERGER LTD	1,752	1,235,045	0.05	AUSTRALIA (GOVERNMENT OF)			
SEAGATE TECHNOLOGY	5,249	568,286	0.02	5.25% 15 MARCH 2019	550,000	4,875,539	0.20
SEMPRA ENERGY	2,400	948,435	0.04	AUSTRIA (REPUBLIC OF) 4.65%			
SHERWIN WILLIAMS CO	1,300	781,851	0.03	15 JANUARY 2018	350,000	4,376,364	0.18
SMITHFIELD FOODS INC	3,001	515,310	0.02	BELGIUM (KINGDOM OF) 3.5%			
SUNOCO INC	1,343	425,629	0.02	28 MARCH 2015	400,000	4,507,832	0.19
SUPERVALU INC	7,000	469,229	0.02	BELGIUM (KINGDOM OF) 4%			
TECO ENERGY INC	3,100	447,498	0.02	28 MARCH 2019	600,000	6,681,103	0.28
TIME WARNER INC	4,810	1,318,203	0.06	DEPFA ACS BANK 1.65% EMTN			
TJX COS INC	2,286	985,704	0.04	20 DECEMBER 2016	200,000,000	18,914,410	0.79
TRANSATLANTIC HOLDINGS INC	1,443	575,870	0.02	EKSPORTFINANS A/S 1.6%			
TYSON FOODS INC CLASS A	4,716	645,853	0.03	20 MARCH 2014	10,000,000	1,041,589	0.04
UNITED PARCEL SERVICE INC CLASS B	2,902	1,563,696	0.07	EUROPEAN INVESTMENT BANK			
UNITED TECHNOLOGIES CORP	1,908	1,232,286	0.05	1.25% 20 SEPTEMBER 2012	149,500,000	15,275,720	0.64
UNITEDHEALTH GROUP INC	4,287	1,658,722	0.07	FRANCE (GOVERNMENT OF)			
VALERO ENERGY CORP	5,288	1,034,967	0.04	5% 25 APRIL 2012	1,317,000	15,151,816	0.63
VERIZON COMMUNICATIONS	8,523	2,345,068	0.10	FRANCE (GOVERNMENT OF)			
VF CORP	1,258	1,145,476	0.05	5.75% 25 OCTOBER 2032	770,000	11,148,076	0.47
VIACOM INC CLASS B	3,701	1,396,505	0.06	FRANCE (GOVERNMENT OF)			
WAL MART STORES INC	7,074	2,907,442	0.12	8.5% 25 APRIL 2023	245,000	4,137,386	0.17
WALT DISNEY CO	1,429	429,829	0.02	FRANCE (GOVERNMENT OF) OAT			
WARNER CHILCOTT PLC IRELAND				4% 25 APRIL 2018	553,000	6,701,892	0.28
SHARES A	4,200	688,130	0.03	FRANCE (GOVERNMENT OF) OAT			
WATSON PHARMACEUTICALS INC	1,800	941,981	0.04	4.25% 25 OCTOBER 2023	869,000	10,583,132	0.44
WEIGHT WATCHERS INTERNATIONAL INC	830	498,858	0.02	GERMANY (FEDERAL REPUBLIC OF)			
WELLS FARGO & CO	7,291	1,586,685	0.07	5.5% 4 JANUARY 2031	303,000	4,455,395	0.19
WESTERN DIGITAL CORP	1,887	506,551	0.02	GERMANY (FEDERAL REPUBLIC OF)			
WESTERN UNION CO	5,859	885,502	0.04	6.25% 4 JANUARY 2024	540,000	8,194,340	0.34
WHIRLPOOL CORP	1,314	709,359	0.03	GERMANY (REPUBLIC OF) 3.5%			
WILLIAMS COS INC	3,200	790,674	0.03	4 JULY 2019	488,000	5,938,744	0.25

Portfolio Statement (Unaudited)

HSBC Managed Balanced Fund

as at 31 July 2011

	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
Bonds							
Listed investments							
				POLAND (REPUBLIC OF) 6.25%			
				24 OCTOBER 2015	1,750,000	5,095,839	0.21
				SPAIN (GOVERNMENT OF) 4.4%			
				31 JANUARY 2015	1,100,000	12,095,912	0.51
GERMANY (REPUBLIC OF) 3.75%				SPAIN (GOVERNMENT OF) 5.75%			
4 JULY 2013	593,000	6,967,472	0.29	30 JULY 2032	470,000	4,905,563	0.21
GERMANY (REPUBLIC OF) 3.75%				SWEDEN (GOVERNMENT OF) 4.25%			
4 JANUARY 2015	767,000	9,246,423	0.39	12 MARCH 2019	2,000,000	2,776,815	0.12
GERMANY (REPUBLIC OF) 3.75%				SWITZERLAND (GOVERNMENT OF)			
4 JANUARY 2017	563,000	6,911,999	0.29	3% 8 JANUARY 2018	250,000	2,784,418	0.12
GERMANY (REPUBLIC OF) 4%				UK TREASURY 4% 7 SEPTEMBER 2016	910,000	12,931,466	0.54
4 JANUARY 2018	344,000	4,299,029	0.18	UK TREASURY 4.25% 7 MARCH 2036	1,030,000	13,719,490	0.58
GERMANY (REPUBLIC OF) 4.25%				UK TREASURY 8% 7 DECEMBER 2015	329,000	5,372,728	0.23
12 OCTOBER 2012	500,000	5,804,201	0.24	US TREASURY BONDS 7.625%			
GERMANY (REPUBLIC OF) 4.25%				15 FEBRUARY 2025	825,000	9,461,823	0.40
4 JULY 2017	372,000	4,696,241	0.20	US TREASURY NOTES 4.25%			
ITALY (REPUBLIC OF) 4%				15 AUGUST 2014	2,748,000	23,795,488	1.00
1 FEBRUARY 2037	1,580,000	12,888,798	0.54	US TREASURY NOTES 8.875%			
ITALY (REPUBLIC OF) 4.25%				15 FEBRUARY 2019	1,070,000	12,284,077	0.51
15 APRIL 2013	1,031,000	11,535,215	0.48	XTRA FINANCE CORP 5.15%			
ITALY (REPUBLIC OF) 4.25%				1 APRIL 2017	615,000	5,342,546	0.22
1 AUGUST 2013	1,150,000	12,855,039	0.54				
ITALY (REPUBLIC OF) 4.5%							
1 FEBRUARY 2018	100,000	1,060,146	0.04				
						469,002,406	19.65
JAPAN GOVERNMENT 10 YEAR BOND				Unlisted but quoted investments			
#248 0.7% 20 MARCH 2013	273,000,000	27,812,643	1.17	CANADA (GOVERNMENT OF) 4%			
JAPAN GOVERNMENT 10 YEAR BOND				1 JUNE 2017	1,040,000	9,334,435	0.39
#264 1.5% 20 SEPTEMBER 2014	23,000,000	2,414,862	0.10	CANADA TREASURY BONDS 5.75%			
JAPAN GOVERNMENT 10 YEAR BOND				1 JUNE 2029	200,000	2,200,710	0.09
#269 1.3% 20 MARCH 2015	100,000,000	10,474,054	0.44	US TREASURY NOTES 3.125%			
JAPAN GOVERNMENT 10 YEAR BOND				31 AUGUST 2013	360,000	2,965,832	0.12
#300 1.5% 20 MARCH 2019	384,000,000	41,012,554	1.72	US TREASURY NOTES 3.125%			
JAPAN GOVERNMENT 20 YEAR BOND				30 SEPTEMBER 2013	863,000	7,123,946	0.30
#39 2.6% 20 MARCH 2018	218,000,000	24,892,336	1.04	US TREASURY NOTES 3.375%			
JAPAN GOVERNMENT 20 YEAR BOND				31 JULY 2013	597,000	4,933,424	0.21
#90 2.2% 20 SEPTEMBER 2026	245,000,000	26,674,521	1.12	US TREASURY NOTES 4%			
JAPAN GOVERNMENT 20 YEAR BOND				15 AUGUST 2018	319,000	2,807,546	0.12
#97 2.2% 20 SEPTEMBER 2027	88,000,000	9,514,762	0.40	US TREASURY NOTES 4.25%			
JAPAN GOVERNMENT 30 YEAR BOND				30 SEPTEMBER 2012	3,238,000	26,396,018	1.11
#29 2.4% 20 SEPTEMBER 2038	109,000,000	11,870,632	0.50	US TREASURY NOTES 4.375%			
MEXICO (UNITED STATES OF) 8%				15 FEBRUARY 2038	1,800,000	14,735,989	0.62
11 JUNE 2020	6,000,000	4,385,183	0.18	US TREASURY NOTES 4.5%			
NORWAY (GOVERNMENT OF) 4.5%				30 SEPTEMBER 2011	130,000	1,020,449	0.04
22 MAY 2019	700,000	1,136,793	0.05				

Portfolio Statement (Unaudited)

HSBC Managed Balanced Fund

as at 31 July 2011

	Holdings	Market value HKD	% of net asset value
Bonds			
Unlisted but quoted investments			
USTREASURY NOTES 4.5% 15 FEBRUARY 2016	2,370,000	21,241,024	0.89
USTREASURY NOTES 4.875% 15 AUGUST 2016	1,500,000	13,712,231	0.58
USTREASURY STRIPS 0% 15 MAY 2030	877,000	3,167,699	0.13
		<u>109,639,303</u>	<u>4.60</u>
Debt securities (Total)		<u>578,641,709</u>	<u>24.25</u>
Unit trusts			
Listed investments			
ANNALY CAPITAL MANAGEMENT INC REIT	7,388	964,561	0.04
ISHARES MSCI CANADA INDEX FUND	62,864	15,101,598	0.63
ISHARES MSCI JAPAN INDEX FUND	400	33,236	0.00
ISHARES TR S&P 500 INDEX FUND	3,567	3,606,325	0.15
LINK REIT	146,371	3,988,610	0.17
		<u>23,694,330</u>	<u>0.99</u>
Unlisted but quoted investments			
HALBIS FUNDS – HSBC CHINA A SHARE FUND CLASS X	279.5	22,355,322	0.94
HSBC POOLED CHINESE EQUITY FUND W CLASS	1,135,545.02	12,309,308	0.51
		<u>34,664,630</u>	<u>1.45</u>
Unit trusts (Total)		<u>58,358,960</u>	<u>2.44</u>
Futures			
Listed investments			
S&P 500 INDEX FUTURES (CME) SEPTEMBER 2011	38	1,104,650	0.05
Total investments <i>(Total cost of investments: \$1,995,951,369)</i>		<u>2,203,385,837</u>	<u>92.33</u>
Other net assets		<u>183,125,097</u>	<u>7.67</u>
Total net assets		<u>2,386,510,934</u>	<u>100.00</u>

Statement of Movements in Portfolio Holdings (Unaudited)

HSBC Managed Balanced Fund

for the year ended 31 July 2011

	% of net asset value 2011	% of net asset value 2010
Financial assets		
Equities		
Listed investments		
Australia	3.33	4.26
Belgium	–	0.20
Canada	0.79	0.39
Denmark	0.19	0.23
Finland	0.16	0.08
France	3.10	2.79
Germany	1.04	1.43
Hong Kong	24.17	31.14
Indonesia	0.35	0.18
Ireland	0.15	–
Italy	0.31	0.36
Japan	10.46	8.97
Malaysia	0.32	0.31
Netherlands	1.24	1.37
New Zealand	0.11	–
Norway	0.38	0.15
Singapore	0.61	0.68
South Korea	2.13	1.41
Spain	1.35	1.14
Sweden	0.27	–
Switzerland	1.34	1.21
Taiwan	1.10	1.02
Thailand	0.24	0.16
The Philippines	0.13	0.05
United Kingdom	3.56	3.73
United States of America	8.76	4.90
	<hr/> 65.59	<hr/> 66.16
Unlisted investments	–	–
	<hr/> 65.59	<hr/> 66.16
Bonds		
Listed investments	19.65	18.42
Unlisted but quoted investments	4.60	5.00
	<hr/> 24.25	<hr/> 23.42

Statement of Movements in Portfolio Holdings (Unaudited)

HSBC Managed Balanced Fund

for the year ended 31 July 2011

	% of net asset value 2011	% of net asset value 2010
Unit Trusts		
Listed investments	0.99	2.28
Unlisted but quoted investments	1.45	0.87
	2.44	3.15
Futures	0.05	0.02
Rights	–	0.14
Total financial assets	92.33	92.89
Financial liabilities		
Futures	–	(0.06)
Total financial liabilities	–	(0.06)
Total investments	92.33	92.83
Other net assets	7.67	7.17
Total net assets	100.00	100.00

Performance Record (Unaudited)

HSBC Managed Balanced Fund

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

Year	"A" Class Income Units				
	Bid		Offer		Highest HKD
	Lowest HKD	Highest HKD	Lowest HKD	Highest HKD	
2001	15.56	20.48	16.45	21.68	
2002	13.01	15.92	13.76	16.84	
2003	12.41	14.71	13.13	15.52	
2004	14.24	17.92	15.03	18.91	
2005	16.24	19.26	17.14	20.32	
2006	18.67	22.49	19.70	23.73	
2007	20.99	26.99	22.15	28.48	
2008	24.00	29.60	25.33	31.23	
2009	14.62	24.28	15.42	25.62	
2010	20.87	23.89	22.01	25.20	
2011	21.89	25.86	23.09	27.28	

Year	"L" Class Income Units				
	Bid		Offer		Highest HKD
	Lowest HKD	Highest HKD	Lowest HKD	Highest HKD	
2007	25.38	28.40	25.38	28.40	
2008	25.66	31.24	25.66	31.24	
2009	16.60	26.21	16.60	26.21	
2010	23.04	26.37	23.04	26.37	
2011	24.36	28.83	24.36	28.83	

Year	Provident Class Units				
	Bid		Offer		Highest HKD
	Lowest HKD	Highest HKD	Lowest HKD	Highest HKD	
2001	16.36	21.08	17.31	22.30	
2002	13.18	16.04	13.95	16.97	
2003	12.45	14.82	13.17	15.64	
2004	14.53	18.26	15.33	19.27	
2005	16.86	20.04	17.79	21.15	
2006	19.70	23.58	20.79	24.88	
2007	22.34	28.46	22.34	28.46	
2008	25.73	31.35	25.73	31.35	
2009	16.90	26.44	16.90	26.44	
2010	23.47	26.85	23.47	26.85	
2011	24.85	29.52	24.85	29.52	

Performance Record (Unaudited)

Accumulation Units

Year	Bid		Offer	
	Lowest HKD	Highest HKD	Lowest HKD	Highest HKD
2001	7.69	9.95	7.72	9.99
2002	6.60	7.94	6.63	7.97
2003	6.36	7.40	6.39	7.41
2004	7.27	8.94	7.28	8.95
2005	8.27	9.66	8.28	9.67
2006	9.49	11.22	9.50	11.23
2007	10.63	13.35	10.64	13.36
2008	12.08	14.64	12.09	14.65
2009	7.90	12.31	7.90	12.32
2010	10.82	12.38	10.82	12.38
2011	11.43	13.51	11.43	13.51

(b) Total net asset value (at bid prices)

	2011 HKD	2010 HKD	2009 HKD	2008 HKD
Total net asset value	2,386,510,934	2,435,548,876	2,306,354,838	2,814,157,151

(c) Net asset value per unit (at bid prices)

	2011 HKD	2010 HKD	2009 HKD	2008 HKD
Net asset value per unit				
"A" class income units	24.93	22.40	21.43	24.38
"L" class income units	28.06	24.75	23.62	26.31
Provident class units	28.77	25.24	23.96	26.54
Accumulation units	13.14	11.61	11.11	12.36

Investment Adviser's Report

HSBC Managed Growth Fund

Market review

The Fund rose in absolute terms during the period. Overall, risky assets and equities in particular generated positive returns. The second half of 2010 was especially fruitful for equity investors on the back of a global recovery in most of the developed and emerging markets. Despite investors' concerns about the challenging fiscal situation of some developed countries, economic data releases were robust and expanding. However, since the beginning of 2011, the economic picture has been more mitigated with mixed macro data releases combined with ongoing concerns about the social movements in the Middle East, and European and US sovereign debt challenges. The Fund outperformed its benchmark, benefiting from its overweight position in equities when markets performed strongly during the last months of 2010. In the face of market volatility during Q1 this year, the Fund turned to a more defensive position and then delivered a lower return. Over the full period, a positive contribution relative to the benchmark was also derived from a lower-than-benchmark exposure to bonds and cash. Successful stock selection in equity also added value, in particular in Hong Kong and North America.

HSBC Global Asset Management (Hong Kong) Limited

22 November 2011

Trustee's Report

HSBC Managed Growth Fund ("the Fund")

We hereby confirm that, in our opinion, the Manager of the Fund has, in all material respects, managed the Fund in accordance with the provisions of the Trust Deed dated 14 March 1997, as amended, for the year ended 31 July 2011.

)
Amy FUNG) For and on behalf of
Bertha TAM) HSBC Trustee (Cayman) Limited,
) Trustee
)

Independent Auditors' Report to the Unitholders of HSBC Managed Growth Fund ("the Fund")

Report on the financial statements

We have audited the financial statements of the Fund set out on pages 44 to 62, which comprise the statement of assets and liabilities as at 31 July 2011, the statement of comprehensive income, statement of changes in changes in net assets attributable to unitholders, cash flow statement and distribution statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

Auditor's responsibility

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to

fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager and the Trustee, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 July 2011, and of its transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

Report on disclosure requirements under the Code

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

KPMG

Chartered Accountants
Grand Cayman, 22 November 2011

Statement of Assets and Liabilities

HSBC Managed Growth Fund

as at 31 July 2011

	Note	2011 HKD	2010 HKD
ASSETS			
Financial assets at fair value through profit or loss	5, 7(e), 13(f)	2,710,485,043	2,392,198,354
Interest and dividends receivable		4,717,285	6,255,745
Subscriptions receivable		12,255,385	11,784,722
Amounts due from brokers	6,7(b)	26,332,520	54,561,270
Cash and cash equivalents	7(b)	241,245,659	176,598,261
		<u>2,995,035,892</u>	<u>2,641,398,352</u>
LIABILITIES			
Financial liabilities at fair value through profit or loss	5, 13(f)	–	1,665,591
Redemptions payable		3,371,386	1,886,127
Amounts due to brokers	6	8,489,099	14,589,726
Distributions payable	11	2,283,513	–
Other payables	7(a), 7(c)	3,995,940	3,557,830
		<u>18,139,938</u>	<u>21,699,274</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (BID PRICES)			
	12	<u>2,976,895,954</u>	<u>2,619,699,078</u>
Representing:			
Financial liabilities		<u>2,976,895,954</u>	<u>2,619,699,078</u>
Total number of units in issue			
“A” class income units	9(a)	<u>22,917,759</u>	<u>28,489,437</u>
“L” class income units	9(b)	<u>5,775,503</u>	<u>5,655,253</u>
Provident class units	9(c)	<u>126,347,054</u>	<u>123,568,193</u>
Net asset value per unit at bid prices			
“A” class income units		<u>17.59</u>	<u>15.52</u>
“L” class income units		<u>19.04</u>	<u>16.56</u>
Provident class units		<u>19.50</u>	<u>16.87</u>

Approved by the Trustee and the Manager on 22 November 2011

)
 Amy FUNG) For and on behalf of
 Bertha TAM) HSBC Trustee (Cayman) Limited
)

)
 Edgar Kai Man NG) For and on behalf of
 Julie J KOO) HSBC Investment Funds
) (Hong Kong) Limited
)

The notes on pages 49 to 62 form part of these financial statements.

Statement of Comprehensive Income

HSBC Managed Growth Fund

for the year ended 31 July 2011

	Note	2011 HKD	2010 HKD
Interest income	7(b)	620,432	514,372
Dividend income	7(e)	71,236,704	55,786,595
Net gains from financial instruments at fair value through profit or loss	3	381,653,014	138,562,012
Net foreign exchange loss		(2,277,872)	(2,287,436)
Other income		–	47,556
TOTAL REVENUE		451,232,278	192,623,099
Management fees	7(a)	25,396,472	23,086,398
Transaction costs	7(c), 7(d)	12,196,026	9,779,154
Trustee's fees	7(c)	3,032,835	2,719,454
Auditor's remuneration		266,228	392,380
Administrative fees	7(a)	109,231	104,892
Registrar's fees	7(a)	105,000	105,000
Safe custody fees, bank charges and miscellaneous expenses	7(b)	1,696,551	1,363,903
TOTAL OPERATING EXPENSES		42,802,343	37,551,181
NET PROFIT FROM OPERATIONS BEFORE TAXATION		408,429,935	155,071,918
Taxation	4	(8,769,485)	(6,409,510)
NET PROFIT FROM OPERATIONS BEFORE DISTRIBUTIONS		399,660,450	148,662,408
Distributions to holders of class "A" income units	11	(4,535,111)	–
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		395,125,339	148,662,408

The notes on pages 49 to 62 form part of these financial statements.

Statement of Changes in Net Assets Attributable to Unitholders

HSBC Managed Growth Fund

for the year ended 31 July 2011

	Note	2011 HKD	2010 HKD
Balance at the beginning of the year		2,619,699,078	2,365,224,096
Increase in net assets attributable to unitholders and total comprehensive income for the year		395,125,339	148,662,408
Transactions with unitholders			
<i>Subscriptions of units (excluding equalisation)</i>			
"A" class income units		55,186,805	55,742,959
"L" class income units		25,438,186	18,002,451
Provident class units		273,498,106	272,083,573
<i>Redemptions of units (excluding equalisation)</i>			
"A" class income units		(150,664,440)	(68,912,473)
"L" class income units		(23,532,542)	(12,523,141)
Provident class units		(223,034,141)	(169,975,917)
Income equalisation on subscription and redemption	10	5,179,563	11,395,122
Total transactions with unitholders		(37,928,463)	105,812,574
Balance at the end of the year		2,976,895,954	2,619,699,078

The notes on pages 49 to 62 form part of these financial statements.

Cash Flow Statement

HSBC Managed Growth Fund

for the year ended 31 July 2011

	2011 HKD	2010 HKD
OPERATING ACTIVITIES		
Interest received	620,161	514,589
Dividends received	72,743,084	54,225,282
Management fees paid	(25,194,924)	(22,905,627)
Trustee's fees paid	(2,993,839)	(2,697,503)
Margin deposits withdrawn from brokers	23,957,031	7,595,373
Tax paid	(8,672,826)	(6,469,418)
Other operating expenses paid	(16,550,001)	(13,880,486)
Cash generated from operating activities	43,908,686	16,382,210
INVESTING ACTIVITIES		
Payments on purchase of investments	(2,351,177,209)	(1,899,308,670)
Proceeds from sale of investments	2,411,081,386	1,840,427,439
Cash generated from/(used in) investing activities	59,904,177	(58,881,231)
FINANCING ACTIVITIES		
Proceeds from issue of units including equalisation	385,822,923	385,331,466
Payments on redemption of units including equalisation	(422,736,790)	(275,831,750)
Distributions paid	(2,251,598)	(5,279,489)
Cash (used in)/generated from financing activities	(39,165,465)	104,220,227
Net increase in cash and cash equivalents	64,647,398	61,721,206
Cash and cash equivalents at the beginning of the year	176,598,261	114,877,055
Cash and cash equivalents at the end of the year	241,245,659	176,598,261

The notes on pages 49 to 62 form part of these financial statements.

Distribution Statement

HSBC Managed Growth Fund

for the year ended 31 July 2011

	Note	2011 HKD	2010 HKD
Amount available for distribution brought forward		228,149,942	190,795,646
Profit for the year available for distribution*		35,414,647	25,959,174
Income equalisation on subscriptions and redemptions		5,179,563	11,395,122
Distributions to unitholders	11	(4,535,111)	–
Amount available for distribution carried forward		264,209,041	228,149,942
Distribution history			
<i>"A" class income units</i>			
First distribution per unit		0.08	–
Date of distribution		12 August 2010	N/A
Second distribution per unit		0.10	–
Date of distribution		29 July 2011	N/A

* Profit for the year available for distribution is the adjusted total comprehensive income for the year, for which the calculation basis is in accordance with the relevant clauses of the Trust Deed.

The notes on pages 49 to 62 form part of these financial statements.

Notes to the Financial Statements

HSBC Managed Growth Fund

1 The Fund

HSBC Managed Growth Fund (“the Fund”) is an open-ended unit trust established under a Trust Deed dated 14 March 1997, as amended, and governed by the laws of the Cayman Islands. The Fund registered under the Mutual Funds Law of the Cayman Islands on 13 March 1997. The purpose of the Fund is to invest in a diversified portfolio of investments which maximises capital growth whilst keeping risk at a medium level.

The Fund is authorised by the Hong Kong Securities and Futures Commission (“SFC”) under section 104 of the Hong Kong Securities and Futures Ordinance (“HKSF”) and is governed by the Hong Kong Code on Unit Trusts and Mutual Funds issued by the SFC.

2 Significant accounting policies

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Fund. There have been no significant changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Fund for the current and prior accounting periods reflected in these financial statements.

The Fund has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 16).

(b) Basis of preparation of the financial statements

The functional and presentation currency of the Fund is the Hong Kong dollars reflecting the fact that the participating redeemable units of the Fund are issued and redeemed in Hong Kong dollars.

The financial statements are prepared on a fair value basis for financial assets and financial liabilities at fair value through profit or loss and derivative financial instruments. Other financial assets and financial liabilities are stated at amortised cost or redemption amount (redeemable units).

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

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

The accounting policies have been applied consistently by the Fund and are consistent with those used in the previous year.

(c) Foreign currency translation

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into Hong Kong dollars at the foreign exchange rates ruling at the date of the statement of assets and liabilities. Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Hong Kong dollars at the foreign currency exchange rates ruling at the dates that the values were determined. Foreign currency exchange differences relating to investments at fair value

Notes to the Financial Statements

through profit or loss are included in net gains from financial instruments at fair value through profit or loss. All other foreign currency exchange differences relating to monetary items including cash and cash equivalents are presented separately in profit or loss.

(d) Financial instruments

(i) Classification

All of the Fund's investments are classified as financial assets or financial liabilities at fair value through profit or loss. This category comprises financial instruments held for trading, which are instruments that the Fund has acquired principally for the purpose of short-term profit-taking. These include investments in equity and debt securities, unit trusts, and futures contracts.

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

Financial assets that are classified as loans and receivables include interest and dividends receivable, subscriptions receivable and amounts due from brokers.

Financial liabilities that are not at fair value through profit or loss include redemptions payable, amounts due to brokers, distributions payable and other payables.

(ii) Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments.

A regular way purchase or sale of financial assets is recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed their obligations under the contract or the contract is a derivative contract not exempted from the scope of HKAS 39.

(iii) Measurement

Financial instruments are measured initially at fair value (transaction price). Transaction costs on financial assets and liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair values recognised in profit or loss.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities other than those at fair value through profit or loss are measured at amortised cost using the effective interest rate method. Financial liabilities arising from the redeemable units issued by the Fund are carried at the redemption amount representing the unitholders' right to a residual interest in the Fund's assets.

(iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the date of the statement of assets and liabilities without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

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

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

Notes to the Financial Statements

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

(v) Impairment

Financial assets that are stated at cost or amortised cost are reviewed at each date of the statement of assets and liabilities to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through profit or loss.

(vi) Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial assets expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with HKAS 39.

The Fund uses the weighted average method to determine realised gains and losses on derecognition.

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

(vii) Offsetting

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

(viii) Specific instruments

Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(e) Revenue recognition

Provided it is probable that the economic benefits will flow to the Fund and the revenue and costs if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend. Dividends from other investments are recognised in profit or loss as dividend income when declared. In some cases, the Fund may receive or choose to receive dividends in the form of additional shares rather than cash. In such cases, the Fund recognises the dividend income for the amount of the equivalent cash dividends with the corresponding debit treated as an additional investment.

(ii) Interest income

Interest income is recognised in profit or loss as it accrues, using the effective interest rate method. Interest income on bank deposits margin deposits is disclosed separately on the face of profit or loss. Interest income on debt securities is included in net gains from financial instruments at fair value through profit or loss.

(f) Expenses

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

Notes to the Financial Statements

(g) Foreign exchange gains and losses

Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognised together with other changes in the fair value. Included in profit or loss line item *Net foreign exchange loss* are net foreign exchange gains and losses on monetary financial assets and financial liabilities other than those classified as fair value through profit or loss.

(h) Related parties

For the purposes of these financial statements, a party is considered to be related to the Fund if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Fund or exercise significant influence over the Fund in making financial and operating policy decisions, or has joint control over the Fund;
- (ii) the Fund and the party are subject to common control;
- (iii) the party is a subsidiary, an associate of the Fund or a joint venture in which the Fund is a venturer;
- (iv) the party is a member of key management personnel of the Fund or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals; or
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the Fund.

(i) Subscriptions and redemptions

The Fund recognises unitholders' subscriptions and allots units upon receipt of a valid subscription application and derecognises them upon receipt of a valid redemption application.

(j) Units in issue

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Fund has multiple classes of redeemable units in issue – "A" class, "L" class and Provident class. All the classes belong to the most subordinate class of financial instruments in the Fund and rank *pari passu* in all material respects and have the same terms and conditions other than different management fee rate. The redeemable units provide unitholders with the right to require redemption for cash at a value proportionate to the unitholders' share in the Fund's net assets at each daily redemption date, and also in the event of the Fund's liquidation. In accordance with amendments to HKAS 32, such instrument is classified as a financial liability and is measured at the present value of the redeemable amounts.

(k) Finance costs

Distributions payable on redeemable units are recognised in profit or loss as finance costs.

(l) Segment reporting

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

3 Net gains from financial instruments at fair value through profit or loss

	2011	2010
	HKD	HKD
Realised gains	277,214,390	182,925,841
Unrealised gains/(losses)	104,438,624	(44,363,829)
	<hr/>	<hr/>
	381,653,014	138,562,012

Notes to the Financial Statements

4 Taxation

There are no taxes on income or gains under Cayman Islands Law currently. Accordingly, no provision for Cayman Islands taxes is included in these financial statements.

No provision for Hong Kong profits tax has been made in the financial statements as the Fund is exempt from taxation under section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

Dividend income received by the Fund may be subject to non-recoverable withholding tax imposed in the country of origin. Dividend income is recorded gross of such taxes and the withholding tax is recognised in profit or loss as incurred.

Capital gains realised in certain jurisdictions may be subject to capital gains tax. Capital gains tax is charged to profit or loss on an accruals basis, using tax rates enacted or substantively enacted at the date of the statement of assets and liabilities.

Taxation in profit or loss represents:

	2011 HKD	2010 HKD
Overseas withholding tax	8,351,443	6,241,378
Spanish capital gains tax	418,042	168,132
	<u>8,769,485</u>	<u>6,409,510</u>

5 Financial assets and financial liabilities at fair value through profit or loss

	2011 HKD	2010 HKD
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Financial assets at fair value through profit or loss

Equities

Listed shares	2,459,870,748	2,135,346,441
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Debt securities

Listed bonds	138,429,535	138,282,839
Unlisted but quoted bonds	29,632,277	34,823,878
	<u>168,061,812</u>	<u>173,106,717</u>

2011 HKD	2010 HKD
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Other investments

Unit trusts	79,935,307	78,515,294
Futures	2,617,176	1,282,100
Rights	–	3,884,380
Warrants	–	63,422
	<u>82,552,483</u>	<u>83,745,196</u>

2,710,485,043	2,392,198,354
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Financial liabilities at fair value through profit or loss

Derivative liabilities

Futures	–	(1,665,591)
	<u>2,710,485,043</u>	<u>2,390,532,763</u>

Investments, at cost	2,438,760,719	2,223,279,414
Net unrealised appreciation in value of investments	271,724,324	167,253,349
Investments, at market value	<u>2,710,485,043</u>	<u>2,390,532,763</u>

6 Amounts due from/(to) brokers

2011 HKD	2010 HKD
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Balances due from brokers

Amounts receivable on sale of investments	4,666,218	8,937,937
Margin deposits	21,666,302	45,623,333
	<u>26,332,520</u>	<u>54,561,270</u>

Balances due to brokers

Amounts payable on purchase of investments	8,489,099	14,589,726
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Margin deposits represent cash deposit with brokers, transferred as collateral against open futures contracts.

Notes to the Financial Statements

7 Related parties transactions

The following is a summary of transactions with related parties for the year. All such transactions were entered into in the ordinary course of business and on normal commercial terms.

(a) The Fund is managed by HSBC Investment Funds (Hong Kong) Limited ("the Manager"), which receives a management fee, payable monthly in arrears, equivalent to a percentage per annum of the net asset value of the Fund as follows:

For "A" class units	– 1.5%
For "L" class units	– 1.2%
For Provident class units	– 0.75%

In addition, the Manager, as the registrar's agent, receives registrar's fees per annum for each class of units and fees for various administrative functions performed on behalf of the Fund.

	2011 HKD	2010 HKD
(i) Management fees for the year	25,396,472	23,086,398
(ii) Registrar's fees and other administrative fees for the year	214,231	209,892
(iii) Management fees payable at year end	2,068,985	1,867,437
(iv) Registrar's fees and other administrative fees payable at year end	56,944	23,426

(b) (i) Bank accounts are maintained with HSBC Auckland, HSBC Bangkok, HSBC Bank Australia Ltd Sydney, HSBC Bank Malaysia Kuala Lumpur, HSBC Bank Plc Custody Dept-GSS, HSBC Bank Plc International Division London, HSBC Bank USA New York, HSBC Jakarta, HSBC Manila, HSBC Mexico SA, HSBC Seoul, HSBC Singapore, HSBC Taipei, HSBC Tokyo, HSBC Trinkaus and Burkhardt and The Hongkong and Shanghai Banking Corporation Limited, which are members of the HSBC Group. The balances of these accounts amounted to \$241,145,707 (2010: \$175,718,861) at the year end. Interest income arising from these accounts amounted to \$1,052 (2010: \$399).

(ii) Margin accounts amounting to \$21,666,302 (2010: \$45,623,333) are maintained with HSBC Bank Plc Futures Wholesale Trading Operations, which is a fellow subsidiary of the Manager within the HSBC Group. Interest income and interest expenses arising from these accounts amounted to \$157,209 (2010: \$115,915) and \$3,167 (2010: \$107) respectively.

(c) The Trustee of the Fund is HSBC Trustee (Cayman) Limited, a fellow subsidiary of the Manager within the HSBC Group, which receives a monthly fee equivalent to 0.1% per annum of the net asset value of the Fund, subject to a minimum monthly fee of \$10,000. In addition, the Trustee provides valuation services to unitholders in return for a daily fee of \$580 (2010: \$580). Also, the Trustee provides services in connection with purchase and sale transactions, for which the Trustee receives a transaction fee of \$400 (2010: \$400) for each trade handled.

	2011 HKD	2010 HKD
(i) Trustee's fees for the year	3,032,835	2,719,454
(ii) Trustee's fees payable at year end	260,357	221,361
(iii) Transaction fees for the year	2,041,600	1,797,200
(iv) Transaction fees payable at year end	124,400	115,600

Notes to the Financial Statements

(d) In its purchases and sales of investments, the Fund utilises the brokerage services of HSBC Bank Plc Futures, HSBC Investment Funds (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited and HSBC Bank Plc, which are members of the HSBC Group. Details of transactions effected through these companies are as follows:

	HSBC			
	HSBC Bank Plc Futures		Investment Funds (Hong Kong) Limited	
	2011 HKD	2010 HKD	2011 HKD	2010 HKD
Commission paid for the year	23,468	103,786	-	-
Average rate of Commission	0.04%	0.09%	-	-
Total aggregate value of such transactions for the year	60,652,666	110,133,372	14,810,000	-
Percentage of such transactions in value to total transactions for the year	0.70%	1.04%	0.17%	-

	The Hongkong and Shanghai Banking Corporation Limited		HSBC Bank Plc	
	2011 HKD	2010 HKD	2011 HKD	2010 HKD
	Commission paid for the year	122,972	122,817	17,076
Average rate of Commission	0.12%	0.15%	0.16%	0.15%
Total aggregate value of such transactions for the year	100,671,240	83,709,714	10,672,366	10,053,097
Percentage of such transactions in value to total transactions for the year	1.16%	0.79%	0.12%	0.09%

For the futures transacted with HSBC Bank Plc Futures, the Fund pays HSBC Bank Plc Futures at a fixed rate per contract irrespective of the notional amount of the contract. The rates vary depending on the currency of each futures contract.

The figures for commission paid do not include any trading margin which may be reflected in the market price of transactions with these entities on any transactions by the Fund during the year.

(e) During the year, the Fund held investments in HSBC Holdings Plc and Hang Seng Bank Limited, which are the ultimate holding company and a fellow subsidiary, respectively of the Manager and the Trustee within the HSBC Group. The details of the market value of these investments and dividend income received for the year are as follows:

	2011 HKD	2010 HKD
(i) Market value at year end	86,478,305	88,564,298
(ii) Dividend income received for the year	3,197,316	2,809,647

The Fund also held investments in Halbis Funds – HSBC China A-Share Fund and HSBC Pooled Chinese Equity Fund, which are managed by the fellow subsidiaries of the Manager within the HSBC Group. The market value of these investments at year end is \$48,682,097 (2010: \$31,684,853).

8 Soft commission arrangements

The Manager has entered into soft commission arrangements with brokers under which certain goods and services used to support investment decision making are received by the Manager. The Manager does not make direct payment for these services but transacts an agreed amount of business with the brokers on behalf of the Fund. Commission is paid from the Fund on these transactions.

The goods and services utilised for the Fund include the following:

- research and advisory services;
- economic and political analysis;
- portfolio analysis, including valuation and performance measurement;
- market analysis, data and quotation services;
- computer hardware and software incidental to the above goods and services; and
- clearing and custodian services and investment-related publications.

Notes to the Financial Statements

9 Units issued and redeemed

(a) "A" class income units

	2011	2010
Number of units in issue		
brought forward	28,489,437	29,330,495
Units issued during the year	3,232,546	3,573,913
Units redeemed during the year	(8,804,224)	(4,414,971)
Number of units in issue		
carried forward	22,917,759	28,489,437

(b) "L" class income units

	2011	2010
Number of units in issue		
brought forward	5,655,253	5,260,461
Units issued during the year	1,510,764	1,198,303
Units redeemed during the year	(1,390,514)	(803,511)
Number of units in issue		
carried forward	5,775,503	5,655,253

(c) Provident class units

	2011	2010
Number of units in issue		
brought forward	123,568,193	116,860,511
Units issued during the year	15,924,615	17,888,823
Units redeemed during the year	(13,145,754)	(11,181,141)
Number of units in issue		
carried forward	126,347,054	123,568,193

The Fund does not have any externally imposed capital requirements.

10 Income equalisation

This is the proportion of the unit price which relates to the attributed accrued net expense or the undistributed accrued net income of the Fund at the date of issue or redemption of units.

11 Distributions

Distributions attributable to the year

	2011 HKD	2010 HKD
"A" class income units		
Distributions declared of		
\$0.08 per unit on		
28,144,974 units (2010: \$Nil)	2,251,598	–
Distributions declared of		
\$0.10 per unit on		
22,835,128 units (2010: \$Nil)	2,283,513	–
	4,535,111	–

Prior to July 2003, "A" class and Provident class unitholders were entitled to distributions from the Fund as determined by the Manager, if any. Pursuant to the Second Supplemental Deed dated 30 July 2003, no further distributions are to be made to the holders of Provident class units.

12 Reconciliation of net asset values

The net asset value presented in the financial statements and that quoted for pricing purposes at the year end ("Dealing NAV") are different as the principles for calculating the Dealing NAV as set out in the Explanatory Memorandum document are different from those required for financial reporting purposes under HKFRSs. The following reconciliation provides details of these differences:

	2011 HKD	2010 HKD
NAV as reported in the financial statements as at 31 July	2,976,895,954	2,619,699,078
Adjustments for different bases adopted by the Fund in arriving at the Dealing NAV:		
–Use of trade pricing instead of bid pricing in valuing investments	2,572,055	5,054,217
Dealing NAV as at 31 July	2,979,468,009	2,624,753,295

Notes to the Financial Statements

13 Financial instruments and associated risks

The Fund maintains an investment portfolio in a variety of listed and unlisted financial instruments as dictated by their investment management strategies. The objective of the Fund is to maximise capital growth, whilst keeping risk at medium level. The Fund has a bias towards investment in global equities. Exposure to bonds and to cash deposit will be kept to a minimum. The Fund's investment portfolio comprises debt and equity instruments, futures contracts and unit trusts.

The Fund's investing activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. The Manager and the Trustee have set out below the most important types of financial risks inherent in each type of financial instrument. The Manager and the Trustee would like to highlight that the following list of associated risks only sets out some of the risks but does not purport to constitute an exhaustive list of all the risks inherent in an investment in the Fund. Unitholders should note that additional information in respect of risks associated with financial instruments in the Fund can be found in the Fund's offering document.

The nature and extent of the financial instruments outstanding at the date of the statement of assets and liabilities and the risk management policies employed by the Fund are discussed below.

(a) Price risk

Price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The Fund is exposed to price risk arising from changes in market price. Price risk is managed by investing in a portfolio of different investments in accordance with the investments objectives of the Fund.

Price sensitivity

The impact on a 5% increase in value of the investments at 31 July 2011, with all other variables held constant, is shown below. An equal change in the opposite direction would have reduced the net asset value by an equal but opposite amount. The analysis is performed on the same basis for 2010:

	Market exposures HKD	Change in net assets if investment value increased by 5% HKD
As at 31 July 2011		
Equities	2,459,870,748	122,993,537
Futures	205,862,261	10,293,113
Unit trusts	79,935,307	3,996,765

As at 31 July 2010		
Equities	2,135,346,441	106,767,322
Futures	124,568,362	6,228,418
Unit trusts	78,515,294	3,925,765
Rights	3,884,380	194,219
Warrants	63,422	3,171

(b) Interest rate risk

Interest rate risk arises from change in interest rates which may affect the value of debt instruments and therefore result in potential gain or loss to the Fund. The Fund's interest rate risk is managed on an ongoing basis by the Manager.

The following table indicates the period in which the interest bearing assets and liabilities mature at the date of the statement of assets and liabilities.

	2011				
	1 year or less HKD	Over 1 year to 5 years HKD	Over 5 years HKD	Non-interest bearing HKD	Total HKD
<i>All amounts stated in '000</i>					
Assets					
Financial assets at fair value through profit or loss	5,668	77,050	85,444	2,542,423	2,710,485
Interest and dividends receivable	-	-	-	4,717	4,717
Subscriptions receivable	-	-	-	12,255	12,255
Amounts due from brokers	21,667	-	-	4,666	26,333
Cash and cash equivalents	241,246	-	-	-	241,246
Total assets	268,481	77,050	85,444	2,564,061	2,995,036
Liabilities					
Redemptions payable	-	-	-	(3,371)	(3,371)
Amounts due to brokers	-	-	-	(8,489)	(8,489)
Distributions payable	-	-	-	(2,284)	(2,284)
Other payables	-	-	-	(3,996)	(3,996)
Total liabilities	-	-	-	(18,140)	(18,140)
Total interest sensitivity gap	268,481	77,050	85,444		

Notes to the Financial Statements

	2010				
	1 year or less HKD	Over 1 year to 5 years HKD	Over 5 years HKD	Non-interest bearing HKD	Total HKD
<i>All amounts stated in '000</i>					
Assets					
Financial assets at fair value through profit or loss	14,842	61,437	96,828	2,219,091	2,392,198
Interest and dividends receivable	-	-	-	6,256	6,256
Subscriptions receivable	-	-	-	11,785	11,785
Amounts due from brokers	45,623	-	-	8,938	54,561
Cash and cash equivalents	176,598	-	-	-	176,598
Total assets	237,063	61,437	96,828	2,246,070	2,641,398
Liabilities					
Financial liabilities at fair value through profit or loss	-	-	-	(1,665)	(1,665)
Redemptions payable	-	-	-	(1,886)	(1,886)
Amounts due to brokers	-	-	-	(14,590)	(14,590)
Other payables	-	-	-	(3,558)	(3,558)
Total liabilities	-	-	-	(21,699)	(21,699)
Total interest sensitivity gap	237,063	61,437	96,828		

Interest rate sensitivity

At the date of the statement of assets and liabilities, assuming all other factors unchanged, it is estimated that an increase in interest rates of 50 basis points would result in a decrease in the net assets attributable to unitholders and the profit for the year by \$4,059,974 (2010: \$4,610,043); an equal change in the opposite direction would result in an increase in the net assets attributable to unitholders by an equal amount. The analysis is performed on the same basis for 2010.

(c) Currency risk

The Fund may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Fund is exposed to risks that the exchange rate of its functional currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than the Hong Kong dollar.

The fluctuations in the rate of exchange between the currency in which the asset or liability is denominated and the functional currency could result in an appreciation or depreciation in the fair value of that asset or liability. The Manager may attempt to mitigate this risk by using financial derivative instruments. The Manager monitors the Fund's currency exposures on an ongoing basis.

Currency sensitivity

At 31 July 2011, had the Hong Kong dollar ("HKD") weakened by 5% in relation to respective currencies, with all other variables held constant, net assets attributable to unitholders and the profit for the year would have increased by the amounts shown below. The analysis is performed on the same basis for 2010.

	Change in net assets if HKD weakened by 5%	
	Net exposure HKD	HKD
As at 31 July 2011		
<i>Currencies</i>		
Argentine Peso	93,457	4,673
Australian Dollar	123,819,229	6,190,961
British Pound	150,082,195	7,504,110
Canadian Dollar	28,709,695	1,435,485
Danish Krone	7,270,300	363,515
Euro	341,446,884	17,072,344
Iceland Krona	6,495	325
Indonesia Rupiah	14,472,891	723,644
Japanese Yen	447,953,220	22,397,661
Malaysian Ringgit	11,302,471	565,124
Mexican Peso	1,399,578	69,979
New Zealand Dollar	4,014,192	200,710
Norwegian Kroner	15,779,045	788,952
Philippine Peso	5,304,938	265,247
Polish Zloty	1,117,238	55,862
Singapore Dollar	16,325,851	816,292
South Korean Won	89,648,861	4,482,443
Swedish Krona	12,566,736	628,337
Swiss Franc	53,834,977	2,691,749
Taiwanese Dollar	53,632,380	2,681,619
Thai Baht	9,906,666	495,333
Total	1,388,687,299	69,434,365

Notes to the Financial Statements

	Change in net assets if HKD weakened by 5%	
	Net exposure HKD	HKD
As at 31 July 2010		
<i>Currencies</i>		
Argentine Peso	97,896	4,895
Australian Dollar	131,088,796	6,554,440
British Pound	113,604,940	5,680,247
Canadian Dollar	16,080,936	804,047
Danish Krone	6,619,765	330,988
Euro	264,937,549	13,246,877
Iceland Krona	6,198	310
Indonesia Rupiah	10,430,875	521,544
Japanese Yen	364,285,337	18,214,267
Malaysian Ringgit	18,325,681	916,284
Norwegian Kroner	4,793,130	239,657
Philippine Peso	2,647,226	132,361
Polish Zloty	624,607	31,230
Singapore Dollar	24,507,648	1,225,382
South Korean Won	82,009,289	4,100,465
Swedish Krona	855,815	42,791
Swiss Franc	35,170,841	1,758,542
Taiwanese Dollar	63,244,108	3,162,205
Thai Baht	9,251,745	462,587
Total	1,148,582,382	57,429,119

As the HKD is pegged to the United States dollar ("USD"), the Fund does not expect any significant movements in USD/HKD exchange rate. A 5% appreciation of the HKD against the above currencies would have resulted in an equal but opposite effect on the financial statements, on the basis that all other variables remain constant.

(d) Credit risk

Credit risk is the risk that a counterparty to a financial instruments will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund's exposure to credit risk is monitored by the Manager on an ongoing basis.

At 31 July 2011, all of the Fund's financial assets were exposed to credit risk. These include investments and cash and cash equivalents placed with banks and the Custodian.

At the date of the statement of assets and liabilities, the Fund invested in debt securities with the following credit quality expressed as a percentage of debt securities:

As at 31 July 2011	
Rating	% of debt securities
Aaa/AAA	57.98
Aa1/AA+	5.53
Aa2/AA	11.69
Aa3/AA-	23.34
A2/A	0.64
A3/A-	0.82
Total	100.00

As at 31 July 2010	
Rating	% of debt securities
Aaa/AAA	62.78
Aa1/AA+	6.36
Aa2/AA	22.39
A1/A+	8.17
A2/A	0.30
Total	100.00

Credit risk is managed by the reviewing and monitoring of the credit quality of debt instruments held by the Fund or the issuers of the debt instruments held by the Fund on an ongoing basis.

Credit risk arising from transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used.

The majority of the cash held by the Fund are deposited with the HSBC Group. Bankruptcy or insolvency of the bank may cause the Fund's rights with respect to the cash held by the bank to be delayed or limited. The Manager monitors the credit rating and financial position of the bank on an ongoing basis.

Substantially all of the assets of the Fund are held by the Custodian. Bankruptcy or insolvency of the Custodian may cause the Fund's rights with respect to securities held by the Custodian to be delayed or limited. The Custodian is a group company of the HSBC, for which the credit risk is considered insignificant.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the date of the statement of assets and liabilities.

Notes to the Financial Statements

At both 31 July 2011 and 2010, there were no significant concentrations of credit risk to counterparties except to the Custodian.

(e) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund. The Fund is exposed to daily liquidity risk on redemption of units.

The Fund's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements in the short and longer term.

The Fund's listed investments are considered to have insignificant exposure to liquidity risk as they are all readily realisable under normal market condition. The Fund, however, also invests in unlisted investments such as unlisted bonds and unit trusts which are not publicly traded on exchanges and may be illiquid. The market value of these unlisted investments at the year end was \$78,314,374 (2010: \$66,508,731).

As at 31 July 2011 and 2010, the Fund's financial liabilities are due within three months, except for redemptions payable which is repayable on demand.

(f) Specific instruments

(i) Derivatives

At 31 July 2011 and 2010, the Fund's holdings in derivatives translated into Hong Kong dollars were as specified in the following table.

As at 31 July 2011

Type of contract	Expiration	Underlying	Fair value assets HKD	Fair value (liabilities) HKD
Futures	August 2011	Hong Kong equity indices	68,220	-
Futures	September 2011	United States equity indices	2,548,956	-
			<u>2,617,176</u>	<u>-</u>

As at 31 July 2010

Type of contract	Expiration	Underlying	Fair value assets HKD	Fair value (liabilities) HKD
Futures	September 2010	Australian equity indices	352,032	-
Futures	September 2010	European equity indices	930,068	-
Futures	August 2010	Hong Kong equity indices	-	(221,034)
Futures	September 2010	Japanese equity indices	-	(902,373)
Futures	September 2010	United States equity indices	-	(542,184)
			<u>1,282,100</u>	<u>(1,665,591)</u>

(ii) Futures

Futures are commitments either to purchase or sell a designated financial instrument, currency, commodity or an index at a specified future date for a specified price and may be settled in cash or the underlying financial asset. Futures are standardised exchange-traded contracts. Initial margin requirements for futures are met in cash or other instruments, and changes in futures contract values are marked to market daily. Futures contracts have little credit risk because the counterparties are futures exchanges.

Futures contracts result in exposure to market risk based on changes in market prices relative to contracted prices. Market risks arise due to the possible movements in foreign currency exchange rates, indices, and securities' values underlying these instruments. In addition, because of the low margin deposits normally required in relation to notional contract sizes, a high degree of leverage may be typical of a futures contract and may result in substantial losses to the Fund. Trading in futures contracts may be subject to asset liquidity risk. Certain futures exchanges do not permit trading in particular futures contracts at prices that represent a material fluctuation in price during a single day's trading beyond certain preset limits. If prices fluctuate during a single day's trading beyond those limits, the Fund could be prevented from promptly liquidating under unfavourable positions and thus could avoid substantial losses.

Notes to the Financial Statements

14 Fair value information

The Fund's financial instruments are measured at fair value on the date of statement of assets and liabilities. Fair value estimates are made at a specified point in time, based on market conditions and information about the financial instruments. Usually, fair values can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including interest and dividends receivable, subscriptions receivable, amounts due from brokers, redemptions payable, amount due to brokers, distributions payable and other payables, the carrying amounts approximate fair values due to the immediate or short-term nature of these financial instruments.

Valuation of financial instruments

The Fund's accounting policy on fair value measurements is detailed in significant accounting policy in note 2(d)(iv).

The Fund measures fair values using the three levels of fair value hierarchy defined in HKFRS 7, Financial instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

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

Fair values of financial assets and financial liabilities that are traded in active markets, such as equities, debt securities, unit trusts and futures which are listed on recognised stock exchanges are based on quoted market prices or dealer price quotations. For all other financial instruments, the Fund determines fair value using valuation techniques.

The Fund uses widely recognised valuation models for determining the fair value of the debt securities and unit trusts which do not have quoted market price in active market. Valuation techniques include net present value, discounted cash flow models, comparison to similar instruments for which market observable prices exist, comparison to quoted prices for identical instruments that are considered less than active and other valuation models.

The following analyses financial instruments at fair value at the date of the statement of assets and liabilities, by the level in the fair value hierarchy into which the fair value measurement is categorised.

31 July 2011

	Level 1 HKD
<i>Financial assets at fair value through profit or loss</i>	
Equity securities	2,459,870,748
Debt securities	168,061,812
Unit trust	79,935,307
Futures	2,617,176
	2,710,485,043

31 July 2010

	Level 1 HKD
<i>Financial assets at fair value through profit or loss</i>	
Equity securities	2,135,346,441
Debt securities	173,106,717
Unit trust	78,515,294
Futures	1,282,100
Rights	3,884,380
Warrants	63,422
	2,392,198,354

Financial liabilities at fair value through profit or loss

Futures	(1,665,591)
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There are no significant transfers between the levels during the year.

Notes to the Financial Statements

15 Segment information

The Manager makes the strategic resource allocation on behalf of the Fund and determines the operating segments based on the internal reporting used to make strategic decisions.

The Manager's asset allocation decisions are based on one single and integrated investment strategy, and the Fund's performance is evaluated on an overall basis. Accordingly the Manager considers that the Fund has one single operating segment which is investing in a portfolio of financial instruments to generate investment returns in accordance with the investment objective stipulated in the Explanatory Memorandum. There were no changes in the operating segment during the year.

All revenues generated from investments by the Fund are disclosed in note 3. The segment information provided to the Manager is the same as that disclosed in profit or loss and the statement of assets and liabilities.

16 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting year ended 31 July 2011

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and Interpretations and new standards which are not yet effective for the year ended 31 July 2011 and which have not been adopted in these financial statements. These include the following which may be relevant to the Fund:

	Effective for accounting periods beginning on or after
Improvements to HKFRSs 2010	1 January 2011
HKAS 24 (Revised), <i>Related party disclosures</i>	1 January 2011
HKFRS 9, <i>Financial instruments</i>	1 January 2013
HKFRS 13, <i>Fair value measurement</i>	1 January 2013

The Fund is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Fund's results of operations and financial position.

Portfolio Statement (Unaudited)

HSBC Managed Growth Fund

as at 31 July 2011

	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
Equities				Belgium			
Listed investments				DELHAIZE GROUP			
				3	1,684	0.00	
Australia				Canada			
ALLIANCE RESOURCES LTD	64,563	110,556	0.00	AGRIUM INC	2,000	1,366,029	0.05
AMCOR LTD	19,467	1,173,384	0.04	BANK OF NOVA SCOTIA	4,828	2,136,474	0.07
AMP LTD	44,692	1,744,871	0.06	BARRICK GOLD CORP	4,908	1,818,650	0.06
ANZ BANKING GROUP LTD	46,392	8,273,722	0.28	BCE INC	4,301	1,279,620	0.04
APN NEWS AND MEDIA LTD	151,444	1,426,308	0.05	BOMBARDIER INC B SHARES	23,843	1,121,902	0.04
AQUARIUS PLATINUM LTD	30,956	1,115,823	0.04	BROOKFIELD ASSET MANAGEMENT			
BANK OF QUEENSLAND LTD	20,995	1,447,039	0.05	INC CLASS A	5,075	1,245,811	0.04
BHP BILLITON LTD	54,954	19,483,774	0.65	CANADIAN IMPERIAL BANK			
BILLABONG INTERNATIONAL LTD	16,929	845,023	0.03	OF COMMERCE	2,670	1,588,522	0.05
BRAMBLES LTD	23,203	1,374,734	0.05	CGI GROUP INC	5,714	956,898	0.03
CHALLENGER LTD	39,778	1,651,784	0.06	FIRST QUANTUM MINERALS LTD	574	621,110	0.02
COMMONWEALTH BANK OF AUSTRALIA	25,140	10,605,140	0.36	MAGNA INTERNATIONAL INC	3,482	1,315,849	0.04
COMPUTERSHARE LTD	8,843	620,843	0.02	MANULIFE FINANCIAL CORP	12,700	1,573,841	0.05
FLETCHER BUILDING LTD	26,246	1,433,680	0.05	NATIONAL BANK OF CANADA	1,414	855,354	0.03
FORTESCUE METALS GROUP LTD	19,690	1,063,760	0.04	PACIFIC RUBIALES ENERGY CORP	5,000	1,121,202	0.04
INCITEC PIVOT LTD	73,852	2,491,306	0.08	RESEARCH IN MOTION LTD	1,406	274,278	0.01
JB HI-FI LTD	8,943	1,147,000	0.04	ROGERS COMMUNICATIONS INC CLASS B	3,872	1,150,087	0.04
MACQUARIE GROUP LTD	5,711	1,346,619	0.04	ROYAL BANK OF CANADA	6,029	2,526,587	0.09
METCASH LTD	75,475	2,675,297	0.09	SAPUTO INC	3,298	1,205,634	0.04
MYER HOLDINGS LTD	50,331	991,133	0.03	SHAW COMMUNICATIONS INC	6,800	1,194,871	0.04
NATIONAL AUSTRALIA BANK LTD	36,013	7,393,959	0.25	SUNCOR ENERGY INC	1,710	509,592	0.02
NEWCREST MINING LTD	13,314	4,508,412	0.15	TORONTO-DOMINION BANK	1,000	623,135	0.02
OIL SEARCH LTD	20,944	1,222,961	0.04	WESTON (GEORGE) LTD	1,162	629,349	0.02
ORIGIN ENERGY LTD	21,154	2,653,375	0.09				
PACIFIC BRANDS LTD	108,397	603,253	0.02			25,114,795	0.84
QBE INSURANCE GROUP LTD	25,289	3,542,285	0.12				
RIO TINTO LTD	9,341	6,398,113	0.21	Denmark			
SANTOS LTD	13,992	1,539,400	0.05	A P MOLLER – MAERSK A/S	63	3,771,251	0.12
STOCKLAND	81,048	2,109,524	0.07	PANDORA A/S	15,674	3,499,049	0.12
TATTS GROUP LTD	92,608	1,831,593	0.06				
TELSTRA CORP LTD	205,059	5,249,508	0.18			7,270,300	0.24
VIRGIN BLUE HOLDINGS LTD	486,381	1,207,656	0.04	Finland			
WESFARMERS LTD	17,800	4,466,881	0.15	OUTOKUMPU OYJ	30,837	2,571,472	0.09
WESTPAC BANKING CORP	58,929	10,297,709	0.35	SAMPO OYJ A SHARES	15,426	3,675,072	0.12
WOODSIDE PETROLEUM LTD	9,522	3,124,081	0.10				
WOOLWORTHS	19,420	4,474,366	0.15			6,246,544	0.21
WORLEYPARSONS LTD	3,784	890,948	0.03	France			
		122,535,820	4.12	AIR FRANCE SA	51,537	4,862,756	0.16
				AXA SA	47,215	6,927,816	0.23
				BNP PARIBAS SA	14,809	7,540,501	0.25
				BOUYGUES SA	15,290	4,516,091	0.15

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	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
Equities							
Listed investments							
CAP GEMINI SA	14,755	5,677,723	0.19	BANK OF EAST ASIA LTD	112,609	3,389,531	0.11
CASINO GUICHARD PERRACHON SA	7,151	5,091,714	0.17	BEIJING ENTERPRISES HOLDINGS LTD	54,500	2,136,400	0.07
CIE DE SAINT GOBAIN SA	14,488	6,546,888	0.22	BELLE INTERNATIONAL HOLDINGS LTD	523,000	8,901,460	0.30
CIE GENERALE DE GEOPHYSIQUE-VERITAS SA	26,204	6,909,062	0.23	BOC HONG KONG HOLDINGS LTD	340,450	7,932,485	0.27
CREDIT AGRICOLE SA	49,601	4,787,310	0.16	BRILLIANCE CHINA AUTOMOTIVE HOLDINGS LTD	686,000	6,825,700	0.23
GDF SUEZ SA	27,116	6,932,365	0.23	CHEUNG KONG (HOLDINGS) LTD	158,634	18,877,446	0.63
LAFARGE SA	10,570	4,425,469	0.15	CHEUNG KONG INFRASTRUCTURE (HOLDINGS) LTD	88,000	3,946,800	0.13
MICHELIN SA (CIE GENERALE DES ETABLISSEMENTS) CLASS B	8,256	5,423,539	0.18	CHINA CITIC BANK H SHARES	617,000	2,936,920	0.10
NATIXIS SA	37	1,317	0.00	CHINA COMMUNICATIONS CONSTRUCTION CO LTD H SHARES	865,000	5,743,600	0.19
PEUGEOT SA	16,851	5,008,294	0.17	CHINA CONSTRUCTION BANK H SHARES	5,286,500	33,199,220	1.12
SAFRAN SA	17,977	5,845,333	0.20	CHINA LIFE INSURANCE CO LTD H SHARES	860,000	22,317,000	0.75
SANOI-AVENTIS SA	22,253	13,529,241	0.46	CHINA METAL RECYCLING HOLDINGS LTD	606,000	6,290,280	0.21
SOCIETE GENERALE AS	20,913	8,136,332	0.28	CHINA MINSHENG BANKING CORP LTD H SHARES	384,000	2,638,080	0.09
TOTAL SA	15,494	6,556,477	0.22	CHINA MOBILE LTD	483,481	37,421,429	1.26
VALLOUREC SA	6,087	4,848,865	0.16	CHINA NATIONAL BUILDING MATERIAL H SHARES	1,114,000	17,422,960	0.59
VEOLIA ENVIRONNEMENT SA	26,851	4,751,848	0.16	CHINA NETCOM TECHNOLOGY HOLDINGS LTD	15,390,000	3,093,390	0.10
VIVENDI SA	21,986	4,112,517	0.14	CHINA OVERSEAS GRAND OCEANS GROUP LTD	46,000	517,040	0.02
		122,431,458	4.11	CHINA OVERSEAS LAND & INVESTMENT LTD	436,000	7,586,400	0.25
Germany							
ALLIANZ SE	9,096	9,247,787	0.31	CHINA PACIFIC INSURANCE GROUP CO LTD H SHARES	75,400	2,224,300	0.07
BILFINGER BERGER SE	8,184	6,294,738	0.21	CHINA PETROLEUM & CHEMICAL CORP H SHARES	2,122,000	16,296,960	0.55
DEUTSCHE BOERSE AG	8,931	5,126,713	0.17	CHINA RESOURCES GAS GROUP LTD	360,000	4,140,000	0.14
DEUTSCHE POST AG	45,150	6,260,708	0.21	CHINA SHANSHUI CEMENT GROUP LTD	499,000	4,680,620	0.16
FRESENIUS MEDICAL CARE AG & CO KGAA	13,789	8,258,249	0.28	CHINA SHENHUA ENERGY CO LTD H SHARES	162,500	6,361,875	0.21
HENKEL AG & CO KGAA PREFERRED SHARES	11,443	6,026,533	0.20	CHINA SINGYES SOLAR TECHNOLOGIES HOLDINGS LTD	983,000	6,350,180	0.21
		41,214,728	1.38	CHINA TAIPING INSURANCE HOLDINGS CO LTD	205,800	3,692,052	0.12
Hong Kong							
AGRICULTURAL BANK OF CHINA H SHARES	1,447,000	6,091,870	0.20	CHINA TELECOM CORP LTD H SHARES	750,000	3,795,000	0.13
AIA GROUP LTD	921,400	26,352,040	0.89	CHINA YURUN FOOD GROUP LTD	405,000	9,902,250	0.33
AIR CHINA LTD H SHARES	878,000	7,208,380	0.24	CHINA ZHENGTONG AUTO SERVICES HOLDINGS LTD	512,500	5,278,750	0.18
ANHUI CONCH CEMENT CO LTD H SHARES	130,000	4,745,000	0.16				
BANK OF CHINA LTD H SHARES	5,967,400	21,363,292	0.72				
BANK OF COMMUNICATIONS CO LTD H SHARES	831,215	5,643,950	0.19				

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	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
Equities							
Listed investments							
				MTR CORP LTD	117,104	3,091,546	0.10
				NWS HOLDINGS LTD	96,578	1,091,331	0.04
				PARKSON RETAIL GROUP LTD	133,500	1,457,820	0.05
CLP HOLDINGS LTD	171,274	12,306,037	0.41	PCCW LTD	2,253,000	7,660,200	0.26
CNOOC LTD	1,649,790	28,673,350	0.96	PETROCHINA CO LTD H SHARES	1,552,000	17,103,040	0.57
COMBA TELECOM SYSTEMS HOLDINGS LTD	261,690	1,873,700	0.06	PICC PROPERTY & CASUALTY CO LTD H SHARES	294,000	3,951,360	0.13
COSCO PACIFIC LTD	170,000	2,142,000	0.07	PING AN INSURANCE (GROUP) CO OF CHINA H SHARES	367,000	27,800,250	0.93
DAH CHONG HONG HOLDINGS LTD	554,000	5,661,880	0.19	POLY (HONG KONG) INVESTMENT LTD	232,000	1,343,280	0.05
DONGFENG MOTOR GROUP CO LTD H SHARES	1,070,000	16,413,800	0.55	POWER ASSETS HOLDINGS LTD	207,559	13,449,823	0.45
DONGYUE GROUP	726,000	6,163,740	0.21	SATERI HOLDINGS LTD	497,000	1,883,630	0.06
EMPEROR WATCH & JEWELLERY LTD	5,360,000	8,951,200	0.30	SHANGHAI INDUSTRIAL HOLDINGS LTD	52,000	1,471,600	0.05
EVA PRECISION INDUSTRIAL HOLDINGS LTD	3,862,000	11,354,280	0.38	SHANGRI-LA ASIA LTD	92,166	1,841,477	0.06
EVERGRANDE REAL ESTATE GROUP LTD	596,000	3,480,640	0.12	SHENZHOU INTERNATIONAL GROUP	150,000	1,710,000	0.06
GALAXY ENTERTAINMENT GROUP LTD	104,000	2,095,600	0.07	SINGAMAS CONTAINER HOLDINGS LTD	1,394,000	3,763,800	0.13
GCL POLY ENERGY HOLDINGS LTD	2,668,000	11,765,880	0.40	SINO PROSPER HOLDINGS LTD	17,260,000	3,503,780	0.12
GOME ELECTRICAL APPLIANCES HOLDING LTD	1,212,000	4,435,920	0.15	SINOPEC SHANGHAI PETROCHEMICAL CO LTD H SHARES	1,772,000	5,741,280	0.19
GREAT WALL MOTOR CO LTD H SHARES	573,000	6,727,020	0.23	SITC INTERNATIONAL HOLDINGS CO LTD	418,000	1,371,040	0.05
HAIER ELECTRONICS GROUP CO LTD	388,000	3,670,480	0.12	SJM HOLDINGS LTD	208,000	4,076,800	0.14
HANG LUNG PROPERTIES LTD	363,000	10,454,400	0.35	SKYWORTH DIGITAL HOLDINGS LTD	1,590,000	7,950,000	0.27
HANG SENG BANK LTD	38,400	4,696,320	0.16	SUN HUNG KAI PROPERTIES LTD	200,990	23,817,315	0.80
HENGAN INTERNATIONAL GROUP CO LTD	72,000	4,852,800	0.16	SWIRE PACIFIC LTD CLASS A	47,933	5,248,664	0.18
HONG KONG & CHINA GAS CO LTD	210,392	4,001,656	0.13	TCL COMMUNICATION TECHNOLOGY HOLDINGS LTD	1,193,000	7,921,520	0.27
HONG KONG EXCHANGES AND CLEARING LTD	93,000	14,945,100	0.50	TECHTRONIC INDUSTRIES CO LTD	473,000	3,850,220	0.13
HSBC HOLDINGS PLC	922,897	70,647,765	2.37	TENCENT HOLDINGS LTD	85,500	17,339,400	0.58
HUTCHISON WHAMPOA LTD	303,239	27,534,101	0.93	TPVTECHNOLOGY LTD	1,328,000	5,099,520	0.17
HYSAN DEVELOPMENT CO LTD	142,298	5,179,647	0.17	WEICHAI POWER CO LTD H SHARES	39,000	1,645,800	0.06
INDUSTRIAL AND COMMERCIAL BANK OF CHINA H SHARES	8,765,365	51,978,615	1.75	WHARF (HOLDINGS) LTD, THE	264,862	15,136,863	0.51
JIANGXI COPPER CO LTD H SHARES	410,000	11,234,000	0.38	XINYI GLASS HOLDINGS CO LTD	238,000	1,563,660	0.05
JOHNSON ELECTRIC HOLDINGS LTD	637,500	2,919,750	0.10	XTEP INTERNATIONAL HOLDINGS LTD	1,827,000	8,331,120	0.28
KERRY PROPERTIES LTD	131,500	4,970,700	0.17	YANZHOU COAL MINING CO LTD H SHARES	400,000	11,900,000	0.40
KINGBOARD CHEMICAL HOLDINGS LTD	105,011	3,890,658	0.13	ZHONGSHENG GROUP HOLDINGS LTD	344,500	5,684,250	0.19
KUNLUN ENERGY CO LTD	228,000	2,968,560	0.10	ZUIJIN MINING GROUP CO LTD H SHARES	1,061,000	4,445,590	0.15
KWG PROPERTY HOLDING LTD	1,166,500	6,345,760	0.21				
LI & FUNG LTD	555,844	7,192,621	0.24			920,401,519	30.92
LIFESTYLE INTERNATIONAL HOLDINGS LTD	195,500	4,965,700	0.17	Indonesia			
LONGFOR PROPERTIES CO LTD	215,000	2,580,000	0.09	ASTRA INTERNATIONAL TBK	22,000	1,416,760	0.05
MIE HOLDINGS CORP	1,920,000	5,779,200	0.19	BANK RAKYAT INDONESIA PERSERO TBK	879,000	5,519,588	0.18
				INDO TAMBANGRAYA MEGAH	79,500	3,680,321	0.12
				PT PERUSAHAAN GAS NEGARA	499,000	1,818,298	0.06

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	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
Equities							
Listed investments				NTN CORP	35,000	1,643,419	0.06
				NTT DATA CORP	76	2,049,815	0.07
				NTT DOCOMO INC	333	4,758,038	0.16
MARUBENI CORP	52,000	3,034,998	0.10	OBIC CO LTD	380	583,633	0.02
MATSUMOTOKIYOSHI HOLDINGS CO LTD	4,700	776,441	0.03	OJI PAPER CO LTD	56,000	2,171,433	0.07
MINEBEA CO LTD	24,000	952,425	0.03	ORACLE CORP JAPAN	4,400	1,145,859	0.04
mitsubishi chemical holdings corp	37,500	2,279,581	0.08	ORIX CORP	3,850	3,238,418	0.11
MITSUBISHI CORP	20,100	4,185,159	0.14	OSAKA GAS CO LTD	68,000	2,087,419	0.07
MITSUBISHI ELECTRIC CORP	30,000	2,744,585	0.09	OTSUKA HOLDINGS CO LTD	2,600	557,116	0.02
MITSUBISHI ESTATE CO LTD	13,000	1,811,547	0.06	PANASONIC CORP	45,000	4,194,125	0.14
MITSUBISHI HEAVY INDUSTRIES LTD	33,000	1,192,955	0.04	POINT INC	1,100	384,323	0.01
MITSUBISHI MATERIALS CORP	75,000	1,991,793	0.07	RENGO CO LTD	20,000	1,021,898	0.03
MITSUBISHI UFJ FINANCIAL GROUP INC	328,400	12,999,194	0.44	RESONA HOLDINGS INC	15,100	582,462	0.02
MITSUI AND CO LTD	38,500	5,644,878	0.19	RYOHIN KEIKAKU CO LTD	3,400	1,373,302	0.05
MITSUI ENGINEERING & SHIPBUILDING CO LTD	84,000	1,391,074	0.05	SANTEN PHARMACEUTICAL CO LTD	5,700	1,781,405	0.06
MITSUI FUDOSAN CO LTD	8,000	1,185,887	0.04	SAPPORO HOKUYO HOLDINGS INC	24,300	817,105	0.03
MITSUI MINING & SMELTING CO LTD	65,000	1,831,238	0.06	SAWAI PHARMACEUTICAL CO LTD	1,900	1,525,274	0.05
MIZUHO FINANCIAL GROUP INC	540,900	6,936,620	0.23	SEGA SAMMY HOLDINGS INC	10,900	1,823,796	0.06
MS&AD INSURANCE GROUP HOLDINGS INC	5,900	1,149,242	0.04	SEKISUI CHEMICAL CO LTD	30,000	2,156,892	0.07
MURATA MANUFACTURING CO LTD	4,000	2,023,601	0.07	SEVEN & I HOLDINGS CO LTD	7,292	1,616,249	0.05
NICHIREI CORP	13,000	448,949	0.02	SHARP CORP	23,000	1,651,295	0.06
NIDEC CORP	400	308,185	0.01	SHIKOKU ELECTRIC POWER CO INC	3,700	627,306	0.02
NIKON CORP	6,300	1,150,817	0.04	SHIN ETSU CHEMICAL CO LTD	4,000	1,680,276	0.06
NINTENDO CO LTD	1,700	2,106,302	0.07	SHINSEI BANK LTD	206,000	2,017,744	0.07
NIPPON ELECTRIC GLASS CO LTD	19,000	1,866,782	0.06	SHIONOGI & CO LTD	5,500	739,766	0.02
NIPPON KAYAKU CO LTD	19,000	1,640,389	0.06	SHIZUOKA BANK LTD	30,000	2,193,244	0.07
NIPPON MEAT PACKERS INC	15,000	1,626,757	0.05	SKY PERFECT JSAT HOLDINGS INC	451	1,543,844	0.05
NIPPON SHEET GLASS CO LTD	71,000	1,763,684	0.06	SOFTBANK CORP	14,700	4,467,978	0.15
NIPPON SHOKUBAI CO LTD	9,000	916,073	0.03	SOJITZ CORP	85,200	1,307,707	0.04
NIPPON STEEL CORP	57,000	1,496,495	0.05	SONY CORP	24,700	4,856,128	0.16
NIPPON TELEGRAPH AND TELEPHONE CORP	13,700	5,256,920	0.18	SONY FINANCIAL HOLDINGS INC	12,200	1,704,995	0.06
NIPPON TELEVISION NETWORK CORP	1,030	1,221,047	0.04	SUMITOMO CORP	20,698	2,271,679	0.08
NIPPON YUSEN KK	62,000	1,765,501	0.06	SUMITOMO FORESTRY CO LTD	9,300	683,662	0.02
NIPRO CORP	4,100	585,410	0.02	SUMITOMO HEAVY INDUSTRIES LTD	34,000	1,847,091	0.06
NISHI-NIPPON BANK LTD	21,000	502,568	0.02	SUMITOMO METAL MINING CO LTD	22,000	3,036,815	0.10
NISSAN MOTOR CO LTD	64,200	5,328,857	0.18	SUMITOMO MITSUI FINANCIAL GROUP INC	35,400	8,693,487	0.29
NISSHINBO HOLDINGS INC	19,000	1,458,124	0.05	SUMITOMO MITSUI TRUST HOLDINGS INC	121,500	3,484,350	0.12
NISSIN FOODS HOLDINGS CO LTD	4,000	1,183,463	0.04	SUMITOMO REAL ESTATE SALES CO LTD	890	320,838	0.01
NITORI HOLDINGS CO LTD	2,300	1,739,550	0.06	SUMITOMO REALTY & DEVELOPMENT CO LTD	3,000	576,787	0.02
NITTO DENKO CORP	2,200	826,405	0.03	TAIHEIYO CEMENT CORP	102,000	1,555,265	0.05
NKSJ HOLDINGS INC	14,294	734,681	0.02	TAKEDA PHARMACEUTICAL CO LTD	15,500	5,751,965	0.19
NOMURA HOLDINGS INC	49,000	1,855,473	0.06	TEIJUN LTD	53,000	1,841,033	0.06
NOMURA RESEARCH INSTITUTE LTD	9,800	1,816,879	0.06	THE CHUGOKU BANK LTD	5,000	494,288	0.02

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Equities							
Listed investments							
				REED ELSEVIER NV	67,415	7,021,628	0.23
						49,368,261	1.66
THK CO LTD	6,600	1,326,246	0.04	New Zealand			
TOHOKU ELECTRIC POWER CO INC	13,500	1,356,388	0.05	TELECOM CORP OF NEW ZEALAND	224,527	4,014,192	0.14
TOKAI RIKA CO LTD	6,500	994,382	0.03	Norway			
TOKIO MARINE HOLDINGS INC	18,396	4,224,167	0.14	NORSK HYDRO ASA	90,091	5,012,888	0.17
TOKYO ELECTRIC POWER CO INC	18,300	785,357	0.03	SUBSEA 7 SA	27,360	5,627,901	0.19
TOKYO ELECTRON LTD	1,100	461,520	0.02	TELENOR ASA	33,462	4,352,672	0.14
TOKYU CORP	60,000	2,096,305	0.07			14,993,461	0.50
TOKYU LAND CORP	46,000	1,672,197	0.06	Singapore			
TONEN GENERAL SEKIYU KK	19,000	1,857,189	0.06	DBS GROUP HOLDINGS LTD	24,744	2,486,644	0.08
TOPPAN FORMS CO LTD	9,100	596,367	0.02	GLOBAL LOGISTIC PROPERTIES LTD	113,000	1,470,708	0.05
TOSHIBA CORP	95,000	3,827,575	0.13	HONG KONG LAND HOLDINGS LTD	163,814	8,580,420	0.29
TOSHIBA TEC CORP	34,000	1,122,675	0.04	SEMBORP INDUSTRIES LTD	38,000	1,247,508	0.04
TOSOH CORP	50,000	1,656,041	0.06	SINGAPORE TELECOMMUNICATIONS LTD	115,000	2,494,564	0.09
TOYODA GOSEI CO LTD	8,800	1,503,524	0.05	STX OSV HOLDINGS LTD	426,000	4,234,186	0.14
TOYOTA MOTOR CORP	49,000	15,610,709	0.52	UNITED OVERSEAS BANK LTD	20,354	2,695,225	0.09
TOYOTA TSUSHO CORP	12,100	1,650,699	0.06	YANGZJIANG SHIPBUILDING HOLDINGS LTD	182,000	1,697,016	0.06
UBE INDUSTRIES LTD	23,000	608,494	0.02			24,906,271	0.84
ULVAC INC	5,100	734,888	0.02	South Korea			
UNY CO LTD	20,200	1,540,017	0.05	BS FINANCIAL GROUP INC	31,400	3,772,329	0.13
WEST JAPAN RAILWAY CO	1,900	626,418	0.02	GS ENGINEERING & CONSTRUCTION CORP	4,410	3,863,523	0.13
YAMADA DENKI CO LTD	3,500	2,170,019	0.07	GS HOLDINGS CORP	2,127	1,423,124	0.05
YAMATO KOGYO CO LTD	3,100	726,235	0.02	GS HOME SHOPPING INC	957	999,018	0.03
YAMAZAKI BAKING CO LTD	15,000	1,611,611	0.05	HANA FINANCIAL GROUP INC	5,640	1,724,174	0.06
YOKOHAMA RUBBER CO LTD	24,000	1,129,339	0.04	HYNIX SEMICONDUCTOR INC	6,400	1,147,409	0.04
				HYUNDAI HEAVY INDUSTRIES CO LTD	1,423	4,287,055	0.14
		392,267,633	13.18	HYUNDAI MOBIS	2,670	7,501,039	0.25
				HYUNDAI MOTOR CO LTD	2,892	5,024,499	0.17
Malaysia				INDUSTRIAL BANK OF KOREA	11,840	1,584,371	0.05
AIRASIA BHD	229,900	2,372,772	0.08	KB FINANCIAL GROUP INC	3,919	1,526,907	0.05
AXIATA GROUP BHD	222,400	2,967,036	0.10	KIA MOTORS CORP	11,720	6,697,823	0.22
CIMB GROUP HOLDINGS BHD	163,400	3,548,803	0.12	KOLON INDUSTRIES INC	4,052	3,519,929	0.12
RHB CAPITAL BHD	106,012	2,533,499	0.08	KOREA ZINC CO LTD	865	2,797,826	0.09
				KT CORP	5,229	1,528,944	0.05
		11,422,110	0.38	LG CHEMICAL	727	2,526,148	0.09
				LG CORP	6,849	3,990,065	0.13
Netherlands				LG INTERNATIONAL CORP	3,680	1,686,810	0.06
ARCELORMITTAL	25,422	6,207,422	0.21				
HEINEKEN NV	17,910	8,278,947	0.28				
ING GROEP NV	106,607	8,978,232	0.30				
KONINKLIJKE KPN NV	71,068	7,916,330	0.27				
KONINKLIJKE PHILIPS ELECTRONICS NV	26,964	5,238,460	0.18				
RANDSTAD HOLDING NV	16,274	5,727,242	0.19				

Portfolio Statement (Unaudited)

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	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
Equities							
Listed investments							
CENTRICA PLC	126,785	4,971,959	0.17	AVON PRODUCTS INC	5,900	1,206,253	0.04
GROUP 4 SECURICOR PLC	171,510	6,014,889	0.20	BALL CORP	4,113	1,243,881	0.04
HSBC HOLDINGS PLC	146,379	11,134,220	0.37	BANK OF AMERICA CORP	17,979	1,360,733	0.05
IMPERIAL TOBACCO GROUP PLC	16,970	4,594,377	0.15	BAXTER INTERNATIONAL INC	3,932	1,781,567	0.06
INTERNATIONAL POWER PLC	131,419	5,140,232	0.17	BECTON DICKINSON & CO	1,500	977,196	0.03
INTERTEK GROUP PLC	18,402	4,508,821	0.15	BED BATH & BEYOND INC	2,300	1,048,929	0.04
KINGFISHER PLC	183,862	5,944,651	0.20	BERKSHIRE HATHAWAY INC CLASS A	1	868,307	0.03
PRUDENTIAL PLC	75,412	6,652,791	0.22	BERKSHIRE HATHAWAY INC CLASS B	2,667	1,542,049	0.05
RECKITT BENCKISER GROUP PLC	14,540	6,429,353	0.22	BEST BUY INC	4,200	902,884	0.03
RIO TINTO PLC	13,914	7,655,078	0.26	BIOPEN IDEC INC	2,404	1,907,526	0.06
ROYAL DUTCH SHELL PLC				BOEING CO	3,837	2,107,581	0.07
B SHARES	49,861	14,283,815	0.48	BRISTOL MYERS SQUIBB CO	9,400	2,100,802	0.07
TESCO PLC	104,709	5,134,466	0.17	BUNGE LTD	2,285	1,224,823	0.04
UNILEVER PLC	35,379	8,817,869	0.30	CAPITAL ONE FINANCIAL CORP	3,512	1,308,491	0.04
VODAFONE GROUP PLC	319,448	7,030,040	0.24	CARDINAL HEALTH INC	3,872	1,320,690	0.04
XSTRATA PLC	49,270	8,166,748	0.28	CATERPILLAR INC	2,432	1,872,875	0.06
		<u>140,347,358</u>	<u>4.72</u>	CB RICHARD ELLIS GROUP INC CLASS A	6,411	1,089,358	0.04
				CBS CORP CLASS B	7,291	1,555,429	0.05
				CELANESE CORP SERIES A	1,851	794,673	0.03
				CEPHALON INC	247	154,000	0.01
				CF INDUSTRIES HOLDINGS INC	700	847,940	0.03
				CHESAPEAKE ENERGY CORP	4,571	1,223,844	0.04
				CHEVRON CORP	6,916	5,607,381	0.19
				CIGNA CORP	3,400	1,318,440	0.04
				CISCO SYSTEMS INC	8,688	1,080,595	0.04
				CITIGROUP INC	6,136	1,830,820	0.06
				CLIFFS NATURAL RESOURCES INC	1,741	1,218,063	0.04
				COCA COLA CO	4,195	2,222,478	0.07
				COLGATE PALMOLIVE CO	1,282	843,171	0.03
				COMMERCE BANCSHARES INC	1,869	595,828	0.02
				CONOCOPHILLIPS	5,750	3,228,268	0.11
				COVIDIEN PLC	1,318	521,979	0.02
				CUMMINS INC	1,617	1,322,381	0.04
				DARDEN RESTAURANTS INC	3,224	1,277,080	0.04
				DELL INC	12,957	1,640,132	0.05
				DELTA AIR LINES INC	13,358	820,457	0.03
				DIRECTV CLASS A	2,270	896,530	0.03
				DISCOVER FINANCIAL SERVICES	8,415	1,678,466	0.06
				DISH NETWORK CORP CLASS A	2,991	690,775	0.02
				DOVER CORP	2,503	1,179,943	0.04
				DST SYSTEMS INC	1,523	608,034	0.02
				DU PONT EI DE NEMOURS & CO	4,808	1,927,763	0.06
				DUKE REALTY CORP	5,551	607,040	0.02
				DUN & BRADSTREET CORP	1,039	587,059	0.02
				EASTMAN CHEMICAL CO	1,535	1,155,776	0.04
				EATON CORP	3,600	1,345,767	0.05

Portfolio Statement (Unaudited)

HSBC Managed Growth Fund

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	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
Equities							
Listed investments				LORILLARD INC	1,632	1,350,421	0.05
				MACYS INC	5,100	1,146,844	0.04
				MARATHON OIL CORP	4,649	1,120,799	0.04
EDISON INTERNATIONAL	4,500	1,334,613	0.04	MARATHON PETROLEUM CORP	2,324	793,230	0.03
ELI LILLY & CO	6,156	1,836,787	0.06	MATTEL INC	5,210	1,081,833	0.04
ENERGY CORP	2,500	1,301,681	0.04	MCDERMOTT INTERNATIONAL INC	4,407	693,190	0.02
EXELON CORP	4,007	1,376,731	0.05	MCDONALDS CORP	3,839	2,588,347	0.09
EXXON MOBIL CORP	14,383	8,944,000	0.30	MCKESSON CORP	2,376	1,501,395	0.05
FEDEX CORP	2,286	1,547,335	0.05	MELCO CROWN ENTERTAINMENT LTD ADR	74,406	8,774,758	0.29
FIFTH THIRD BANCORP	10,420	1,027,416	0.03	MERCK & CO INC	4,651	1,237,651	0.04
FIRSTENERGY CORP	3,000	1,044,073	0.04	METLIFE INC	5,005	1,605,322	0.05
FLEXTRONICS INTERNATIONAL LTD	11,265	565,464	0.02	METROPCS COMMUNICATIONS INC	5,876	744,716	0.03
FLUOR CORP	2,471	1,223,794	0.04	MICROSOFT CORP	27,299	5,828,100	0.20
FORD MOTOR CO	9,751	928,011	0.03	MOHAWK INDUSTRIES INC	1,400	568,094	0.02
FRANKLIN RESOURCES INC	1,000	969,979	0.03	MOODYS CORP	1,735	481,570	0.02
FREEMPORT/MCMORAN COPPER & GOLD CLASS B	5,503	2,271,620	0.08	MYLAN INC	5,476	972,311	0.03
GAMESTOP CORP CLASS A	3,473	638,318	0.02	NATIONAL OILWELL VARCO INC	2,175	1,366,245	0.05
GANNETT INC	4,679	465,728	0.01	NCR CORP	4,136	643,472	0.02
GENERAL ELECTRIC CO	22,945	3,197,745	0.11	NISOURCE INC	5,303	832,471	0.03
GILEAD SCIENCES INC	5,141	1,697,430	0.06	NORTHEAST UTILITIES	2,240	593,629	0.02
GOLDMAN SACHS GROUP INC	790	928,099	0.03	NORTHROP GRUMMAN CORP	2,800	1,319,734	0.04
GOOGLE INC CLASS A	504	2,372,574	0.08	OCCIDENTAL PETROLEUM CORP	2,163	1,655,772	0.06
HALLIBURTON CO	5,610	2,393,624	0.08	ORACLE CORP	12,520	2,984,215	0.10
HARRIS CORP	3,503	1,088,616	0.04	PARKER HANNIFIN CORP	1,735	1,068,083	0.04
HARTFORD FINANCIAL SERVICES GROUP INC	5,609	1,022,596	0.03	PATTERSON-UTI ENERGY INC	4,140	1,049,718	0.04
HESS CORP	2,670	1,427,032	0.05	PENTAIR INC	2,000	573,987	0.02
HEWLETT PACKARD CO	9,257	2,536,924	0.08	PEPSICO INC	2,775	1,384,520	0.05
HOME DEPOT INC	4,449	1,211,640	0.04	PETSMART INC	1,700	569,645	0.02
HONEYWELL INTERNATIONAL INC	4,141	1,713,910	0.06	PFIZER INC	28,575	4,285,284	0.14
HORMEL FOODS CORP	5,390	1,216,678	0.04	PHILIP MORRIS INTERNATIONAL INC	6,981	3,873,146	0.13
HUMANA INC	2,150	1,247,646	0.04	PLAINS EXPLORATION & PRODUCTION CO	2,600	790,970	0.03
HUNTINGTON BANCSHARES INC	10,286	484,252	0.02	POPULAR INC	28,100	523,471	0.02
INTEL CORP	20,143	3,505,913	0.12	PPG INDUSTRIES INC	1,851	1,214,806	0.04
INTERNATIONAL BUSINESS MACHINES CORP	4,166	5,897,544	0.20	PPL CORP	6,639	1,444,278	0.05
INTERNATIONAL PAPER CO	5,075	1,174,845	0.04	PRICELINE INC	400	1,676,971	0.06
ITT CORP	1,336	555,662	0.02	PRINCIPAL FINANCIAL GROUP INC	4,942	1,064,704	0.04
JABIL CIRCUIT INC	4,407	627,925	0.02	PROCTER & GAMBLE CO	5,369	2,574,530	0.09
JOHNSON & JOHNSON	5,128	2,585,672	0.09	PUBLIC STORAGE INC	1,470	1,372,200	0.05
JP MORGAN CHASE & CO	13,358	4,208,487	0.14	QUALCOMM INC	1,988	848,842	0.03
KEYCORP	8,708	544,354	0.02	ROSS STORES INC	2,230	1,317,014	0.04
KINETIC CONCEPTS INC	1,300	678,597	0.02	RR DONNELLEY & SONS CO	3,700	542,474	0.02
KROGER CO	6,277	1,217,281	0.04	RYDER SYSTEM INC	1,469	644,642	0.02
LINCOLN NATIONAL CORP	5,400	1,114,551	0.04	SAIC INC	7,500	935,925	0.03
				SCHLUMBERGER LTD	2,323	1,637,563	0.06
				SEAGATE TECHNOLOGY	6,949	752,338	0.02

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	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
SEMPRA ENERGY	3,155	1,246,797	0.04	BELGIUM (KINGDOM OF)			
SHERWIN WILLIAMS CO	1,736	1,044,071	0.04	3.5% 28 MARCH 2015	110,000	1,239,654	0.04
SMITHFIELD FOODS INC	4,008	688,225	0.02	BELGIUM (KINGDOM OF) 4%			
SUNOCO INC	1,735	549,864	0.02	28 MARCH 2019	160,000	1,781,628	0.06
SUPERVALU INC	9,359	627,359	0.02	CIE FINANCEMENT FONCIER			
TECO ENERGY INC	4,100	591,852	0.02	1.25% 1 DECEMBER 2011	55,000,000	5,567,624	0.19
TERADATA CORP	3,264	1,398,505	0.05	DEPFA ACS BANK 1.65% EMTN			
TIME WARNER INC	6,265	1,716,952	0.06	20 DECEMBER 2016	40,000,000	3,782,882	0.13
TJX COS INC	3,699	1,594,978	0.05	EKSPOFTFINANS A/S 1.6%			
TYSON FOODS INC CLASS A	6,808	932,351	0.03	20 MARCH 2014	49,000,000	5,103,787	0.17
UNITED PARCEL SERVICE INC CLASS B	3,859	2,079,360	0.07	EUROPEAN INVESTMENT BANK			
UNITED TECHNOLOGIES CORP	2,501	1,615,277	0.05	1.25% 20 SEPTEMBER 2012	8,000,000	817,430	0.03
UNITEDHEALTH GROUP INC	5,743	2,222,076	0.07	EUROPEAN INVESTMENT BANK			
VALERO ENERGY CORP	6,410	1,254,565	0.04	1.4% 20 JUNE 2017	3,400,000	359,967	0.01
VERIZON COMMUNICATIONS	11,307	3,111,074	0.10	FRANCE (GOVERNMENT OF)			
VF CORP	1,679	1,528,819	0.05	5.75% 25 OCTOBER 2032	78,000	1,129,286	0.04
VIACOM INC CLASS B	4,862	1,834,587	0.06	FRANCE (GOVERNMENT OF) OAT			
WAL MART STORES INC	8,133	3,342,695	0.11	4% 25 APRIL 2018	299,000	3,623,627	0.12
WALT DISNEY CO	1,933	581,427	0.02	FRANCE (GOVERNMENT OF) OAT			
WARNER CHILCOTT PLC				4.25% 25 OCTOBER 2023	207,000	2,520,953	0.08
IRELAND SHARES A	5,901	966,822	0.03	GERMANY (FEDERAL REPUBLIC OF)			
WATSON PHARMACEUTICALS INC	2,400	1,255,975	0.04	5.5% 4 JANUARY 2031	25,000	367,607	0.01
WEIGHT WATCHERS INTERNATIONAL INC	1,000	601,034	0.02	GERMANY (FEDERAL REPUBLIC OF)			
WELLS FARGO & CO	9,911	2,156,856	0.07	6.25% S94 4 JANUARY 2024	120,000	1,820,964	0.06
WESTERN DIGITAL CORP	2,532	679,697	0.02	GERMANY (REPUBLIC OF)			
WESTERN UNION CO	7,879	1,190,795	0.04	3.5% 4 JULY 2019	230,000	2,798,998	0.09
WHIRLPOOL CORP	1,482	800,053	0.03	GERMANY (REPUBLIC OF)			
WILLIAMS COS INC	4,200	1,037,760	0.03	3.75% 4 JULY 2013	667,000	7,836,937	0.26
WW GRAINGER INC	1,100	1,272,803	0.04	GERMANY (REPUBLIC OF)			
WYNDHAM WORLDWIDE CORP	2,300	620,286	0.02	4.25% 4 JANUARY 2015	343,000	4,134,971	0.14
		<u>279,297,181</u>	<u>9.38</u>	GERMANY (REPUBLIC OF)			
				4.25% 12 OCTOBER 2012	169,000	1,961,820	0.07
Unlisted investments				GERMANY (REPUBLIC OF)			
AYALA LAND INC PREFERRED SHARES	547,000	0	0.00	4.25% 4 JULY 2017	34,000	429,226	0.01
				GERMANY (REPUBLIC OF)			
Equities (Total)		<u>2,459,870,748</u>	<u>82.63</u>	4.25% 4 JULY 2039	195,000	2,557,077	0.09
Debt securities				ITALY (REPUBLIC OF) 4%			
				1 FEBRUARY 2037	390,000	3,181,412	0.11
				ITALY (REPUBLIC OF) 4.25%			
				15 APRIL 2013	155,000	1,734,198	0.06
Bonds				ITALY (REPUBLIC OF)			
Listed investments				4.25% 1 AUGUST 2013	344,000	3,845,335	0.13
AUSTRALIA (GOVERNMENT OF)				ITALY (REPUBLIC OF)			
5.25% 15 MARCH 2019	130,000	1,152,400	0.04	4.5% 1 FEBRUARY 2018	210,000	2,226,306	0.07
AUSTRIA (REPUBLIC OF)				JAPAN GOVERNMENT 10 YEAR BOND			
4.65% 15 JANUARY 2018	221,000	2,763,361	0.09	#264 1.5% 20 SEPTEMBER 2014	48,600,000	5,102,708	0.17

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	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
JAPAN GOVERNMENT 10 YEAR BOND #278 1.8% 20 MARCH 2016	94,100,000	10,131,739	0.34				
Bonds				Bonds			
Listed investments				Unlisted but quoted investments			
JAPAN GOVERNMENT 10 YEAR BOND #300 1.5% 20 MARCH 2019	80,300,000	8,576,323	0.29	CANADA (GOVERNMENT OF) 4% 1 JUNE 2017	360,000	3,231,151	0.11
JAPAN GOVERNMENT 20 YEAR BOND #90 2.2% 20 SEPTEMBER 2026	73,700,000	8,024,132	0.27	CANADA TREASURY BONDS 5.75% 1 JUNE 2029	28,000	308,099	0.01
JAPAN GOVERNMENT 20 YEAR BOND #97 2.2% 20 SEPTEMBER 2027	24,000,000	2,594,935	0.09	US TREASURY NOTES 3.125% 30 SEPTEMBER 2013	167,000	1,378,562	0.05
JAPAN GOVERNMENT 30 YEAR BOND #29 2.4% 20 SEPTEMBER 2038	44,000,000	4,791,815	0.16	US TREASURY NOTES 3.375% 31 JULY 2013	821,000	6,784,491	0.23
MEXICO (UNITED STATES OF) 8% 11 JUNE 2020	1,900,000	1,388,641	0.05	US TREASURY NOTES 4% 15 AUGUST 2018	370,000	3,256,402	0.11
NORWAY (GOVERNMENT OF) 4.5% 22 MAY 2019	480,000	779,515	0.03	US TREASURY NOTES 4.25% 30 SEPTEMBER 2012	298,000	2,429,281	0.08
POLAND (REPUBLIC OF) 6.25% 24 OCTOBER 2015	370,000	1,077,406	0.04	US TREASURY NOTES 4.375% 15 FEBRUARY 2038	481,000	3,937,784	0.13
SPAIN (GOVERNMENT OF) 4.4% 31 JANUARY 2015	310,000	3,408,848	0.11	US TREASURY NOTES 4.5% 15 FEBRUARY 2016	845,000	7,573,277	0.25
SPAIN (GOVERNMENT OF) 5.75% 30 JULY 2032	140,000	1,461,232	0.05	US TREASURY STRIPS 0% 15 MAY 2030	203,000	733,230	0.02
SWEDEN (GOVERNMENT OF) 4.25% 12 MARCH 2019	1,120,000	1,555,016	0.05			29,632,277	0.99
SWITZERLAND (GOVERNMENT OF) 3% 8 JANUARY 2018	60,000	668,260	0.02	Debt securities (Total)		168,061,812	5.64
UK TREASURY 4% 7 SEPTEMBER 2016	256,000	3,637,863	0.12	Unit trusts			
UK TREASURY 4.25% 7 MARCH 2036	280,000	3,729,570	0.13	Listed investments			
UK TREASURY 8% 7 DECEMBER 2015	118,000	1,926,997	0.06	ANNALY CAPITAL MANAGEMENT INC REIT	9,778	1,276,595	0.04
US TREASURY BONDS 7.125% 15 FEBRUARY 2023	160,000	1,739,732	0.06	ISHARES MSCI CANADA INDEX FUND	81,739	19,635,873	0.66
US TREASURY BONDS 7.625% 15 FEBRUARY 2025	133,000	1,525,361	0.05	ISHARES MSCI JAPAN INDEX FUND	187	15,538	0.00
US TREASURY NOTES 4.25% 15 AUGUST 2014	613,000	5,308,091	0.18	ISHARES TR S&P 500 INDEX FUND	3,954	3,997,591	0.14
US TREASURY NOTES 8.875% 15 FEBRUARY 2019	160,000	1,836,871	0.06	LINK REIT	232,206	6,327,613	0.21
US TREASURY NOTES 11.25% 15 FEBRUARY 2015	493,000	5,254,276	0.18			31,253,210	1.05
XTRA FINANCE CORP 5.15% 1 APRIL 2017	135,000	1,172,754	0.04	Unlisted by quoted investments			
		138,429,535	4.65	HALBIS FUNDS – HSBC CHINA A SHARE FUND CLASS X	418	33,464,997	1.13
				HSBC POOLED CHINESE EQUITY FUND W CLASS	1,403,791	15,217,100	0.51
						48,682,097	1.64
				Unit trusts (Total)		79,935,307	2.69

Portfolio Statement (Unaudited)

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	Holdings	Market value HKD	% of net asset value
Futures			
Listed investments			
HANG SENG INDEX FUTURES AUGUST 2011	(18)	68,220	0.00
S&P 500 INDEX FUTURES (CME) SEPTEMBER 2011	90	2,548,956	0.09
		<u>2,617,176</u>	<u>0.09</u>
Total investments		2,710,485,043	91.05
<i>(Total cost of investments: \$2,438,760,719)</i>			
Other net assets		<u>266,410,911</u>	<u>8.95</u>
Total net assets		<u>2,976,895,954</u>	<u>100.00</u>

Statement of Movements in Portfolio Holdings (Unaudited)

HSBC Managed Growth Fund

for the year ended 31 July 2011

	% of Net asset value 2011	% of Net asset value 2010
Financial assets		
Equities		
Listed investments		
Australia	4.12	4.76
Belgium	0.00	0.22
Canada	0.84	0.50
Denmark	0.24	0.25
Finland	0.21	0.08
France	4.11	3.03
Germany	1.38	1.56
Hong Kong	30.92	36.04
Indonesia	0.48	0.40
Ireland	0.19	0.00
Italy	0.41	0.39
Japan	13.18	11.84
Malaysia	0.38	0.70
Netherlands	1.66	1.49
New Zealand	0.14	0.00
Norway	0.50	0.17
Singapore	0.84	1.24
South Korea	2.95	3.15
Spain	1.79	1.24
Sweden	0.37	–
Switzerland	1.79	1.32
Taiwan	1.52	2.27
Thailand	0.33	0.35
The Philippines	0.18	0.10
United Kingdom	4.72	3.89
United States of America	9.38	6.52
	<hr/> 82.63	<hr/> 81.51
Unlisted investments	0.00	0.00
	<hr/> 82.63	<hr/> 81.51
Bonds		
Listed investments	4.65	5.28
Unlisted but quoted investments	0.99	1.33
	<hr/> 5.64	<hr/> 6.61

Statement of Movements in Portfolio Holdings (Unaudited)

HSBC Managed Growth Fund

for the year ended 31 July 2011

	% of Net asset value 2011	% of Net asset value 2010
Unit trusts		
Listed investments	1.05	1.79
Unlisted but quoted investments	1.64	1.21
	2.69	3.00
Futures	0.09	0.05
Rights	–	0.15
Warrants	–	0.00
	–	0.00
Total financial assets	91.05	91.32
Financial liabilities		
Futures	–	(0.07)
	–	(0.07)
Total financial liabilities	–	(0.07)
Total investments	91.05	91.25
Other net assets	8.95	8.75
Total net assets	100.00	100.00

Performance Record (Unaudited)

HSBC Managed Growth Fund

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

Year	"A" Class Income Units				
	Bid		Offer		
	Lowest HKD	Highest HKD	Lowest HKD	Highest HKD	
2001	10.24	4.43	10.84	15.26	
2002	8.10	10.67	8.58	11.29	
2003	7.71	9.39	8.16	9.91	
2004	9.17	11.88	9.68	12.54	
2005	10.68	13.20	11.27	13.93	
2006	12.83	16.06	13.54	16.95	
2007	14.81	19.98	15.63	21.08	
2008	16.91	22.31	17.85	23.54	
2009	9.32	17.11	9.83	18.06	
2010	14.28	16.81	15.06	17.73	
2011	15.06	18.44	15.88	19.45	

Year	"L" Class Income Units				
	Bid		Offer		
	Lowest HKD	Highest HKD	Lowest HKD	Highest HKD	
2007	17.64	20.34	17.64	20.34	
2008	17.50	22.74	17.50	22.74	
2009	10.23	17.82	10.23	17.82	
2010	15.24	17.93	15.24	17.93	
2011	16.16	19.83	16.16	19.83	

Year	"Provident" Class Units				
	Bid		Offer		
	Lowest HKD	Highest HKD	Lowest HKD	Highest HKD	
2001	10.42	14.34	11.03	15.17	
2002	8.08	10.56	8.55	11.17	
2003	7.69	9.34	8.14	9.86	
2004	9.14	11.82	9.65	12.48	
2005	10.75	13.32	11.35	14.06	
2006	13.10	16.29	13.83	16.29	
2007	15.22	20.38	15.22	20.38	
2008	17.64	22.81	17.64	22.81	
2009	10.41	17.96	10.41	17.96	
2010	15.50	18.23	15.50	18.23	
2011	16.46	20.26	16.46	20.26	

Performance Record (Unaudited)

(b) Total net asset value (at bid prices)

	2011	2010	2009	2008
	HKD	HKD	HKD	HKD
Total net asset value	2,976,895,954	2,619,699,078	2,365,224,096	2,530,844,365

(c) Net asset value per unit (at bid prices)

	2011	2010	2009	2008
	HKD	HKD	HKD	HKD
Net asset value per unit				
– “A” class income units	17.59	15.52	14.69	17.21
– “L” class income units	19.04	16.56	15.64	17.90
– “Provident” class units	19.50	16.87	15.85	18.04

Investment Adviser's Report

HSBC Managed Stable Fund

Review

The Fund rose in absolute terms during the period. Overall, risky assets and equities in particular have generated positive returns. The second half of 2010 was especially fruitful for equity investors on the back of a global recovery in most of the developed and emerging markets. Despite investors' concerns about the challenging fiscal situation of some developed countries, economic data releases have been robust and expanding. However, since the beginning of 2011, the economic picture has been more mitigated with mixed macro data releases combined with ongoing concerns about the social movements in the Middle East, and European and US sovereign debt challenges. The Fund outperformed its benchmark, benefiting from its overweight position in equities when markets performed strongly over the last months of 2010. In the face of market volatility during Q1 this year, the Fund turned to a more defensive position and then delivered a lower return. Over the full period, a positive contribution relative to the benchmark was also derived from a lower-than-benchmark exposure to bonds and cash. Successful stock selection also added value, in particular in Hong Kong and North American equities and also within bonds.

HSBC Global Asset Management (Hong Kong) Limited

22 November 2011

Trustee's Report

HSBC Managed Stable Fund ("the Fund")

We hereby confirm that, in our opinion, the Manager of the Fund has, in all material respects, managed the Fund in accordance with the provisions of the Trust Deed dated 14 March 1997, as amended, for the year ended 31 July 2011.

Amy FUNG)
Bertha TAM) For and on behalf of
) HSBC Trustee (Cayman) Limited,
) Trustee
)

Independent Auditors' Report to the Unitholders of HSBC Managed Stable Fund ("the Fund")

Report on the financial statements

We have audited the financial statements of the Fund set out on pages 82 to 100, which comprise the statement of assets and liabilities as at 31 July 2011, the statement of comprehensive income, statement of changes in net assets attributable to unitholders, cash flow statement and distribution statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

Auditor's responsibility

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to

fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager and the Trustee, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 July 2011, and of its transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

Report on disclosure requirements under the Code

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

KPMG

Chartered Accountants
Grand Cayman, 22 November 2011

Statement of Assets and Liabilities

HSBC Managed Stable Fund

Statement of assets and liabilities at 31 July 2011

	Note	2011 HKD	2010 HKD
ASSETS			
Financial assets at fair value through profit or loss	5, 7(e), 13(f)	1,095,408,887	993,584,077
Interest and dividends receivable		10,385,015	9,607,663
Subscriptions receivable		2,400,799	3,111,155
Amounts due from brokers	6, 7(b)	9,574,292	33,877,349
Cash and cash equivalents	7(b)	168,227,533	143,988,138
		1,285,996,526	1,184,168,382
LIABILITIES			
Financial liabilities at fair value through profit or loss	5, 13(f)	–	99,410
Redemptions payable		3,178,837	732,486
Amounts due to brokers	6	1,090,801	22,435,305
Distributions payable	11	458,888	–
Other payables	7(a), 7(c)	1,602,090	1,486,647
		6,330,616	24,753,848
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (BID PRICES)			
	12	1,279,665,910	1,159,414,534
Representing:			
Financial liabilities		1,279,665,910	1,159,414,534
Total number of units in issue			
“A” class income units	9(a)	3,824,066	5,197,063
“L” class income units	9(b)	1,003,497	1,096,984
Provident class units	9(c)	72,193,799	70,715,670
Net asset value per unit at bid prices			
“A” class income units		14.21	13.21
“L” class income units		16.29	14.88
Provident class units		16.75	15.19

Approved by the Trustee and the Manager on 22 November 2011

)
 Amy FUNG) For and on behalf of
 Bertha TAM) HSBC Trustee (Cayman) Limited
)

Edgar Kai Man NG) For and on behalf of
 Julie J KOO) HSBC Investment Funds
) (Hong Kong) Limited

The notes on pages 87 to 100 form part of these financial statements.

Statement of Comprehensive Income

HSBC Managed Stable Fund

for the year ended 31 July 2011

	Note	2011 HKD	2010 HKD
Interest income	7(b)	48,795	69,639
Dividend income	7(e)	11,146,606	7,554,422
Net gains from financial instruments at fair value through profit or loss	3	123,450,109	38,170,086
Net foreign exchange loss		(422,866)	(71,431)
Other income		–	869
TOTAL REVENUE		134,222,644	45,723,585
Management fees	7(a)	9,798,437	8,562,812
Transaction costs	7(c), 7(d)	3,255,776	2,873,606
Trustee's fees	7(c)	1,376,795	1,211,045
Auditor's remuneration		220,454	337,115
Administrative fees	7(a)	11,100	314,272
Registrar's fees	7(a)	105,000	105,000
Safe custody fees, bank charges and miscellaneous expenses	7(b)	678,250	284,919
TOTAL OPERATING EXPENSES		15,445,812	13,688,769
NET PROFIT FROM OPERATIONS BEFORE TAXATION		118,776,832	32,034,816
Taxation	4	(1,538,837)	(1,165,468)
NET PROFIT FROM OPERATIONS BEFORE DISTRIBUTIONS		117,237,995	30,869,348
Distributions to holders of "A" class income units	11	(977,856)	–
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		116,260,139	30,869,348

The notes on pages 87 to 100 form part of these financial statements.

Statement of Changes in Net Assets Attributable to Unitholders

HSBC Managed Stable Fund

for the year ended 31 July 2011

	Note	2011 HKD	2010 HKD
Balance at the beginning of the year		1,159,414,534	876,254,923
Increase in net assets attributable to unitholders and total comprehensive income for the year		116,260,139	30,869,348
Transactions with unitholders			
<i>Subscriptions of units (excluding equalisation)</i>			
"A" class income units		11,695,351	25,296,096
"L" class income units		5,683,229	3,666,213
Provident class units		187,404,106	385,303,499
<i>Redemptions of units (excluding equalisation)</i>			
"A" class income units		(30,736,937)	(17,149,215)
"L" class income units		(7,003,183)	(6,826,380)
Provident class units		(166,290,100)	(169,710,841)
Income equalisation on subscriptions and redemptions	10	3,238,771	31,710,891
Total transactions with unitholders		3,991,237	252,290,263
Balance at the end of the year		1,279,665,910	1,159,414,534

The notes on pages 87 to 100 form part of these financial statements.

Cash Flow Statement

HSBC Managed Stable Fund

for the year ended 31 July 2011

	2011 HKD	2010 HKD
OPERATING ACTIVITIES		
Interest received	48,795	69,639
Dividends received	11,272,051	7,391,361
Management fees paid	(9,754,215)	(8,395,308)
Trustee's fees paid	(1,354,722)	(1,189,923)
Margin deposits withdrawn from brokers	2,475,504	14,041,154
Tax paid	(1,616,075)	(1,083,808)
Other operating expenses paid	(4,567,060)	(3,883,992)
Cash (used in)/generated from operating activities	(3,495,722)	6,949,123
INVESTING ACTIVITIES		
Payments on purchase of investments	(523,452,374)	(672,021,226)
Proceeds from sale of investments	544,558,515	501,007,208
Cash generated from/(used in) investing activities	21,106,141	(171,014,018)
FINANCING ACTIVITIES		
Proceeds from issue of units including equalisation	236,775,520	473,068,054
Payments on redemption of units including equalisation	(229,627,576)	(222,326,741)
Distributions paid	(518,968)	(684,336)
Cash generated from financing activities	6,628,976	250,056,977
Net increase in cash and cash equivalents	24,239,395	85,992,082
Cash and cash equivalents at the beginning of the year	143,988,138	57,996,056
Cash and cash equivalents at the end of the year	168,227,533	143,988,138

The notes on pages 87 to 100 form part of these financial statements.

Distribution Statement

HSBC Managed Stable Fund

for the year ended 31 July 2011

	Note	2011 HKD	2010 HKD
Amount available for distribution brought forward		153,533,037	107,210,143
Profit for the year available for distribution*		20,663,361	14,612,003
Income equalisation on subscriptions and redemptions		3,238,771	31,710,891
Distributions to unitholders	11	(977,856)	–
Amount available for distribution carried forward		176,457,313	153,533,037

Distribution history

“A” class income units

First distribution per unit	0.10	–
Date of distribution	12 August 2010	N/A
Second distribution per unit	0.12	–
Date of distribution	29 July 2011	N/A

* Profit for the year available for distribution is the adjusted total comprehensive income for the year, for which the calculation basis is in accordance with the relevant clauses of the Trust Deed.

The notes on pages 87 to 100 form part of these financial statements.

Notes to the Financial Statements

HSBC Managed Stable Fund

1 The Fund

HSBC Managed Stable Fund (“the Fund”) is an open-ended unit trust established under a Trust Deed dated 14 March 1997, as amended, and governed by the laws of the Cayman Islands. The Fund registered under the Mutual Funds Law of the Cayman Islands on 13 March 1997. The purpose of the Fund is to invest in a diversified portfolio of investments which achieves long term stable growth whilst minimising the risk to unitholders.

The Fund is authorised by the Hong Kong Securities and Futures Commission (“SFC”) under section 104 of the Hong Kong Securities and Futures Ordinance (“HKSF”) and is governed by the Hong Kong Code on Unit Trusts and Mutual Funds issued by the SFC.

2 Significant accounting policies

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Fund. There have been no significant changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Fund for the current and prior accounting periods reflected in these financial statements.

The Fund has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 16).

(b) Basis of preparation of the financial statements

The functional and presentation currency of the Fund is Hong Kong dollars reflecting the fact that the participating redeemable units of the Fund are issued and redeemed in Hong Kong dollars.

The financial statements are prepared on a fair value basis for financial assets and financial liabilities at fair value through profit or loss and derivative financial instruments. Other financial assets and financial liabilities are stated at amortised cost or redemption amount (redeemable units).

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

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

The accounting policies have been applied consistently by the Fund and are consistent with those used in the previous year.

Notes to the Financial Statements

(c) Foreign currency translation

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into Hong Kong dollars at the foreign exchange rates ruling at the date of the statement of assets and liabilities. Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Hong Kong dollars at the foreign currency exchange rates ruling at the dates that the values were determined. Foreign currency exchange differences relating to investments at fair value through profit or loss are included in net gains from financial instruments at fair value through profit or loss. All other foreign currency exchange differences relating to monetary items including cash and cash equivalents are presented separately in profit or loss.

(d) Financial instruments

(i) Classification

All of the Fund's investments are classified as financial assets or financial liabilities at fair value through profit or loss. This category comprises financial instruments held for trading, which are instruments that the Fund has acquired principally for the purpose of short-term profit-taking. These include investments in equity and debt securities, unit trusts, and futures contracts.

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

Financial assets that are classified as loans and receivables include interest and dividends receivable, subscriptions receivable and amounts due from brokers.

Financial liabilities that are not at fair value through profit or loss include redemptions payable, amounts due to brokers, distributions payable and other payables.

(ii) Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments.

A regular way purchase or sale of financial assets is recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed their obligations under the contract or the contract is a derivative contract not exempted from the scope of HKAS 39.

(iii) Measurement

Financial instruments are measured initially at fair value (transaction price). Transaction costs on financial assets and liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in profit or loss.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities other than those at fair value through profit or loss are measured at amortised cost using the effective interest rate method. Financial liabilities arising from the redeemable units issued by the Fund are carried at the redemption amount representing the unitholders' right to a residual interest in the Fund's assets.

(iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the date of the statement of assets and liabilities without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

Notes to the Financial Statements

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

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

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

(v) Impairment

Financial assets that are stated at cost or amortised cost are reviewed at each date of the statement of assets and liabilities to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through profit or loss.

(vi) Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial assets expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with HKAS 39.

The Fund uses the weighted average method to determine realised gains and losses on derecognition.

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

(vii) Offsetting

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

(viii) Specific instruments

Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(e) Revenue recognition

Provided it is probable that the economic benefits will flow to the Fund and the revenue and costs if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend. Dividends from other investments are recognised in profit or loss as dividend income when declared. In some cases, the Fund may receive or choose to receive dividends in the form of additional shares rather than cash. In such cases, the Fund recognises the dividend income for the amount of the equivalent cash dividend with the corresponding debit treated as an additional investment.

Notes to the Financial Statements

(ii) Interest income

Interest income is recognised in profit or loss as it accrues, using the effective interest rate method. Interest income on bank deposits and margin deposits is disclosed separately on the face of profit or loss. Interest income on debt securities is included in net gains from financial instruments at fair value through profit or loss.

(f) Expenses

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

(g) Foreign exchange gains and losses

Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognised together with other changes in the fair value. Included in profit or loss line item *Net foreign* exchange loss are net foreign exchange gains and losses on monetary financial assets and financial liabilities other than those classified as fair value through profit or loss.

(h) Related parties

For the purposes of these financial statements, a party is considered to be related to the Fund if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Fund or exercise significant influence over the Fund in making financial and operating policy decisions, or has joint control over the Fund;
- (ii) the Fund and the party are subject to common control;
- (iii) the party is a subsidiary, an associate of the Fund or a joint venture in which the Fund is a venturer;
- (iv) the party is a member of key management personnel of the Fund or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals; or
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals.

Close family members of an individual are those family members who may be expected to influence, or be influenced by that individual in their dealings with the Fund.

(i) Subscriptions and redemptions

The Fund recognises unitholders' subscriptions and allots units upon receipt of a valid subscription application and derecognises them upon receipt of a valid redemption application.

(j) Units in issue

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Fund has multiple classes of redeemable units in issue – "A" class, "L" class and Provident class. All the classes belong to the most subordinate class of financial instruments in the Fund and rank *pari passu* in all material respects and have the same terms and conditions other than different management fee rate. The redeemable units provide unitholders with the right to require redemption for cash at a value proportionate to the unitholders' share in the Fund's net assets at each daily redemption date, and also in the event of the Fund's liquidation. In accordance with amendments to HKAS 32, such instrument is classified as a financial liability and is measured at the present value of the redeemable amounts.

(k) Finance costs

Distributions payable on redeemable units are recognised in profit or loss as finance costs.

(l) Segment reporting

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

Notes to the Financial Statements

3 Net gains from financial instruments at fair value through profit or loss

	2011 HKD	2010 HKD
Realised gains	69,104,903	24,399,801
Unrealised gains	54,345,206	13,770,285
	<u>123,450,109</u>	<u>38,170,086</u>

4 Taxation

There are no taxes on income or gains under Cayman Islands Law currently. Accordingly, no provision for Cayman Islands taxes is included in these financial statements.

No provision for Hong Kong profits tax has been made in the financial statements as the Fund is exempt from taxation under section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

Dividend income received by the Fund may be subject to non-recoverable withholding tax imposed in the country of origin. Dividend income is recorded gross of such taxes and the withholding tax is recognised in profit or loss as incurred.

Capital gains realised in certain jurisdictions may be subject to capital gains tax. Capital gains tax is charged to profit or loss on an accruals basis, using tax rates enacted or substantively enacted at the date of statement of assets and liabilities.

Taxation in profit or loss represents:

	2011 HKD	2010 HKD
Overseas withholding tax	1,467,212	1,124,295
Spanish capital gains tax	71,625	41,173
	<u>1,538,837</u>	<u>1,165,468</u>

5 Financial assets and financial liabilities at fair value through profit or loss

	2011 HKD	2010 HKD
Financial assets at fair value through profit or loss		

Equities

Listed shares	287,835,093	239,805,045
---------------	-------------	-------------

Debt securities

Listed bonds	573,952,769	538,357,986
Unlisted but quoted bonds	166,113,055	149,164,459
Certificate of deposit	6,050,800	8,069,200
	<u>746,116,624</u>	<u>695,591,645</u>

Other investments

Unit trusts	60,823,742	57,572,127
Futures	633,414	83,200
Rights	14	524,512
Warrants	–	7,548
	<u>61,457,170</u>	<u>58,187,387</u>
	1,095,408,887	993,584,077

Financial liabilities at fair value through profit or loss

Derivative liabilities

Futures	–	(99,410)
	<u>1,095,408,887</u>	<u>993,484,667</u>
Investments, at cost	997,052,622	948,570,811
Net unrealised appreciation in value of investments	98,356,265	44,913,856
	<u>1,095,408,887</u>	<u>993,484,667</u>

Notes to the Financial Statements

6 Amounts due from/(to) brokers

	2011 HKD	2010 HKD	2011 HKD	2010 HKD
Balances due from brokers				
Amounts receivable on sale of investments	352,305	22,179,858	(i) Management fees for the year	9,798,437
Margin deposits	9,221,987	11,697,491	(ii) Registrar's fees and other administrative fees for the year	116,100
	9,574,292	33,877,349	(iii) Management fees payable at year end	799,267
			(iv) Registrar's fees and other administrative fees payable at year end	56,944
Balances due to brokers				
Amounts payable on purchase of investments	1,090,801	22,435,305	(b) (i) Bank accounts are maintained with HSBC Auckland, HSBC Bank Australia Ltd Sydney, HSBC Bank Plc Custody Department-GSS, HSBC Bank Plc International Division London, HSBC Bank USA New York, HSBC Jakarta, HSBC Manila, HSBC Mexico SA, HSBC Seoul, HSBC Taipei, HSBC Tokyo, HSBC Trinkaus and Burkhardt and The Hongkong and Shanghai Banking Corporation Limited, which are members of the HSBC Group. The balances of these accounts amounted to \$167,655,946 (2010: \$142,515,740) at the year end. Interest income arising from these accounts amounted to \$6 (2010: \$6).	
			(ii) Margin accounts amounting to \$9,221,987 (2010: \$11,697,491) are maintained with HSBC Bank Plc Futures Wholesale Trading Operations which is a fellow subsidiary of the Manager within the HSBC Group. Interest income and interest expenses arising from these accounts amounted to \$Nil (2010: \$26,127) and \$Nil (2010: \$466) respectively.	

Margin deposits represent cash deposit with brokers, transferred as collateral against open futures contracts.

7 Related parties transactions

The following is a summary of transactions with related parties for the year. All such transactions were entered into in the ordinary course of business and on normal commercial terms.

- (a) The Fund is managed by HSBC Investment Funds (Hong Kong) Limited ("the Manager"), which receives a management fee, payable monthly in arrears, equivalent to a percentage per annum of the net asset value of the Fund as follows:
- | | |
|----------------------------|---------|
| For "A" class income units | - 1.5% |
| For "L" class income units | - 1.2% |
| For Provident class units | - 0.75% |

In addition, the Manager, as the registrar's agent, receives registrar's fees per annum for each class of units and fees for various administrative functions performed on behalf of the Fund.

- (c) The Trustee of the Fund is HSBC Trustee (Cayman) Limited, a fellow subsidiary of the Manager within the HSBC Group, which receives a monthly fee equivalent to 0.1% per annum of the net asset value of the Fund, subject to a minimum monthly fee of \$10,000. In addition, the Trustee provides valuation services to unitholders in return for a daily fee of \$580 (2010: \$580). Also, the Trustee provides services in connection with purchases and sales transactions, for which the Trustee receives a transaction fee of \$400 (2010: \$400) for each trade handled.

Notes to the Financial Statements

	2011 HKD	2010 HKD
(i) Trustee's fees for the year	1,376,795	1,211,045
(ii) Trustee's fees payable at year end	128,530	106,457
(iii) Transaction fees for the year	1,248,000	1,208,800
(iv) Transaction fees payable at year end	88,800	94,400

(d) In its purchases and sales of investments, the Fund utilises the brokerage services of The Hongkong and Shanghai Banking Corporation Limited, HSBC Investment Funds (Hong Kong) Limited, HSBC Bank Plc Futures and HSBC Bank Plc, which are members of the HSBC Group. Details of transactions effected through these companies are as follows:

	The Hongkong and Shanghai Banking Corporation Limited		HSBC Investment Funds (Hong Kong) Limited	
	2011	2010	2011	2010
	HKD	HKD	HKD	HKD
Commission paid for the year	11,745	10,248	-	-
Average rate of commission	0.02%	0.02%	-	-
Total aggregate value of such transactions for the year	69,296,325	57,640,462	27,540,000	20,426,462
Percentage of such transactions in value to total transactions for the year	3.37%	2.43%	1.34%	0.86%

	HSBC Bank Plc Futures		HSBC Bank Plc	
	2011	2010	2011	2010
	HKD	HKD	HKD	HKD
Commission paid for the year	10,686	13,658	2,399	2,169
Average rate of commission	0.06%	0.09%	0.16%	0.16%
Total aggregate value of such transactions for the year	18,073,477	15,000,169	1,499,585	1,355,540
Percentage of such transactions in value to total transactions for the year	0.88%	0.63%	0.07%	0.06%

For the futures contracts transacted with HSBC Bank Plc Futures, the Fund pays HSBC Bank Plc Futures at a fixed rate per contract irrespective of the notional amount of the contract. The rates vary depending on the currency of each futures contract.

The figures for commission paid do not include any trading margin which may be reflected in the market price of transactions with these entities on any transactions by the Fund during the year.

(e) During the year, the Fund held investments in HSBC Holdings Plc and Hang Seng Bank Limited, which are the ultimate holding company and a fellow subsidiary, respectively of the Manager and the Trustee within the HSBC Group. The details of the market value of these investments and dividend income received for the year are as follows:

	2011 HKD	2010 HKD
(i) Market value at year end	12,110,055	10,380,579
(ii) Dividend income received for the year	329,561	329,659

The Fund also held investments in ABF Hong Kong Bond Index Fund, Halbis Funds - HSBC China A-Share Fund, HSBC Pooled American Equity Fund, HSBC Pooled Asian Equity Fund and HSBC Pooled Chinese Equity Fund, which are managed by the fellow subsidiaries of the Manager within the HSBC Group. The market value of these investments at year end is \$55,375,909 (2010: \$27,556,211).

8 Soft commission arrangements

The Manager has entered into soft commission arrangements with brokers under which certain goods and services used to support investment decision making are received by the Manager. The Manager does not make direct payment for these services but transacts an agreed amount of business with the brokers on behalf of the Fund. Commission is paid from the Fund on these transactions.

The goods and services utilised for the Fund include the following:

- research and advisory services;
- economic and political analysis;
- portfolio analysis, including valuation and performance measurement;
- market analysis, data and quotation services;
- computer hardware and software incidental to the above goods and services; and
- clearing and custodian services and investment-related publications.

Notes to the Financial Statements

9 Units issued and redeemed

	2011 HKD	2010 HKD
(a) "A" class income units		
Number of units in issue		
brought forward	5,197,063	4,562,243
Units issued during the year	850,763	1,927,990
Units redeemed during the year	(2,223,760)	(1,293,170)
	<hr/>	<hr/>
Number of units in issue		
carried forward	3,824,066	5,197,063

(b) "L" class income units

Number of units in issue		
brought forward	1,096,984	1,339,564
Units issued during the year	410,238	281,614
Units redeemed during the year	(503,725)	(524,194)
	<hr/>	<hr/>
Number of units in issue		
carried forward	1,003,497	1,096,984

(c) Provident class units

Number of units in issue		
brought forward	70,715,670	54,608,408
Units issued during the year	13,440,947	29,125,842
Units redeemed during the year	(11,962,818)	(13,018,580)
	<hr/>	<hr/>
Number of units in issue		
carried forward	72,193,799	70,715,670

The Fund does not have any externally imposed capital requirements.

10 Income equalisation

This is the proportion of the unit price which relates to the attributed accrued net expense or the undistributed accrued net income of the Fund at the date of issue or redemption of units.

11 Distributions

Distributions attributable to the year

	2011 HKD	2010 HKD
<i>"A" class income units</i>		
Distributions declared of		
\$0.10 per unit on		
5,189,679 units (2010: \$Nil)	518,968	-
Distributions declared of		
\$0.12 per unit on		
3,824,066 units (2010: \$Nil)	458,888	-
	<hr/>	<hr/>
	977,856	-

Prior to July 2003, "A" class and Provident class unitholders were entitled to distributions from the Fund as determined by the Manager, if any. Pursuant to the Second Supplemental Deed dated 30 July 2003, no further distributions are to be made to the holders of Provident class units.

12 Reconciliation of net asset values

The net asset value presented in the financial statements and that quoted for pricing purposes at the year end ("Dealing NAV") are different as the principles for calculating the Dealing NAV as set out in the Explanatory Memorandum document are different from those required for financial reporting purposes under HKFRSs. The following reconciliation provides details of these differences:

	2011 HKD	2010 HKD
NAV as reported in the financial statements as at 31 July	1,279,665,910	1,159,414,534
Adjustments for different bases adopted by the Fund in arriving at the Dealing NAV:		
– Use of trade pricing instead of bid pricing in valuing investments	877,022	2,297,395
	<hr/>	<hr/>
Dealing NAV as at 31 July	1,280,542,932	1,161,711,929

Notes to the Financial Statements

13 Financial instruments and associated risks

The Fund maintains an investment portfolio in a variety of listed and unlisted financial instruments as dictated by their investment management strategies. The objective of this Fund is to achieve long term stable growth, whilst minimising the risk to unitholders. The aim is to provide stable returns without taking too much risk. The assets of the Fund will be invested in a diversified portfolio, with a bias towards global bonds. There will be a limited exposure to international and Hong Kong equities. The investment policy is conservative. The Fund's investment portfolio comprises debt and equity instruments, futures contracts and investments in unit trusts.

The Fund's investing activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. The Manager and the Trustee have set out below the most important types of financial risks inherent in each type of financial instruments. The Manager and the Trustee would like to highlight that the following list of associated risks only sets out some of the risks but does not purport to constitute an exhaustive list of all the risks inherent in an investment in the Fund. Unitholders should note that additional information in respect of risks associated with financial instruments in the Fund can be found in the Fund's offering document.

The nature and extent of the financial instruments outstanding at the date of the statement of assets and liabilities and the risk management policies employed by the Fund are discussed below.

(a) Price risk

Price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The Fund is exposed to price risk arising from changes in market price. Price risk is managed by investing in a portfolio of different investments in accordance with the investments objective of the Fund.

Price sensitivity

The impact on a 5% increase in value of the investments at 31 July 2011, with all other variables held constant, is shown below. An equal change in the opposite direction

would have reduced the net asset value by an equal but opposite amount. The analysis is performed on the same basis for 2010:

	Market exposures HKD	Change in net assets if investment value increased by 5% HKD
As at 31 July 2011		
Equities	287,835,093	14,391,755
Futures	55,233,386	2,761,669
Unit trusts	60,823,742	3,041,187
Rights	14	1

As at 31 July 2010

Equities	239,805,045	11,990,252
Futures	79,153,202	3,957,660
Unit trusts	57,572,127	2,878,606
Rights	524,512	26,226
Warrants	7,548	377

(b) Interest rate risk

Interest rate risk arises from change in interest rates which may affect the value of debt instruments and therefore result in potential gain or loss to the Fund. The Fund's interest rate risk is managed on an ongoing basis by the Manager.

The following table indicates the period in which the interest bearing assets and liabilities mature at the date of the statement of assets and liabilities.

Notes to the Financial Statements

2011

	1 year or less HKD	Over 1 year to 5 years HKD	Over 5 years HKD	Non-interest bearing HKD	Total HKD
<i>All amounts stated in '000</i>					
ASSETS					
Financial assets at fair value					
through profit or loss	35,956	304,476	405,685	349,292	1,095,409
Interest and dividends receivable	-	-	-	10,385	10,385
Subscriptions receivable	-	-	-	2,401	2,401
Amounts due from brokers	9,222	-	-	352	9,574
Cash and cash equivalents	168,228	-	-	-	168,228
Total assets	213,406	304,476	405,685	362,430	1,285,997
LIABILITIES					
Redemptions payable	-	-	-	3,179	3,179
Amounts due to brokers	-	-	-	1,091	1,091
Distributions payable	-	-	-	459	459
Other payables	-	-	-	1,602	1,602
Total liabilities	-	-	-	6,331	6,331
Total interest sensitivity gap	213,406	304,476	405,685		

2010

	1 year or less HKD	Over 1 year to 5 years HKD	Over 5 years HKD	Non-interest bearing HKD	Total HKD
<i>All amounts stated in '000</i>					
ASSETS					
Financial assets at fair value					
through profit or loss	46,967	285,411	363,213	297,993	993,584
Interest and dividends receivable	-	-	-	9,608	9,608
Subscriptions receivable	-	-	-	3,111	3,111
Amounts due from brokers	11,697	-	-	22,180	33,877
Cash and cash equivalents	143,988	-	-	-	143,988
Total assets	202,652	285,411	363,213	332,892	1,184,168
LIABILITIES					
Financial liabilities at fair value					
through profit or loss	-	-	-	(99)	(99)
Redemptions payable	-	-	-	(733)	(733)
Amounts due to brokers	-	-	-	(22,435)	(22,435)
Other payables	-	-	-	(1,487)	(1,487)
Total liabilities	-	-	-	(24,754)	(24,754)
Total interest sensitivity gap	202,652	285,411	363,213		

Interest rate sensitivity

At the date of the statement of assets and liabilities, assuming all other factors unchanged, it is estimated that an increase in interest rate of 50 basis points would result in a decrease in the net assets attributable to the unitholders and the profit for the year by \$21,703,434 (2010: \$20,825,538); an equal change in the opposite direction would result in an increase in the net assets attributable to unitholders by an equal amount. The analysis is performed on the same basis for 2010.

(c) Currency risk

The Fund may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Fund is exposed to risks that the exchange rate of its functional currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than the Hong Kong dollar.

The fluctuations in the rate of exchange between the currency in which the asset or liability is denominated and the functional currency could result in an appreciation or depreciation in the fair value of that asset or liability. The Manager may attempt to mitigate this risk by using financial derivative instruments. The Manager monitors the Fund's currency exposures on an ongoing basis.

Currency sensitivity

At 31 July 2011, had the Hong Kong dollar ("HKD") weakened by 5% in relation to respective currencies, with all other variables held constant, net assets attributable to unitholders and the profit for the year would have increased by the amounts shown below. The analysis is performed on the same basis for 2010.

Notes to the Financial Statements

	Change in net assets if HKD weakened by 5%			Change in net assets if HKD weakened by 5%	
	Net exposure HKD	HKD		Net exposure HKD	HKD
As at 31 July 2011			As at 31 July 2010		
<i>Currencies</i>			<i>Currencies</i>		
Argentine Peso	534,784	26,739	Argentine Peso	560,180	28,009
Australian Dollar	32,845,904	1,642,295	Australian Dollar	26,157,407	1,307,870
British Pound	60,165,988	3,008,299	British Pound	50,902,933	2,545,147
Canadian Dollar	14,157,971	707,899	Canadian Dollar	9,963,344	498,167
Danish Krone	1,037,243	51,862	Danish Krone	1,243,181	62,159
Euro	249,827,317	12,491,366	Euro	253,201,853	12,660,093
Iceland Krona	36,803	1,840	Iceland Krona	35,121	1,756
Indonesia Rupiah	20,738	1,037	Indonesia Rupiah	13,082	654
Japanese Yen	289,925,861	14,496,293	Japanese Yen	258,457,816	12,922,891
Malaysian Ringgit	(2,810)	(140)	Malaysian Ringgit	(2,612)	(131)
Mexican Peso	4,788,031	239,402	New Zealand Dollar	2,404	120
New Zealand Dollar	884,482	44,224	Norwegian Kroner	2,100,012	105,001
Norwegian Kroner	3,665,291	183,265	Philippine Peso	65	3
Philippine Peso	101	5	Polish Zloty	2,960,098	148,005
Polish Zloty	3,291,322	164,566	Singapore Dollar	883,559	44,178
South Korean Won	4	-	South Korean Won	123,098	6,155
Swedish Krona	4,086,931	204,347	Swedish Krona	2,200,668	110,033
Swiss Franc	12,068,324	603,416	Swiss Franc	9,831,857	491,593
Taiwanese Dollar	29,868	1,493	Taiwanese Dollar	22,733	1,137
Total	677,364,153	33,868,208	Total	618,656,799	30,932,840

As the HKD is pegged to the United States dollar ("USD"), the Fund does not expect any significant movements in USD/HKD exchange rate. A 5% appreciation of the HKD against the above currencies would have resulted in an equal but opposite effect on the financial statements on the basis that all other variables remain constant.

(d) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund's exposure to credit risk is monitored by the Manager on an ongoing basis.

At 31 July 2011, all of the Fund's financial assets were exposed to credit risk. These include investments and cash and cash equivalents placed with banks and the Custodian.

At the date of statement of assets and liabilities, the Fund invested in debt securities with the following credit quality expressed as a percentage of debt securities:

Notes to the Financial Statements

As at 31 July 2011

Rating	% of debt securities
Aaa/AAA	55.08
Aa1/AA+	6.23
Aa2/AA	12.22
Aa3/AA-	23.64
A1/A+	0.41
A2/A	1.78
A3/A-	0.64
Total	<u>100.00</u>

As at 31 July 2010

Rating	% of debt securities
Aaa/AAA	60.03
Aa1/AA+	5.70
Aa2/AA	24.54
Aa3/AA-	0.45
A1/A+	8.15
A2/A	0.85
A3/A-	0.28
Total	<u>100.00</u>

Credit risk is managed by the reviewing and monitoring of the credit quality of debt instruments held by the Fund or the issuers of the debt instruments held by the Fund on an ongoing basis.

Credit risk arising from transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used.

The majority of the cash held by the Fund is deposited with the HSBC Group. Bankruptcy or insolvency of the bank may cause the Fund's rights with respect to the cash held by the bank to be delayed or limited. The Manager monitors the credit rating and financial position of the bank on an ongoing basis.

Substantially all of the assets of the Fund are held by the Custodian. Bankruptcy or insolvency of the Custodian may cause the Fund's rights with respect to securities held by the Custodian to be delayed or limited. The Custodian is a group company of HSBC, for which the credit risk is considered insignificant.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the date of the statement of assets and liabilities.

At both 31 July 2011 and 2010, there were no significant concentrations of credit risk to counterparties except to the Custodian.

(e) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund. The Fund is exposed to daily liquidity risk on redemption of units.

The Fund's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements in the short and longer term.

The Fund's listed investments are considered to have insignificant exposure to liquidity risk as they are all readily realisable under normal market conditions. The Fund, however, also invests in unlisted investments such as unlisted bonds, certificate of deposits, unit trusts and rights which are not publicly traded on exchanges and may be illiquid. The market value of these unlisted investments at year end was \$218,906,828 (2010: \$176,071,020).

As at 31 July 2011 and 2010, the Fund's financial liabilities are due within three months, except for redemptions payable which is repayable on demand.

(f) Specific instruments

Derivatives

At 31 July 2011 and 2010, the Fund's holdings in derivatives translated into Hong Kong dollars were as specified in the following tables:

Notes to the Financial Statements

As at 31 July 2011

Type of contract	Expiration	Underlying	Fair value assets HKD	Fair value (liabilities) HKD
Futures	September 2011	United States equity indices	633,414	-

As at 31 July 2010

Type of contract	Expiration	Underlying	Fair value assets HKD	Fair value (liabilities) HKD
Futures	August 2010	Hong Kong equity indices	83,200	-
Futures	August 2010	Singapore equity indices	-	(914)
Futures	September 2010	United States equity indices	-	(98,496)
			83,200	(99,410)

Futures

Futures are commitments either to purchase or sell a designated financial instrument, currency, commodity or index at a specified future date for a specified price and may be settled in cash or the underlying financial asset. Futures are standardised exchange-traded contracts. Initial margin requirements for futures are met in cash or other instruments, and changes in futures contract values are marked to market daily. Futures contracts have little credit risk because the counterparties are futures exchanges.

Futures contracts result in exposure to market risk based on changes in market prices relative to contracted prices. Market risks arise due to the possible movement in foreign currency exchange rates, indices, and securities' values underlying these instruments. In addition, because of the low margin deposits normally required in relation to notional contract sizes, a high degree of leverage may be typical of a futures contract and may result in substantial losses to the Fund. Trading in futures contracts may be subject to asset liquidity risk. Certain futures exchanges do not permit trading in particular futures contracts at prices that represent a material fluctuation in price during a single day's trading beyond certain preset limits. If prices fluctuate during a single day's trading beyond those limits, the Fund could be prevented from promptly liquidating unfavourable positions and thus could be subject to substantial losses.

14 Fair value information

The Fund's financial instruments are measured at fair value on the date of the statement of assets and liabilities. Fair value estimates are made at a specified point in time, based on market conditions and information about the financial instruments. Usually, fair values can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including interest and dividends receivable, subscriptions receivable, amounts due from brokers, redemptions payable, amount due to brokers, distributions payable and other payables, the carrying amounts approximate fair values due to the immediate or short-term nature of these financial instruments.

Valuation of financial instruments

The Fund's accounting policy on fair value measurements is detailed in significant accounting policy in note 2(d)(iv).

The Fund measures fair values using the three levels of fair value hierarchy defined in HKFRS 7, *Financial instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

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

Fair values of financial assets and financial liabilities that are traded in active markets, such as equities, debt securities, unit trusts and futures which are listed on recognised stock exchanges are based on quoted market prices or dealer price quotations. For all other financial instruments, the Fund determines fair value using valuation techniques.

The Fund uses widely recognised valuation models for determining the fair value of the debt securities and unit

Notes to the Financial Statements

trusts which do not have quoted market price in active market. Valuation techniques include net present value, discounted cash flow models, comparison to similar instruments for which market observable prices exist, comparison to quoted prices for identical instruments that are considered less than active and other valuation models.

The following analyses financial instruments at fair value at the date of the statement of assets and liabilities, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Level 1 HKD	Level 2 HKD	Total HKD
31 July 2011			
<i>Financial assets at fair value through profit or loss</i>			
Equity securities	287,835,093	-	287,835,093
Debt securities	726,279,124	19,837,500	746,116,624
Unit trusts	60,823,742	-	60,823,742
Futures	633,414	-	633,414
Rights	-	14	14
	<u>1,075,571,373</u>	<u>19,837,514</u>	<u>1,095,408,887</u>

	Level 1 HKD	Level 2 HKD	Total HKD
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31 July 2010

Financial assets at fair value through profit or loss

Equity securities	239,805,045	-	239,805,045
Debt securities	686,756,645	8,835,000	695,591,645
Unit trusts	57,572,127	-	57,572,127
Futures	83,200	-	83,200
Rights	524,512	-	524,512
Warrants	7,548	-	7,548
	<u>984,749,077</u>	<u>8,835,000</u>	<u>993,584,077</u>

Financial liabilities at fair value through profit or loss

Futures	<u>(99,410)</u>	-	<u>(99,410)</u>
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There are no significant transfers between the levels during the year.

15 Segment information

The Manager makes the strategic resource allocation on behalf of the Fund and determines the operating segments based on the internal reporting used to make strategic decisions.

The Manager's asset allocation decisions are based on one single and integrated investment strategy, and the Fund's performance is evaluated on an overall basis. Accordingly the Manager considers that the Fund has one single operating segment which is investing in a portfolio of financial instruments to generate investment returns in accordance with the investment objective stipulated in the Explanatory Memorandum. There were no changes in the operating segment during the year.

All revenues generated from investments by the Fund are disclosed in note 3. The segment information provided to the Manager is the same as that disclosed in profit or loss and the statement of assets and liabilities.

16 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting year ended 31 July 2011

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and Interpretations and new standards which are not yet effective for the year ended 31 July 2011, and which have not been adopted in these financial statements. These include the following which may be relevant to the Fund:

	Effective for accounting periods beginning on or after
Improvements to HKFRSs 2010	1 January 2011
HKFRS 24 (Revised), <i>Related party disclosures</i>	1 January 2011
HKFRS 9, <i>Financial instruments</i>	1 January 2013
HKFRS 13, <i>Fair value measurement</i>	1 January 2013

The Fund is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Fund's results of operations and financial position.

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HSBC Managed Stable Fund

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	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
Equities				Finland			
Listed investments				OUTOKUMPU OYJ			
				SAMPO OYJ A SHARES			
Australia							
ALLIANCE RESOURCES LTD	12,036	20,610	0.00				
AMCOR LTD	4,322	260,511	0.02				
AMP LTD	9,923	387,415	0.03				
ANZ BANKING GROUP LTD	10,300	1,836,940	0.14				
APN NEWS AND MEDIA LTD	33,930	319,555	0.02	France			
AQUARIUS PLATINUM LTD	6,872	247,705	0.02	AIR FRANCE SA	7,341	692,658	0.05
BANK OF QUEENSLAND LTD	4,634	319,389	0.02	AXA SA	6,728	987,194	0.08
BHP BILLITON LTD	12,200	4,325,473	0.34	BNP PARIBAS SA	2,110	1,074,378	0.08
BILLABONG INTERNATIONAL LTD	3,756	187,483	0.02	BOUYGUES SA	2,142	632,666	0.05
BRAMBLES LTD	5,152	305,246	0.02	CAP GEMINI SA	2,102	808,849	0.06
CHALLENGER LTD	8,826	366,500	0.03	CASINO GUICHARD PERRACHON SA	1,019	725,557	0.06
COMMONWEALTH BANK OF AUSTRALIA	5,581	2,354,307	0.18	CIE DE SAINT GOBAIN SA	2,061	932,619	0.07
COMPUTERSHARE LTD	1,963	137,817	0.01	CIE GENERALE DE GEOPHYSIQUE- VERITAS SA	3,733	984,259	0.08
FLETCHER BUILDING LTD	5,828	318,353	0.03	CREDIT AGRICOLE SA	7,065	681,888	0.05
FORTESCUE METALS GROUP LTD	4,872	236,199	0.02	GDF SUEZ SA	3,798	970,981	0.08
INCITEC PIVOT LTD	16,396	553,099	0.04	LAFARGE SA	1,505	630,117	0.05
JB HI-FI LTD	1,984	254,462	0.02	MICHELIN SA (CIE GENERALE DES ETABLISSEMENTS) CLASS B	1,176	772,539	0.06
MACQUARIE GROUP LTD	1,267	298,751	0.02	NATIXIS SA	5	178	0.00
METCASH LTD	16,755	593,900	0.05	PEUGEOT SA	2,504	744,215	0.06
MYER HOLDINGS LTD	11,175	220,062	0.02	SAFRAN SA	2,561	832,725	0.07
NATIONAL AUSTRALIA BANK LTD	7,994	1,641,277	0.13	SANOFI-AVENTIS SA	3,174	1,929,709	0.15
NEWCREST MINING LTD	2,956	1,000,966	0.08	SOCIETE GENERALE SA	2,979	1,158,998	0.09
OIL SEARCH LTD	4,647	271,347	0.02	TOTAL SA	2,208	934,342	0.07
ORIGIN ENERGY LTD	4,697	589,151	0.05	VALLOUREC SA	867	690,647	0.05
PACIFIC BRANDS LTD	24,066	133,933	0.01	VEOLIA ENVIRONNEMENT SA	3,826	677,091	0.05
QBE INSURANCE GROUP LTD	5,604	784,964	0.06	VIVENDI SA	3,132	585,846	0.05
RIO TINTO LTD	2,074	1,420,585	0.11				
SANTOS LTD	3,105	341,612	0.03				
STOCKLAND	17,994	468,349	0.04				
TATTS GROUP LTD	20,561	406,654	0.03				
TELSTRA CORP LTD	45,523	1,165,388	0.09				
VIRGIN BLUE HOLDINGS LTD	107,192	266,152	0.02	Germany			
WESFARMERS LTD	4,029	1,011,071	0.08	ALLIANZ SE	1,296	1,317,627	0.10
WESTPAC BANKING CORP	13,098	2,288,846	0.18	BILFINGER BERGER SE	1,146	881,448	0.07
WOODSIDE PETROLEUM LTD	2,113	693,256	0.05	DEUTSCHE BOERSE AG	1,272	730,173	0.06
WOOLWORTHS	4,312	993,484	0.08	DEUTSCHE POST AG	6,432	891,891	0.07
WORLEYPARSONS LTD	840	197,779	0.02	FRESENIUS MEDICAL CARE AG & CO KGAA	1,965	1,176,841	0.09
				HENKEL AG & CO KGAA PREFERRED SHARES	1,630	858,450	0.07
		27,218,591	2.13				
Denmark							
A P MOLLER - MAERSK A/S	9	538,750	0.04				
PANDORA A/S	2,233	498,493	0.04				
						5,856,430	0.46
		1,037,243	0.08				

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	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
Equities							
Listed investments							
Hong Kong							
AGRICULTURAL BANK OF CHINA H SHARES	202,000	850,420	0.07	CHINA PETROLEUM & CHEMICAL CORP H SHARES	296,000	2,273,280	0.18
AIA GROUP LTD	128,800	3,683,680	0.29	CHINA RESOURCES GAS GROUP LTD	46,000	529,000	0.04
AIR CHINA LTD H SHARES	122,000	1,001,620	0.08	CHINA SHANSHUI CEMENT GROUP LTD	68,000	637,840	0.05
ANHUI CONCH CEMENT CO LTD H SHARES	18,000	657,000	0.05	CHINA SHENHUA ENERGY CO LTD H SHARES	23,000	900,450	0.07
BANK OF CHINA LTD H SHARES	827,200	2,961,376	0.23	CHINA SINGYEE SOLAR TECHNOLOGIES HOLDINGS LTD	138,000	891,480	0.07
BANK OF COMMUNICATIONS CO LTD H SHARES	116,380	790,220	0.06	CHINA TAIPING INSURANCE HOLDINGS CO LTD	27,600	495,144	0.04
BANK OF EAST ASIA LTD	14,635	440,513	0.04	CHINA TELECOM CORP LTD H SHARES	104,000	526,240	0.04
BEIJING ENTERPRISES HOLDINGS LTD	7,500	294,000	0.02	CHINA YURUN FOOD GROUP LTD	57,000	1,393,650	0.11
BELLE INTERNATIONAL HOLDINGS LTD	69,000	1,174,380	0.09	CHINA ZHENG TONG AUTO SERVICES HOLDINGS LTD	71,500	736,450	0.06
BOC HONG KONG HOLDINGS LTD	47,533	1,107,519	0.09	CLP HOLDINGS LTD	23,560	1,692,786	0.13
BRILLIANCE CHINA AUTOMOTIVE HOLDINGS LTD	92,000	915,400	0.07	CNOOC LTD	230,960	4,014,085	0.31
CHEUNG KONG (HOLDINGS) LTD	22,581	2,687,139	0.21	COMBA TELECOM SYSTEMS HOLDINGS LTD	36,360	260,338	0.02
CHEUNG KONG INFRASTRUCTURE (HOLDINGS) LTD	12,000	538,200	0.04	COSCO PACIFIC LTD	24,000	302,400	0.02
CHINA CITIC BANK H SHARES	81,000	385,560	0.03	DAH CHONG HONG HOLDINGS LTD	77,000	786,940	0.06
CHINA COMMUNICATIONS CONSTRUCTION CO LTD H SHARES	120,000	796,800	0.06	DONGFENG MOTOR GROUP CO LTD H SHARES	150,000	2,301,000	0.18
CHINA CONSTRUCTION BANK H SHARES	739,520	4,644,186	0.36	DONGYUE GROUP	101,000	857,490	0.07
CHINA LIFE INSURANCE CO LTD H SHARES	120,000	3,114,000	0.24	EMPEROR WATCH & JEWELLERY LTD	750,000	1,252,500	0.10
CHINA LONGYUAN POWER GROUP CORP H SHARES	17,000	114,750	0.01	EVA PRECISION INDUSTRIAL HOLDINGS LTD	540,000	1,587,600	0.12
CHINA METAL RECYCLING HOLDINGS LTD	84,600	878,148	0.07	EVERGRANDE REAL ESTATE GROUP LTD	83,000	484,720	0.04
CHINA MINSHENG BANKING CORP LTD H SHARES	53,500	367,545	0.03	GALAXY ENTERTAINMENT GROUP LTD	15,000	302,250	0.02
CHINA MOBILE LTD	67,830	5,250,042	0.41	GCL POLY ENERGY HOLDINGS LTD	373,000	1,644,930	0.13
CHINA NATIONAL BUILDING MATERIAL H SHARES	156,000	2,439,840	0.19	GOME ELECTRICAL APPLIANCES HOLDING LTD	163,000	596,580	0.05
CHINA NETCOM TECHNOLOGY HOLDINGS LTD	2,295,000	461,295	0.04	GREAT WALL MOTOR CO LTD H SHARES	80,000	939,200	0.07
CHINA OVERSEAS GRAND OCEANS GROUP LTD	7,000	78,680	0.01	HAIER ELECTRONICS GROUP CO LTD	52,000	491,920	0.04
CHINA OVERSEAS LAND & INVESTMENT LTD	60,000	1,044,000	0.08	HANG LUNG PROPERTIES LTD	51,000	1,468,800	0.11
CHINA PACIFIC INSURANCE GROUP CO LTD H SHARES	10,000	295,000	0.02	HANG SENG BANK LTD	5,400	660,420	0.05
				HENGAN INTERNATIONAL GROUP CO LTD	9,500	640,300	0.05
				HONG KONG & CHINA GAS CO LTD	27,260	518,485	0.04
				HONG KONG EXCHANGES AND CLEARING LTD	13,000	2,089,100	0.16
				HSBC HOLDINGS PLC	128,845	9,863,085	0.77
				HUTCHISON WHAMPOA LTD	42,508	3,859,726	0.30
				HYSAN DEVELOPMENT CO LTD	19,311	702,920	0.06

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	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
Equities							
Listed investments							
INDUSTRIAL AND COMMERCIAL				TPV TECHNOLOGY LTD	184,000	706,560	0.06
BANK OF CHINA H SHARES	1,225,500	7,267,215	0.57	WEICHAI POWER CO LTD H SHARES	5,000	211,000	0.02
JIANGXI COPPER CO LTD H SHARES	57,000	1,561,800	0.12	WHARF (HOLDINGS) LTD, THE	37,350	2,134,552	0.17
JOHNSON ELECTRIC HOLDINGS LTD	89,000	407,620	0.03	XINYI GLASS HOLDINGS CO LTD	32,000	210,240	0.02
KERRY PROPERTIES LTD	18,000	680,400	0.05	XTEP INTERNATIONAL HOLDINGS LTD	270,000	1,231,200	0.10
KINGBOARD CHEMICAL HOLDINGS LTD	14,678	543,820	0.04	YANZHOU COAL MINING CO LTD			
KUNLUN ENERGY CO LTD	30,000	390,600	0.03	H SHARES	56,000	1,666,000	0.13
KWG PROPERTY HOLDING LTD	163,000	886,720	0.07	ZHONGSHENG GROUP HOLDINGS LTD	48,000	792,000	0.06
LI & FUNG LTD	78,562	1,016,592	0.08	ZIJIN MINING GROUP CO LTD			
LIFESTYLE INTERNATIONAL HOLDINGS LTD	26,000	660,400	0.05	H SHARES	144,000	603,360	0.05
LONGFOR PROPERTIES CO LTD	30,500	366,000	0.03			128,016,645	10.00
MIE HOLDINGS CORP	270,000	812,700	0.06	Indonesia			
MTR CORP LTD	15,369	405,742	0.03	UNITED TRACTORS	841	20,738	0.00
NWS HOLDINGS LTD	12,395	140,063	0.01	Ireland			
PARKSON RETAIL GROUP LTD	18,000	196,560	0.02	KERRY GROUP PLC	2,527	813,462	0.06
PCCW LTD	315,000	1,071,000	0.08	Italy			
PETROCHINA CO LTD H SHARES	212,000	2,336,240	0.18	AUTOGRILL SPA	7,448	765,404	0.06
PICC PROPERTY & CASUALTY CO LTD H SHARES	38,000	510,720	0.04	UNICREDIT SPA	68,754	961,846	0.07
PING AN INSURANCE (GROUP) CO OF CHINA H SHARES	51,500	3,901,125	0.31			1,727,250	0.13
POLY (HONG KONG) INVESTMENT LTD	33,000	191,070	0.02	Japan			
POWER ASSETS HOLDINGS LTD	28,568	1,851,206	0.14	ABC-MART INC	300	90,153	0.01
SATERI HOLDINGS LTD	67,000	253,930	0.02	AEON CO LTD	3,600	352,616	0.03
SHANGHAI INDUSTRIAL HOLDINGS LTD	7,000	198,100	0.02	AEON CREDIT SERVICE CO LTD	1,800	197,210	0.02
SHANGRI-LA ASIA LTD	13,666	273,047	0.02	AEON MALL CO LTD	1,100	220,152	0.02
SHENZHOU INTERNATIONAL GROUP	21,000	239,400	0.02	AISIN SEIKI CO LTD	1,100	329,784	0.03
SINGAMAS CONTAINER HOLDINGS LTD	196,000	529,200	0.04	AJINOMOTO CO INC	4,000	385,332	0.03
SINO PROSPER HOLDINGS LTD	2,140,000	434,420	0.03	ALPS ELECTRIC CO LTD	2,500	218,113	0.02
SINOPEC SHANGHAI PETROCHEMICAL CO LTD H SHARES	238,000	771,120	0.06	AOZORA BANK LTD	9,000	169,037	0.01
SITC INTERNATIONAL HOLDINGS CO LTD	58,000	190,240	0.01	ASAHI GLASS CO LTD	5,000	450,362	0.04
SJM HOLDINGS LTD	29,000	568,400	0.04	ASAHI KASEI CORP	7,000	385,231	0.03
SKYWORTH DIGITAL HOLDINGS LTD	222,000	1,110,000	0.09	ASTELLAS PHARMA INC	1,668	504,452	0.04
SUN HUNG KAI PROPERTIES LTD	27,643	3,275,696	0.26	AUTOBACS SEVEN CO LTD	500	175,197	0.01
SWIRE PACIFIC LTD CLASS A	6,351	695,435	0.05	BRIDGESTONE CORP	2,800	540,879	0.04
TCL COMMUNICATION TECHNOLOGY HOLDINGS LTD	166,000	1,102,240	0.09	BROTHER INDUSTRIES LTD	2,600	315,839	0.02
TECHTRONIC INDUSTRIES CO LTD	63,500	516,890	0.04	CANON INC	4,450	1,682,825	0.13
TENCENT HOLDINGS LTD	12,000	2,433,600	0.19	CAPCOM CO LTD	500	101,836	0.01
				CENTRAL JAPAN RAILWAY CO	8	537,204	0.04
				CHUBU ELECTRIC POWER CO INC	1,700	226,938	0.02
				CHUGOKU ELECTRIC POWER CO LTD	900	113,055	0.01
				COCA-COLA WEST CO LTD	1,300	201,502	0.02
				DAI NIPPON PRINTING CO LTD	4,000	353,019	0.03

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	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
Equities							
Listed investments							
				KANSAI ELECTRIC POWER CO INC	3,200	419,423	0.03
				KAO CORP	2,500	549,573	0.04
				KDDI CORP	10	576,585	0.05
				KIRIN HOLDINGS CO LTD	1,000	114,408	0.01
				KOMATSU LTD	3,600	874,268	0.07
				KOMERI CO LTD	800	186,527	0.01
				KYOCERA CORP	500	416,535	0.03
				LAWSON INC	700	294,048	0.02
				LINTEC CORP	1,000	216,093	0.02
				LION CORP	2,000	85,226	0.01
				MAKITA CORP	800	292,837	0.02
				MARUBENI CORP	7,000	408,557	0.03
				MATSUMOTOKIYOSHI HOLDINGS CO LTD	700	115,640	0.01
				MINEBEA CO LTD	2,000	79,369	0.01
				MIRACA HOLDINGS INC	500	163,332	0.01
				mitsubishi chemical HOLDINGS CORP	5,500	334,339	0.03
				MITSUBISHI CORP	2,900	603,829	0.05
				MITSUBISHI ELECTRIC CORP	5,000	457,431	0.04
				MITSUBISHI ESTATE CO LTD	2,000	278,700	0.02
				MITSUBISHI HEAVY INDUSTRIES LTD	5,000	180,751	0.01
				MITSUBISHI MATERIALS CORP	11,000	292,130	0.02
				MITSUBISHI UFJ FINANCIAL GROUP INC	46,300	1,832,712	0.14
				MITSUI AND CO LTD	5,500	806,411	0.06
				MITSUI ENGINEERING & SHIPBUILDING CO LTD	10,000	165,604	0.01
				MITSUI FUDOSAN CO LTD	1,000	148,236	0.01
				MITSUI MINING & SMELTING CO LTD	9,000	253,556	0.02
				MIZUHO FINANCIAL GROUP INC	76,200	977,205	0.08
				MS&AD INSURANCE GROUP HOLDINGS INC	900	175,508	0.01
				MURATA MANUFACTURING CO LTD	600	303,540	0.02
				NIDEC CORP	100	77,046	0.01
				NIKON CORP	900	164,402	0.01
				NINTENDO CO LTD	200	247,800	0.02
				NIPPON ELECTRIC GLASS CO LTD	3,000	294,755	0.02
				NIPPON KAYAKU CO LTD	3,000	259,009	0.02
				NIPPON MEAT PACKERS INC	2,000	216,901	0.02
				NIPPON SHEET GLASS CO LTD	10,000	248,406	0.02
				NIPPON STEEL CORP	8,000	210,034	0.02
				NIPPON TELEGRAPH AND TELEPHONE CORP	1,900	729,062	0.06
				NIPPON TELEVISION NETWORK CORP	140	165,968	0.01
				NIPPON YUSEN KK	8,000	227,807	0.02
				NIPRO CORP	700	99,948	0.01
DAIDO STEEL CO LTD	2,000	110,672	0.01				
DAIHATSU MOTOR CO LTD	2,000	273,045	0.02				
DAI-ICHI LIFE INSURANCE CO LTD	30	330,198	0.03				
DAIICHI SANKYO CO LTD	500	80,429	0.01				
DAINIPPON SCREEN MFG CO LTD	3,000	183,578	0.01				
DAINIPPON SUMITOMO PHARMACEUTICAL CO LTD	1,400	110,409	0.01				
DAITO TRUST CONSTRUCTION CO LTD	300	224,171	0.02				
DAIWA HOUSE INDUSTRY CO LTD	3,000	313,234	0.02				
DAIWA SECURITIES GROUP INC	1,000	33,929	0.00				
DENKI KAGAKU KOGYO KK	6,000	225,989	0.02				
DENSO CORP	2,000	554,976	0.04				
DISCO CORP	400	181,357	0.01				
DOWA HOLDINGS CO LTD	3,000	156,617	0.01				
EAST JAPAN RAILWAY CO	800	390,987	0.03				
EBARA CORP	5,000	228,715	0.02				
EISAI CO LTD	1,300	410,880	0.03				
ELECTRIC POWER DEVELOPMENT CO LTD	1,300	267,794	0.02				
ELPIDA MEMORY INC	1,500	107,693	0.01				
FANUC CORP	400	590,116	0.05				
FUJII HEAVY INDUSTRIES LTD	5,000	313,032	0.02				
FUJIFILM HOLDINGS CORP	400	94,233	0.01				
FUJIKURA LTD	6,000	219,930	0.02				
FUJITSU LTD	9,000	412,597	0.03				
HAMAMATSU PHOTONICS KK	200	69,978	0.01				
HANKYU HANSHIN HOLDINGS INC	6,000	187,819	0.01				
HEIWA CORP	1,100	138,956	0.01				
HINO MOTORS LTD	5,000	241,338	0.02				
HITACHI CAPITAL CORP	1,400	160,313	0.01				
HITACHI HIGH-TECHNOLOGIES CORP	1,100	184,830	0.01				
HITACHI LTD	14,000	677,159	0.05				
HITACHI METALS LTD	1,000	110,167	0.01				
HITACHI TRANSPORT SYSTEM LTD	1,300	182,205	0.01				
HOKKAIDO ELECTRIC POWER CO INC	500	59,678	0.00				
HONDA MOTOR CO LTD	3,700	1,148,878	0.09				
INPEX CORP	5	302,429	0.02				
ITO EN LTD	1,400	198,624	0.02				
ITOCU CORP	5,600	503,275	0.04				
JAPAN TOBACCO INC	14	494,086	0.04				
JFE HOLDINGS INC	600	127,232	0.01				
JGC CORP	1,000	242,852	0.02				
JX HOLDINGS INC	9,100	511,828	0.04				

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Equities							
Listed investments							
				SUMITOMO METAL MINING CO LTD	3,000	414,111	0.03
				SUMITOMO MITSUI FINANCIAL GROUP INC	5,000	1,227,894	0.10
				SUMITOMO MITSUI TRUST HOLDINGS INC	16,430	471,176	0.04
				SUMITOMO REAL ESTATE SALES CO LTD	130	46,864	0.00
NISHI-NIPPON BANK LTD	4,000	95,727	0.01	TAIHEIYO CEMENT CORP	15,000	228,715	0.02
NISSAN MOTOR CO LTD	9,300	771,937	0.06	TAKEDA PHARMACEUTICAL CO LTD	2,200	816,408	0.06
NISSHINBO HOLDINGS INC	3,000	230,230	0.02	TEIJIN LTD	8,000	277,892	0.02
NISSIN FOODS HOLDINGS CO LTD	600	177,520	0.01	THE CHUGOKU BANK LTD	1,000	98,858	0.01
NITORI HOLDINGS CO LTD	300	226,898	0.02	THK CO LTD	900	180,852	0.01
NITTO DENKO CORP	400	150,255	0.01	TOHOKU ELECTRIC POWER CO INC	1,900	190,899	0.01
NKSJ HOLDINGS INC	2,709	139,237	0.01	TOKAI RIKA CO LTD	900	137,684	0.01
NOMURA HOLDINGS INC	7,100	268,854	0.02	TOKIO MARINE HOLDINGS INC	2,599	596,793	0.05
NOMURA RESEARCH INSTITUTE LTD	1,400	259,554	0.02	TOKYO ELECTRIC POWER CO INC	2,600	111,581	0.01
NTN CORP	5,000	234,774	0.02	TOKYO TATEMONO CO LTD	4,000	126,829	0.01
NTT DATA CORP	11	296,684	0.02	TOKYU CORP	8,000	279,507	0.02
NTT DOCOMO INC	60	857,304	0.07	TOKYU LAND CORP	6,000	218,113	0.02
OBIC CO LTD	50	76,794	0.01	TONEN GENERAL SEKIYU KK	3,000	293,240	0.02
OJI PAPER CO LTD	7,000	271,429	0.02	TOSHIBA CORP	12,000	483,483	0.04
ORACLE CORP JAPAN	600	156,254	0.01	TOSHIBA TEC CORP	4,000	132,079	0.01
ORIX CORP	540	454,220	0.04	TOSOH CORP	7,000	231,846	0.02
OSAKA GAS CO LTD	10,000	306,973	0.02	TOYODA GOSEI CO LTD	1,200	205,026	0.02
OTSUKA HOLDINGS CO LTD	500	107,138	0.01	TOYOTA MOTOR CORP	6,900	2,198,243	0.17
PANASONIC CORP	6,300	587,178	0.05	TOYOTA TSUSHO CORP	1,600	218,274	0.02
POINT INC	160	55,902	0.00	ULVAC INC	700	100,867	0.01
RENGO CO LTD	4,000	204,380	0.02	UNY CO LTD	3,200	243,963	0.02
RESONA HOLDINGS INC	2,100	81,005	0.01	WEST JAPAN RAILWAY CO	500	164,847	0.01
RYOHIN KEIKAKU CO LTD	600	242,347	0.02	YAMADA DENKI CO LTD	490	303,803	0.02
SANTEN PHARMACEUTICAL CO LTD	800	250,022	0.02	YAMAGUCHI FINANCIAL GROUP INC	1,000	79,268	0.01
SAPPORO HOKUYO HOLDINGS INC	2,900	97,515	0.01	YAMATO KOGYO CO LTD	400	93,708	0.01
SAPPORO HOLDINGS LTD	3,000	97,242	0.01	YAMAZAKI BAKING CO LTD	2,000	214,881	0.02
SAWAI PHARMACEUTICAL CO LTD	200	160,555	0.01	YOKOHAMA RUBBER CO LTD	4,000	188,223	0.01
SEGA SAMMY HOLDINGS INC	1,600	267,713	0.02	ZEON CORP	2,000	169,037	0.01
SEKISUI CHEMICAL CO LTD	4,000	287,586	0.02				
SEVEN & I HOLDINGS CO LTD	1,088	241,152	0.02				
SHIKOKU ELECTRIC POWER CO INC	500	84,771	0.01				
SHIN ETSU CHEMICAL CO LTD	600	252,041	0.02				
SHINSEI BANK LTD	29,000	284,051	0.02			55,522,848	4.34
SHIONOGI & CO LTD	800	107,602	0.01				
SHIZUOKA BANK LTD	4,000	292,433	0.02	Netherlands			
SKY PERFECT JSAT HOLDINGS INC	63	215,659	0.02	ARCELORMITTAL	3,623	884,647	0.07
SOFTBANK CORP	2,100	638,283	0.05	HEINEKEN NV	2,551	1,179,207	0.09
SOJITZ CORP	12,000	184,184	0.01	ING GROEP NV	15,191	1,279,356	0.10
SONY CORP	3,500	688,115	0.05	KONINKLIJKE KPN NV	10,069	1,121,595	0.09
SONY FINANCIAL HOLDINGS INC	1,800	251,557	0.02	KONINKLIJKE PHILIPS ELECTRONICS NV	3,836	745,243	0.06
SUMITOMO CORP	2,800	307,337	0.02	RANDSTAD HOLDING NV	2,318	815,764	0.06
SUMITOMO FORESTRY CO LTD	1,300	95,566	0.01	REED ELSEVIER NV	9,459	985,205	0.08
SUMITOMO HEAVY INDUSTRIES LTD	5,000	271,631	0.02			7,011,017	0.55

Portfolio Statement (Unaudited)

HSBC Managed Stable Fund

as at 31 July 2011

	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value	
Debt securities					ITALY (REPUBLIC OF) 3.75%			
					1 AUGUST 2016	1,000,000	10,547,696	0.82
Bonds					ITALY (REPUBLIC OF) 4%			
Listed investments					1 FEBRUARY 2037	1,710,000	13,949,269	1.09
					ITALY (REPUBLIC OF) 4.25%			
					15 APRIL 2013	2,203,000	24,647,992	1.93
AUSTRALIA (GOVERNMENT OF)					ITALY (REPUBLIC OF) 4.25%			
5.25% 15 MARCH 2019	620,000	5,496,062	0.43		1 AUGUST 2013	200,000	2,235,659	0.17
AUSTRIA (REPUBLIC OF) 4.65%					JAPAN GOVERNMENT 10 YEAR			
15 JANUARY 2018	722,000	9,027,814	0.70		BOND #248 0.7%			
BELGIUM (KINGDOM OF) 3.5%					20 MARCH 2013	272,000,000	27,710,766	2.16
28 MARCH 2015	450,000	5,071,311	0.40		JAPAN GOVERNMENT			
BELGIUM (KINGDOM OF) 4%					10 YEAR BOND #264 1.5%			
28 MARCH 2019	700,000	7,794,621	0.61		20 SEPTEMBER 2014	49,000,000	5,144,706	0.40
DEPFA ACS BANK 1.65% EMTN					JAPAN GOVERNMENT 10 YEAR			
20 DECEMBER 2016	130,000,000	12,294,366	0.96		BOND #269 1.3%			
EKSPORTFINANS A/S 1.6%					20 MARCH 2015	140,000,000	14,663,676	1.14
20 MARCH 2014	269,000,000	28,018,747	2.19		JAPAN GOVERNMENT 10 YEAR			
EUROPEAN INVESTMENT BANK					BOND #278 1.8%			
1.25% 20 SEPTEMBER 2012	82,800,000	8,460,399	0.66		20 MARCH 2016	21,400,000	2,304,136	0.18
EUROPEAN INVESTMENT BANK					JAPAN GOVERNMENT 10 YEAR			
1.4% 20 JANUARY 2017	31,400,000	3,324,397	0.26		BOND #284 1.7%			
EUROPEAN INVESTMENT BANK					20 DECEMBER 2016	115,000,000	12,396,556	0.97
2.15% 18 JANUARY 2027	100,000,000	10,721,552	0.84		JAPAN GOVERNMENT 10 YEAR			
FRANCE (GOVERNMENT OF) 5%					BOND #300 1.5%			
25 APRIL 2012	209,000	2,404,502	0.19		20 MARCH 2019	225,000,000	24,030,793	1.88
FRANCE (GOVERNMENT OF) 5.75%					JAPAN GOVERNMENT 20 YEAR			
25 OCTOBER 2032	858,000	12,422,141	0.97		BOND #39 2.6%			
FRANCE (GOVERNMENT OF)					20 MARCH 2018	150,000,000	17,127,754	1.34
OAT 4% 25 APRIL 2018	1,657,000	20,081,437	1.57		JAPAN GOVERNMENT 20 YEAR			
FRANCE (GOVERNMENT OF)					BOND #61 1% 20 MARCH 2023	239,000,000	23,374,035	1.83
OAT 4.25% 25 OCTOBER 2023	2,014,000	24,527,534	1.92		JAPAN GOVERNMENT 20 YEAR			
GERMANY (REPUBLIC OF) 2.25%					BOND #90 2.2%			
11 APRIL 2014	1,850,000	21,262,114	1.66		20 SEPTEMBER 2026	213,000,000	23,190,502	1.81
GERMANY (REPUBLIC OF) 3.25%					JAPAN GOVERNMENT 20 YEAR			
4 JULY 2015	1,247,000	14,861,174	1.16		BOND #97 2.2%			
GERMANY (REPUBLIC OF) 3.5%					20 SEPTEMBER 2027	46,000,000	4,973,626	0.39
4 JULY 2019	198,000	2,409,572	0.19		JAPAN GOVERNMENT 30 YEAR			
GERMANY (REPUBLIC OF) 3.75%					BOND #29 2.4%			
4 JANUARY 2015	297,000	3,580,427	0.28		20 SEPTEMBER 2038	141,000,000	15,355,588	1.20
GERMANY (REPUBLIC OF) 3.75%					KOREA FINANCE CORP 4.42%			
4 JANUARY 2017	80,000	982,167	0.08		12 APRIL 2021	2,000,000	2,077,800	0.16
GERMANY (REPUBLIC OF) 5.5%					MEXICO (UNITED STATES OF) 8%			
4 JANUARY 2031	212,000	3,117,306	0.24		11 JUNE 2020	6,500,000	4,750,615	0.37
GERMANY (REPUBLIC OF) 6%					NORWAY (GOVERNMENT OF) 4.5%			
20 JANUARY 2016	420,000	5,608,693	0.44		22 MAY 2019	900,000	1,461,591	0.11

Portfolio Statement (Unaudited)

HSBC Managed Stable Fund

as at 31 July 2011

	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
Debt securities				CANADA TREASURY BONDS 5.75%			
				1 JUNE 2029	202,000	2,222,717	0.17
Bonds				COMMONWEALTH BANK OF AUSTRALIA 1.05% 29 APRIL 2012	2,000,000	2,003,400	0.16
Listed investments				CREDIT AGRICOLE (LONDON) 2.84% 10 APRIL 2012	1,000,000	1,010,300	0.08
POLAND (REPUBLIC OF) 6.25% 24 OCTOBER 2015	1,090,000	3,173,980	0.25	EXPORTIMPORT BANK OF KOREA 0.915% 23 NOVEMBER 2011	2,000,000	2,000,000	0.16
SPAIN (GOVERNMENT OF) 4.1% 30 JULY 2018	700,000	7,120,731	0.56	HONG KONG MORTGAGE CORP 4.1% 9 JANUARY 2012 MTN	1,500,000	1,522,800	0.12
SPAIN (GOVERNMENT OF) 4.4% 31 JANUARY 2015	380,000	4,178,588	0.33	KOREA DEVELOPMENT BANK 1.72% 20 DECEMBER 2012	2,000,000	2,012,400	0.16
SPAIN (GOVERNMENT OF) 4.85% 31 OCTOBER 2020	880,000	9,081,390	0.71	KOREA NATIONAL OIL CORP 2.53% 25 FEBRUARY 2014 GMTN	2,000,000	2,034,200	0.16
SWEDEN (GOVERNMENT OF) 4.25% 12 MARCH 2019	1,800,000	2,499,133	0.19	MTR CORP (C.I.) 5.25% 21 MAY 2013	1,000,000	1,081,200	0.08
SWITZERLAND (GOVERNMENT OF) 3% 8 JANUARY 2018	400,000	4,455,068	0.35	ROYAL BANK OF CANADA 3.83% 9 JULY 2012 EMTN	2,000,000	2,058,400	0.16
UK TREASURY 4% 7 SEPTEMBER 2016	1,077,000	15,304,603	1.20	SINGTEL GROUP TREASURY PTE LTD 3.32% 4 APRIL 2018	1,000,000	1,038,400	0.08
UK TREASURY 4.25% 7 MARCH 2036	1,256,000	16,729,786	1.31	STANDARD CHARTERED PLC 2.39% 27 AUGUST 2015	2,000,000	2,016,800	0.16
UK TREASURY 8% 7 DECEMBER 2015	459,000	7,495,690	0.58	US TREASURY NOTES 3.125% 31 AUGUST 2013	738,000	6,079,955	0.48
US TREASURY BONDS 7.125% 15 FEBRUARY 2023	600,000	6,523,997	0.51	US TREASURY NOTES 3.125% 30 SEPTEMBER 2013	1,263,000	10,425,891	0.81
US TREASURY BONDS 7.625% 15 FEBRUARY 2025	725,000	8,314,935	0.65	US TREASURY NOTES 3.375% 31 JULY 2013	1,200,000	9,916,431	0.77
US TREASURY NOTES 4.25% 15 AUGUST 2014	2,973,000	25,743,809	2.01	US TREASURY NOTES 4% 15 AUGUST 2018	743,000	6,539,207	0.51
US TREASURY NOTES 8.875% 15 FEBRUARY 2019	1,260,000	14,465,362	1.13	US TREASURY NOTES 4.25% 30 SEPTEMBER 2012	3,425,000	27,920,432	2.18
US TREASURY NOTES 11.25% 15 FEBRUARY 2015	1,210,000	12,895,891	1.01	US TREASURY NOTES 4.375% 15 FEBRUARY 2038	2,800,000	22,922,650	1.79
XTRA FINANCE CORP 5.15% 1 APRIL 2017	525,000	4,560,710	0.36	US TREASURY NOTES 4.5% 30 SEPTEMBER 2011	2,795,000	21,939,658	1.71
		<u>573,952,769</u>	<u>44.85</u>	US TREASURY NOTES 4.5% 15 FEBRUARY 2016	2,100,000	18,821,161	1.47
Unlisted but quoted investments				US TREASURY NOTES 4.625% 15 FEBRUARY 2017	600,000	5,445,798	0.43
ANZ BANKING GROUP LTD 2.65% 6 AUGUST 2012	2,000,000	2,034,000	0.16	US TREASURY STRIPS 0% 15 MAY 2030	326,000	1,177,503	0.09
BNP PARIBAS 2.81% 3 JULY 2012 EMTN	1,000,000	1,016,600	0.08			<u>166,113,055</u>	<u>12.98</u>
BNP PARIBAS 3.03% 31 MARCH 2016	1,000,000	1,025,600	0.08				
CANADA (GOVERNMENT OF) 4% 1 JUNE 2017	1,320,000	11,847,552	0.93				

Portfolio Statement (Unaudited)

HSBC Managed Stable Fund

as at 31 July 2011

	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
Certificates of deposit				Rights			
Unlisted but quoted investments				Unlisted investments			
AGRICULTURAL BANK OF CHINA/HK 1.8% CD 18 DECEMBER 2012	2,000,000	2,021,600	0.16	FIRST FINANCIAL HOLDING RIGHTS (JULY 2011)	15	14	0.00
CHINA DEVELOPMENT BANK 1.9% CD 24 DECEMBER 2012	2,000,000	2,028,800	0.16	Total investments			
DBS BANK HONG KONG LTD 0.7% CD 13 OCTOBER 2011	2,000,000	2,000,400	0.16	<i>(Total cost of investments: \$997,052,622)</i>		1,095,408,887	85.60
		<u>6,050,800</u>	<u>0.48</u>	Other net assets		<u>184,257,023</u>	<u>14.40</u>
Debt securities (Total)		<u>746,116,624</u>	<u>58.31</u>	Total net assets		<u>1,279,665,910</u>	<u>100.00</u>
Unit trusts							
Listed investments							
ABF HONG KONG BOND INDEX ETF	85,900	8,632,950	0.68				
ISHARES MSCI CANADA INDEX FUND	18,842	4,526,347	0.35				
ISHARES MSCI JAPAN INDEX FUND	1,139	94,639	0.01				
LINK REIT	30,343	826,847	0.06				
		<u>14,080,783</u>	<u>1.10</u>				
Unlisted but quoted investments							
HALBIS FUNDS - HSBC CHINA A SHARE FUND CLASS X	55	4,399,079	0.34				
HSBC POOLED AMERICAN EQUITY FUND W CLASS	1,671,835	15,832,279	1.24				
HSBC POOLED ASIAN EQUITY FUND W CLASS	566,384	19,925,402	1.56				
HSBC POOLED CHINESE EQUITY FUND W CLASS	607,583	6,586,199	0.51				
		<u>46,742,959</u>	<u>3.65</u>				
Unit trusts (Total)		<u>60,823,742</u>	<u>4.75</u>				
Futures							
Listed investments							
S&P 500 INDEX FUTURES (CME) SEPTEMBER 2011	22	633,414	0.05				

Statement of Movements in Portfolio Holdings (Unaudited)

HSBC Managed Stable Fund

for the year ended 31 July 2011

	% of net asset value 2011	% of net asset value 2010
Financial assets		
Equities		
Listed investments		
Australia	2.13	1.97
Belgium	-	0.09
Denmark	0.08	0.11
Finland	0.07	0.03
France	1.36	1.28
Germany	0.46	0.66
Hong Kong	10.00	9.50
Indonesia	0.00	0.00
Ireland	0.06	-
Italy	0.13	0.17
Japan	4.34	3.81
Netherlands	0.55	0.63
New Zealand	0.07	-
Norway	0.17	0.07
Singapore	0.09	0.08
South Korea	-	0.01
Spain	0.60	0.52
Sweden	0.12	-
Switzerland	0.59	0.56
Taiwan	0.00	0.00
United Kingdom	1.57	1.19
United States of America	0.10	-
	22.49	20.68
Unlisted investments	0.00	0.00
	22.49	20.68

Statement of Movements in Portfolio Holdings (Unaudited)

HSBC Managed Stable Fund

for the year ended 31 July 2011

	% of net asset value 2011	% of net asset value 2010
Debt securities		
Bonds		
Listed investments	44.85	46.43
Unlisted but quoted investments	12.98	12.87
	57.83	59.30
 Certificate of deposit		
Unlisted but quoted investments	0.48	0.70
	58.31	60.00
 Debt securities (Total)		
	58.31	60.00
 Unit trusts		
Listed investments	1.10	3.34
Unlisted but quoted investments	3.65	1.63
	4.75	4.97
 Unit trusts (Total)		
	4.75	4.97
 Futures		
	0.05	0.01
	0.05	0.01
 Rights		
	0.00	0.04
	0.00	0.04
 Warrants		
	–	0.00
	–	0.00
 Total financial assets		
	85.60	85.70
 Financial liabilities		
Futures		
	–	(0.01)
	–	(0.01)
 Total financial liabilities		
	–	(0.01)
 Total investments		
	85.60	85.69
Other net assets		
	14.40	14.31
	14.40	14.31
 Total net assets		
	100.00	100.00

Performance Record (Unaudited)

HSBC Managed Stable Fund

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

Year	"A" class income units				
	Bid		Offer		
	Lowest HKD	Highest HKD	Lowest HKD	Highest HKD	
2001	10.09	11.09	10.67	11.74	
2002	9.47	10.14	10.02	10.72	
2003	9.32	10.58	9.86	11.17	
2004	10.10	11.73	10.66	12.38	
2005	10.85	12.20	11.45	12.88	
2006	11.41	12.62	12.04	13.32	
2007	12.11	13.88	12.78	14.65	
2008	13.10	14.75	13.83	15.57	
2009	10.51	13.70	11.08	14.46	
2010	12.53	13.80	13.21	14.55	
2011	13.12	14.38	13.84	15.17	

Year	"L" class income units				
	Bid		Offer		
	Lowest HKD	Highest HKD	Lowest HKD	Highest HKD	
2007	14.20	14.97	14.20	14.97	
2008	14.35	16.01	14.35	16.01	
2009	11.98	15.16	11.98	15.16	
2010	14.11	15.53	14.11	15.53	
2011	14.89	16.35	14.89	16.35	

Year	Provident class units				
	Bid		Offer		
	Lowest HKD	Highest HKD	Lowest HKD	Highest HKD	
2001	10.33	11.17	10.94	11.82	
2002	9.52	10.27	10.08	10.87	
2003	9.32	10.64	9.86	11.23	
2004	10.32	12.00	10.89	12.67	
2005	11.35	12.75	11.98	13.46	
2006	12.21	13.47	12.89	14.22	
2007	13.14	15.01	13.14	15.01	
2008	14.40	16.12	14.40	16.12	
2009	12.16	15.29	12.16	15.29	
2010	14.40	15.79	14.40	15.79	
2011	15.21	16.81	15.21	16.81	

Performance Record (Unaudited)

(b) Total net asset value (at bid prices)

	2011 HKD	2010 HKD	2009 HKD	2008 HKD
Total net asset value	1,279,665,910	1,519,414,534	876,254,923	954,161,919

(c) Net asset value per unit (at bid prices)

	2011 HKD	2010 HKD	2009 HKD	2008 HKD
Net asset value per unit				
– “A” class income units	14.21	13.21	12.80	13.72
– “L” class income units	16.29	14.88	14.41	15.18
– Provident class units	16.75	15.19	14.62	15.31

Investment Adviser's Report

HSBC Managed Stable Growth Fund

Market review

The Fund rose in absolute terms during the period. Overall, risky assets and equities in particular have generated positive returns. The second half of 2010 was especially fruitful for equity investors on the back of a global recovery in most of the developed and emerging markets. Despite investors' concerns about the challenging fiscal situation of some developed countries, economic data releases have been robust and expanding. However, since the beginning of 2011, the economic picture has been more mitigated with mixed macro data releases combined with ongoing concerns about the social movements in the Middle East, and European and US sovereign debt challenges. The Fund outperformed its benchmark, benefiting from its overweight position in equities when markets performed strongly over the last months of 2010. In the face of market volatility during Q1 this year, the Fund turned to a more defensive position and then delivered a lower return. Over the full period, a positive contribution relative to the benchmark was also derived from a lower-than-benchmark exposure to bonds and cash. Successful stock selection also added value, in particular in Hong Kong equities, and also within bonds.

HSBC Global Asset Management (Hong Kong) Limited

22 November 2011

Trustee's Report

HSBC Managed Stable Growth Fund ("the Fund")

We hereby confirm that, in our opinion, the Manager of the Fund has, in all material respects, managed the Fund in accordance with the provisions of the Trust Deed dated 16 May 2003, as amended, for the year ended 31 July 2011.

)
Amy FUNG) For and on behalf of
Bertha TAM) HSBC Trustee (Cayman) Limited,
) Trustee
)

Independent Auditors' Report to the Unitholders of HSBC Managed Stable Growth Fund ("the Fund")

Report on the financial statements

We have audited the financial statements of the Fund set out on pages 117 to 134, which comprise the statement of assets and liabilities as at 31 July 2011, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

Auditor's responsibility

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 July 2011, and of its transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

Report on disclosure requirements under the Code

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

KPMG

Chartered Accountants
Grand Cayman, 22 November 2011

Statement of Assets and Liabilities

HSBC Managed Stable Growth Fund

as at 31 July 2011

	Note	2011 HKD	2010 HKD
ASSETS			
Financial assets at fair value through profit or loss	5, 7(e), 13(f)	461,877,570	429,472,957
Interest and dividends receivable		3,378,521	3,043,776
Subscriptions receivable		1,398,977	1,557,596
Amounts due from brokers	6, 7(b)	8,526,596	16,801,851
Cash and cash equivalents	7(b)	35,152,360	27,146,902
		510,334,024	478,023,082
LIABILITIES			
Financial liabilities at fair value through profit or loss	5, 13(f)	–	317,456
Redemptions payable		271,218	898,353
Amounts due to brokers	6	917,273	3,131,791
Other payables	7(a), 7(c)	946,026	908,888
		2,134,517	5,256,488
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (BID PRICES)			
	12	508,199,507	472,766,594
Representing:			
Total equity		508,199,507	472,766,594
Total number of units in issue			
Provident class units	9	28,350,718	29,658,011
Net asset value per unit at bid prices			
Provident class units		17.93	15.94

Approved by the Trustee and the Manager on 22 November 2011

)
 Amy FUNG) For and on behalf of
 Bertha TAM) HSBC Trustee (Cayman) Limited
)

)
 Edgar Kai Man NG) For and on behalf of
 Julie J KOO) HSBC Investment Funds
) (Hong Kong) Limited
)

The notes on pages 121 to 134 form part of these financial statements.

Statement of Comprehensive Income

HSBC Managed Stable Growth Fund

for the year ended 31 July 2011

	Note	2011 HKD	2010 HKD
Interest income	7(b)	116,569	42,477
Dividend income	7(e)	6,404,586	5,681,406
Net gains from financial instruments at fair value through profit or loss	3	60,064,185	22,852,318
Net foreign exchange gain		144,851	75,437
Other income		3,197	14,128
TOTAL REVENUE		66,733,388	28,665,766
Management fees	7(a)	3,751,739	3,475,967
Transaction costs	7(c), 7(d)	3,295,372	2,762,452
Trustee's fees	7(c)	644,072	607,303
Auditor's remuneration		202,073	320,543
Administrative fees	7(a)	17,536	60,050
Registrar's fees	7(a)	35,000	35,000
Safe custody fees, bank charges and miscellaneous expenses	7(b)	413,645	285,067
TOTAL OPERATING EXPENSES		8,359,437	7,546,382
NET PROFIT FROM OPERATIONS BEFORE TAXATION		58,373,951	21,119,384
Taxation	4	(764,879)	(661,626)
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		57,609,072	20,457,758

The notes on pages 121 to 134 form part of these financial statements.

Statement of Changes in Equity

HSBC Managed Stable Growth Fund

for the year ended 31 July 2011

	Note	2011 HKD	2010 HKD
Balance at the beginning of the year		472,766,594	451,809,353
Increase in net assets attributable to unitholders and total comprehensive income for the year		57,609,072	20,457,758
Transactions with owners, recorded directly in equity			
Subscriptions of units (excluding equalisation)		36,387,549	41,975,250
Redemptions of units (excluding equalisation)		(56,592,289)	(41,558,247)
Income equalisation on subscriptions and redemptions	10	(1,971,419)	82,480
Total transactions with owners		(22,176,159)	499,483
Balance at the end of the year		508,199,507	472,766,594

The notes on pages 121 to 134 form part of these financial statements.

Cash Flow Statement

HSBC Managed Stable Growth Fund

for the year ended 31 July 2011

	2011	2010
	HKD	HKD
OPERATING ACTIVITIES		
Interest received	116,569	42,477
Dividends received	6,541,708	5,498,371
Management fees paid	(3,736,043)	(3,467,442)
Trustee's fees paid	(627,359)	(606,746)
Margin deposits withdrawn from brokers	5,837,729	6,144,103
Tax paid	(755,801)	(678,851)
Other operating expenses paid	(3,819,927)	(3,154,746)
Cash generated from operating activities	3,556,876	3,777,166
INVESTING ACTIVITIES		
Payments on purchase of investments	(289,036,784)	(305,479,909)
Proceeds from sale of investments	316,130,041	285,985,686
Cash generated from/(used in) investing activities	27,093,257	(19,494,223)
FINANCING ACTIVITIES		
Proceeds from issue of units including equalisation	40,001,492	45,154,400
Payments on redemption of units including equalisation	(62,646,167)	(44,255,651)
Cash (used in)/generated from financing activities	(22,644,675)	898,749
Net increase/(decrease) in cash and cash equivalents	8,005,458	(14,818,308)
Cash and cash equivalents at the beginning of the year	27,146,902	41,965,210
Cash and cash equivalents at the end of the year	35,152,360	27,146,902

The notes on pages 121 to 134 form part of these financial statements.

Notes to the Financial Statements

HSBC Managed Stable Growth Fund

1 The Fund

HSBC Managed Stable Growth Fund (“the Fund”) is an open-ended unit trust established under a Trust Deed dated 16 May 2003, as amended, and governed by the laws of the Cayman Islands. The Fund registered under the Mutual Funds Law of the Cayman Islands on 10 June 2003. The purpose of the Fund is to invest in a diversified portfolio of investments which achieves medium capital growth with medium-low volatility.

The Fund is authorised by the Hong Kong Securities and Futures Commission (“SFC”) under section 104 of the Hong Kong Securities and Futures Ordinance (“HKSF”) and is governed by the Hong Kong Code on Unit Trusts and Mutual Funds issued by the SFC.

2 Significant accounting policies

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Fund. There have been no significant changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Fund for the current and prior accounting periods reflected in these financial statements.

The Fund has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 16).

(b) Basis of preparation of the financial statements

The functional and presentation currency of the Fund is Hong Kong dollars reflecting the fact that the participating redeemable units of the Fund are issued and redeemed in Hong Kong dollars.

The financial statements are prepared on a fair value basis for financial assets and financial liabilities at fair value through profit or loss and derivative financial instruments. Other financial assets and financial liabilities are stated at amortised cost.

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

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

The accounting policies have been applied consistently by the Fund and are consistent with those used in the previous year.

(c) Foreign currency translation

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into Hong Kong dollars at the foreign exchange rates ruling at the date of the statement of assets and liabilities. Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Hong Kong dollars at the foreign currency exchange rates ruling at the dates that the values were determined. Foreign currency exchange differences relating to investments at fair value through profit or loss are included in net gains from financial instruments at fair value through profit or loss. All other foreign currency exchange differences relating to monetary items including cash and cash equivalents are presented separately in profit or loss.

Notes to the Financial Statements

(d) Financial instruments

(i) Classification

All of the Fund's investments are classified as financial assets or financial liabilities at fair value through profit or loss. This category comprises financial instruments held for trading, which are instruments that the Fund has acquired principally for the purpose of short-term profit-taking. These include investments in equity and debt securities, unit trusts, and futures contracts.

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

Financial assets that are classified as loans and receivables include interest and dividends receivable, subscriptions receivable and amounts due from brokers.

Financial liabilities that are not at fair value through profit or loss include redemptions payable, amounts due to brokers and other payables.

(ii) Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments.

A regular way purchase or sale of financial assets is recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed their obligations under the contract or the contract is a derivative contract not exempted from the scope of HKAS 39.

(iii) Measurement

Financial instruments are measured initially at fair value (transaction price). Transaction costs on financial assets and liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in profit or loss.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities other than those at fair value through profit or loss are measured at amortised cost using the effective interest rate method.

(iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the date of the statement of assets and liabilities without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

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

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

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

Notes to the Financial Statements

(v) Impairment

Financial assets that are stated at cost or amortised cost are reviewed at each date of the statement of assets and liabilities to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through profit or loss.

(vi) Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial assets expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with HKAS 39.

The Fund uses the weighted average method to determine realised gains and losses on derecognition.

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

(vii) Offsetting

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

(viii) Specific instruments

Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(e) Revenue recognition

Provided it is probable that the economic benefits will flow to the Fund and the revenue and costs if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend. Dividends from other investments are recognised in profit or loss as dividend income when declared. In some cases, the Fund may receive or choose to receive dividends in the form of additional shares rather than cash. In such cases, the Fund recognises the dividend income for the amount of the equivalent cash dividend with the corresponding debit treated as an additional investment.

(ii) Interest income

Interest income is recognised in profit or loss as it accrues, using the effective interest rate method. Interest income on bank deposits and margin deposits is disclosed separately on the face of profit or loss. Interest income on debt securities is included in net gains from financial instruments at fair value through profit or loss.

(f) Expenses

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

(g) Foreign exchange gains and losses

Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognised together with other changes in the fair value. Included in the profit or loss line item *Net foreign exchange gain* are net foreign exchange gains and losses on monetary financial assets and financial liabilities other than those classified as fair value through profit or loss.

(h) Related parties

For the purposes of these financial statements, a party is considered to be related to the Fund if:

Notes to the Financial Statements

- (ii) the party has the ability, directly or indirectly through one or more intermediaries, to control the Fund or exercise significant influence over the Fund in making financial and operating policy decisions, or has joint control over the Fund;
 - (iii) the Fund and the party are subject to common control;
 - (iii) the party is a subsidiary, an associate of the Fund or a joint venture in which the Fund is a venturer;
 - (iv) the party is a member of key management personnel of the Fund or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals; or
 - (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals.
- it entitles the holder to a pro rata share of the entity's net assets in the event of the Fund's liquidation;
 - it is in the class of instruments that is subordinate to all other classes of instruments;
 - all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
 - apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
 - the total expected cash flows attributable to the instrument over its life are based substantially on profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the Fund.

(i) Subscriptions and redemptions

The Fund recognises unitholders' subscriptions and allots units upon receipt of a valid subscription application and derecognises them upon receipt of a valid redemption application.

(j) Units in issue

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Fund has one class of redeemable units in issue. This is the most subordinate class of financial instruments in the Fund. The redeemable units provide unitholders with the right to require redemption for cash at a value proportionate to the unitholders' share in the Fund's net assets at each redemption date and also in the event of the Fund's liquidation.

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

The Fund's redeemable units meet all of these conditions and are classified as equity.

(k) Segment reporting

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

3 Net gains from financial instruments at fair value through profit or loss

	2011	2010
	HKD	HKD
Realised gains	39,439,018	25,197,394
Unrealised gains/(losses)	20,625,167	(2,345,076)
	<u>60,064,185</u>	<u>22,852,318</u>

Notes to the Financial Statements

4 Taxation

There are no taxes on income or gains under Cayman Islands Law currently. Accordingly, no provision for Cayman Islands taxes is included in these financial statements.

No provision for Hong Kong profits tax has been made in the financial statements as the Fund is exempt from taxation under section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

Dividend income received by the Fund may be subject to non-recoverable withholding tax imposed in the country of origin. Dividend income is recorded gross of such taxes and the withholding tax is recognised in profit or loss as incurred.

Capital gains realised in certain jurisdictions may be subject to capital gains tax. Capital gains tax is charged to profit or loss on an accruals basis, using tax rates enacted or substantively enacted at the date of statement of assets and liabilities.

Taxation in profit or loss represents:

	2011	2010
	HKD	HKD
Overseas withholding tax	719,202	645,649
Spanish capital gains tax	45,677	15,977
	<hr/>	<hr/>
	764,879	661,626

5 Financial assets and financial liabilities at fair value through profit or loss

2011	2010
HKD	HKD

Financial assets at fair value through profit or loss

Equities

Listed shares	200,977,471	204,813,123
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Debt securities

Listed bonds	182,844,463	160,152,460
Unlisted but quoted bonds	45,563,272	46,162,547
	<hr/>	<hr/>
	228,407,735	206,315,007

Other investments

Unit trusts	31,968,526	17,819,961
Futures	523,815	83,271
Rights	23	434,038
Warrants	–	7,557
	<hr/>	<hr/>
	32,492,364	18,344,827
	<hr/>	<hr/>
	461,877,570	429,472,957

Financial liabilities at fair value through profit or loss

Derivative liabilities

Futures	–	(317,456)
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	<hr/>	<hr/>
	461,877,570	429,155,501
Investments, at cost	413,679,075	401,110,306
Net unrealised appreciation in value of investments	48,198,495	28,045,195
	<hr/>	<hr/>
Investments, at market value	461,877,570	429,155,501

Notes to the Financial Statements

6 Amounts due from/(to) brokers

	2011 HKD	2010 HKD	2011 HKD	2010 HKD
Balances due from brokers				
Amounts receivable on sale of investments	298,171	2,735,697	(i) Management fees for the year	3,751,739
Margin deposits	8,228,425	14,066,154	(ii) Registrar's fees and other administrative fees for the year	52,536
	8,526,596	16,801,851	(iii) Management fees payable at year end	300,218
			(iv) Registrar's fees and other administrative fees payable at year end	18,981
Balances due to brokers				
Amounts payable on purchase of investments	917,273	3,131,791		8,212

Margin deposits represent cash deposit with brokers, transferred as collateral against open futures contracts.

7 Related parties transactions

The following is a summary of transactions with related parties for the year. All such transactions were entered into in the ordinary course of business and on normal commercial terms.

(a) The Fund is managed by HSBC Investment Funds (Hong Kong) Limited ("the Manager"), which receives a management fee, payable monthly in arrears, equivalent to a percentage per annum of the net asset value of the Fund as follows:

For Provident class units 0.75%

In addition, the Manager, as the registrar's agent, receives registrar's fees per annum for each class of units and fees for various administrative functions performed on behalf of the Fund.

(b) (i) Bank accounts are maintained with HSBC Auckland, HSBC Bank Australia Ltd Sydney, HSBC Bank Plc Custody Department-GSS, HSBC Bank Plc International Division London, HSBC Bank USA New York, HSBC Jakarta, HSBC Manila, HSBC Mexico SA, HSBC Seoul, HSBC Singapore, HSBC Taipei, HSBC Tokyo, HSBC Trinkaus and Burkhardt and The Hongkong and Shanghai Banking Corporation Limited which are members of the HSBC Group. The balances of these accounts amounted to \$34,928,350 (2010: \$26,918,843) at the year end. Interest income arising from these accounts amounted to \$36 (2010: \$362).

(ii) Margin accounts amounting to \$8,228,425 (2010: \$14,066,154) are maintained with HSBC Bank Plc Futures Wholesale Trading Operations, which is a fellow subsidiary of the Manager within the HSBC Group. Interest income and interest expenses arising from these accounts amounted to \$85,747 (2010: \$18,631) and \$Nil (2010: \$104) respectively.

(c) The Trustee of the Fund is HSBC Trustee (Cayman) Limited, a fellow subsidiary of the Manager within the HSBC Group, which receives a monthly fee equivalent to 0.1% per annum of the net asset value of the Fund, subject to a minimum monthly fee of \$10,000 (2010: \$10,000). In addition, the Trustee provides valuation services to unitholders in return for a daily fee of \$580 (2010: \$580). Also, the Trustee provides services in connection with purchases and sales transactions, for which the Trustee receives a transaction fee of \$400 (2010: \$400) for each trade handled.

Notes to the Financial Statements

	2011	2010
	HKD	HKD
(i) Trustee's fees for the year	644,072	607,303
(ii) Trustee's fees payable at year end	66,829	50,116
(iii) Transaction fees for the year	1,365,200	1,208,800
(iv) Transaction fees payable at year end	92,800	94,800

(d) In its purchases and sales of investments, the Fund utilises the brokerage services of HSBC Investment Funds (Hong Kong) Limited, HSBC Bank Plc Futures, The Hongkong and Shanghai Banking Corporation Limited and HSBC Bank Plc, which are members of the HSBC Group. Details of transactions effected through these companies are as follows:

	HSBC Investment Funds (Hong Kong) Limited		HSBC Bank Plc Futures	
	2011	2010	2011	2010
	HKD	HKD	HKD	HKD
Commission paid for the year	-	-	6,269	19,826
Average rate of commission	-	-	0.05%	0.09%
Total aggregate value of such transactions for the year	21,434,650	4,647,948	13,220,344	21,778,545
Percentage of such transactions in value to total transactions for the year	1.50%	0.25%	0.92%	1.18%

	The Hongkong and Shanghai Banking Corporation Limited		HSBC Bank Plc	
	2011	2010	2011	2010
	HKD	HKD	HKD	HKD
Commission paid for the year	10,881	10,429	1,743	1,607
Average rate of commission	0.06%	0.18%	0.16%	0.16%
Total aggregate value of such transactions for the year	17,202,171	5,743,146	1,089,279	1,004,279
Percentage of such transactions in value to total transactions for the year	1.20%	0.31%	0.08%	0.05%

For the futures contracts transacted with HSBC Bank Plc Futures, the Fund pays HSBC Bank Plc Futures at a fixed rate per contract irrespective of the notional amount of the contract. The rates vary depending on the currency of each futures contract.

The figures for commission paid do not include any trading margin which may be reflected in the market price of transactions with these entities on any transactions by the Fund during the year.

(e) During the year, the Fund held investments in HSBC Holdings Plc and Hang Seng Bank Limited, which are the ultimate holding company and a fellow subsidiary, respectively of the Manager and the Trustee within the HSBC Group. The details of the market value of these investments and dividend income received for the year are as follows:

	2011	2010
	HKD	HKD
(i) Market value at year end	9,267,034	10,532,458
(ii) Dividend income received for the year	357,783	333,938

The Fund also held investments in Halbis Funds - HSBC China A-Share Fund, HSBC Pooled Asian Equity Fund and HSBC Pooled Chinese Equity Fund, which are managed by the fellow subsidiaries of the Manager within the HSBC Group. The market value of these investments at year end is \$24,540,609 (2010: \$17,158,135).

8 Soft commission arrangements

The Manager has entered into soft commission arrangements with brokers under which certain goods and services used to support investment decision making are received by the Manager. The Manager does not make direct payment for these services but transacts an agreed amount of business with the brokers on behalf of the Fund. Commission is paid from the Fund on these transactions.

The goods and services utilised for the Fund include the following:

- research and advisory services;
- economic and political analysis;

Notes to the Financial Statements

- portfolio analysis, including valuation and performance measurement;
- market analysis, data and quotation services;
- computer hardware and software incidental to the above goods and services; and
- clearing and custodian services and investment-related publications.

9 Units issued and redeemed

	2011 HKD	2010 HKD
Provident class units		
Number of units in issue		
brought forward	29,658,011	29,651,632
Units issued during the year	2,299,183	2,856,156
Units redeemed during the year	(3,606,476)	(2,849,777)
Number of units in issue		
carried forward	28,350,718	29,658,011

The Fund does not have any externally imposed capital requirements.

10 Income equalisation

This is the proportion of the unit price which relates to the attributed accrued net expense or the undistributed accrued net income of the Fund at the date of issue or redemption of units.

11 Distributions

Pursuant to the Trust Deed dated 16 May 2003, as amended, no distributions shall be made to the holders of the Provident class units.

12 Reconciliation of net asset values

The net asset value presented in the financial statements and that quoted for pricing purposes at the year end ("Dealing NAV") are different as the principles for calculating the Dealing NAV as set out in the Explanatory Memorandum document are different from those required for financial reporting purposes under HKFRSs. The following reconciliation provides details of these differences:

	2011 HKD	2010 HKD
NAV as reported in the financial statements as at 31 July	508,199,507	472,766,594
Adjustments for different bases adopted by the Fund in arriving at the Dealing NAV:		
– Use of trade pricing instead of bid pricing in valuing investments	416,522	500,134
Dealing NAV as at 31 July	508,616,029	473,266,728

13 Financial instruments and associated risks

The Fund maintains an investment portfolio in a variety of listed and unlisted financial instruments as dictated by their investment management strategies. The objective of the Fund is to achieve medium capital growth with medium-low volatility by investing in a diversified portfolio of global bonds and equities with equal emphasis. The Fund's investment portfolio comprises debt and equity instruments, futures contracts and unit trusts.

The Fund's investing activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. The Manager and the Trustee have set out below the most important types of financial risks inherent in each type of financial instruments. The Manager and the Trustee would like to highlight that the following list of associated risks only sets out some of the risks but does not purport to constitute an exhaustive list of all the risks inherent in an investment in the Fund. Unitholders should note that additional information in respect of risks associated with financial instruments in the Fund can be found in the Fund's offering document.

The nature and extent of the financial instruments outstanding at the date of the statement of assets and liabilities and the risk management policies employed by the Fund are discussed below.

(a) Price risk

Price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

Notes to the Financial Statements

The Fund is exposed to price risk arising from changes in market price. Price risk is managed by investing in a portfolio of different investments in accordance with the investments objective of the Fund.

Price sensitivity

The impact on a 5% increase in value of the investments at 31 July 2011, with all other variables held constant, is shown below. An equal change in the opposite direction would have reduced the net asset value by an equal but opposite amount. The analysis is performed on the same basis for 2010:

	Market exposure HKD	Change in net assets if investment value increased by 5% HKD
As at 31 July 2011		
Equities	200,977,471	10,048,874
Unit trusts	31,968,526	1,598,426
Futures	32,912,202	1,645,610
Rights	23	1

As at 31 July 2010

Equities	204,813,123	10,240,656
Unit trusts	17,819,961	890,998
Futures	13,695,410	684,771
Rights	434,038	21,702
Warrants	7,557	378

(b) Interest rate risk

Interest rate risk arises from change in interest rates which may affect the value of debt instruments and therefore result in potential gain or loss to the Fund. The Fund's interest rate risk is managed on an ongoing basis by the Manager.

The following table indicates the period in which the interest bearing assets and liabilities mature at the date of statement of assets and liabilities.

	2011				Total HKD
	1 year or less HKD	Over 1 year to 5 years HKD	Over 5 years HKD	Non-interest bearing HKD	
ASSETS					
Financial assets at fair value through profit or loss	4,080	89,965	134,363	233,470	461,878
Interest and dividends receivable	-	-	-	3,378	3,378
Subscriptions receivable	-	-	-	1,399	1,399
Amounts due from brokers	8,229	-	-	298	8,527
Cash and cash equivalents	35,152	-	-	-	35,152
Total assets	47,461	89,965	134,363	238,545	510,334

LIABILITIES

Redemptions payable	-	-	-	(271)	(271)
Amounts due to brokers	-	-	-	(917)	(917)
Other payables	-	-	-	(946)	(946)

Total liabilities

	-	-	-	(2,134)	(2,134)
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Total interest sensitivity gap

	47,461	89,965	134,363		
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	2010				Total HKD
	1 year or less HKD	Over 1 year to 5 years HKD	Over 5 years HKD	Non-interest bearing HKD	
ASSETS					
Financial assets at fair value through profit or loss	21,199	74,261	110,855	223,158	429,473
Interest and dividends receivable	-	-	-	3,044	3,044
Subscriptions receivable	-	-	-	1,557	1,557
Amounts due from brokers	14,066	-	-	2,736	16,802
Cash and cash equivalents	27,147	-	-	-	27,147
Total assets	62,412	74,261	110,855	230,495	478,023

LIABILITIES

Financial liabilities at fair value through profit or loss	-	-	-	(317)	(317)
Redemptions payable	-	-	-	(898)	(898)
Amounts due to brokers	-	-	-	(3,132)	(3,132)
Other payables	-	-	-	(909)	(909)

Total liabilities

	-	-	-	(5,256)	(5,256)
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Total interest sensitivity gap

	62,412	74,261	110,855		
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Notes to the Financial Statements

Interest rate sensitivity

At the date of the statement of assets and liabilities, assuming all other factors unchanged, it is estimated that an increase in interest rate of 50 basis points would result in a decrease in the net assets attributable to the unitholders and the profit for the year by \$7,029,892 (2010: \$6,352,951); an equal change in the opposite direction would result in an increase in the net assets attributable to unitholders by an equal amount. The analysis is performed on the same basis for 2010.

(c) Currency risk

The Fund may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Fund is exposed to risks that the exchange rate of its functional currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than the Hong Kong dollar.

The fluctuations in the rate of exchange between the currency in which the asset or liability is denominated and the functional currency could result in an appreciation or depreciation in the fair value of that asset or liability. The Manager may attempt to mitigate this risk by using financial derivative instruments. The Manager monitors the Fund's currency exposures on an ongoing basis.

Currency sensitivity

At 31 July 2011, had the Hong Kong dollar ("HKD") weakened by 5% in relation to respective currencies, with all other variables held constant, net assets attributable to unitholders and the profit for the year would have increased by the amounts shown below. The analysis is performed on the same basis for 2010.

	Net exposure HKD	Change in net assets if HKD weakened by 5% HKD
As at 31 July 2011		
<i>Currencies</i>		
Argentine Peso	212,875	10,644
Australian Dollar	13,806,508	690,325
British Pound	26,374,538	1,318,727
Canadian Dollar	4,873,784	243,689
Danish Krone	697,597	34,880
Euro	98,650,067	4,932,503
Indonesian Rupiah	36,890	1,844
Japanese Yen	112,328,482	5,616,424
Mexican Peso	1,473,241	73,662
New Zealand Dollar	392,320	19,616
Norwegian Kroner	1,923,791	96,190
Philippine Peso	161	8
Polish Zloty	1,419,194	70,960
South Korean Won	17	1
Swedish Krona	2,030,590	101,530
Swiss Franc	6,237,284	311,864
Taiwanese Dollar	50,447	2,522
Total	270,507,786	13,525,389

Notes to the Financial Statements

Currency sensitivity

	Change in net assets if HKD weakened by 5%	
Net exposure	HKD	HKD
As at 31 July 2010		
<i>Currencies</i>		
Argentine Peso	222,984	11,149
Australian Dollar	24,795,262	1,239,763
British Pound	23,226,277	1,161,314
Canadian Dollar	2,869,028	143,451
Danish Krone	716,081	35,804
Euro	87,648,629	4,382,431
Indonesian Rupiah	23,899	1,195
Japanese Yen	96,520,136	4,826,007
Norwegian Kroner	898,495	44,925
Philippine Peso	104	5
Polish Zloty	1,276,373	63,819
South Korean Won	162,230	8,111
Swedish Krona	855,815	42,791
Swiss Franc	4,571,071	228,554
Taiwanese Dollar	38,154	1,908
Total	243,824,538	12,191,227

As the HKD is pegged to the United States dollar ("USD"), the Fund does not expect any significant movements in USD/HKD exchange rate. A 5% appreciation of the HKD against the above currencies would have resulted in an equal but opposite effect on the financial statements, on the basis that all other variables remain constant.

(d) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund's exposure to credit risk is monitored by the Manager on an ongoing basis.

At 31 July 2011, all of the Fund's financial assets were exposed to credit risk. These include investments and cash and cash equivalents placed with banks and the Custodian.

At the date of statement of assets and liabilities, the Fund invested in debt securities with the following credit quality expressed as a percentage of debt securities:

As at 31 July 2011

Rating	% of debt securities
Aaa/AAA	52.42
Aa1/AA+	8.77
Aa2/AA	13.57
Aa3/AA-	24.00
A2/A	0.60
A3/A-	0.64
Total	100.00

As at 31 July 2010

Rating	% of debt securities
Aaa/AAA	57.90
Aa1/AA+	8.16
Aa2/AA	25.60
A1/A+	7.74
A2/A	0.60
Total	100.00

Credit risk is managed by the reviewing and monitoring of the credit quality of debt instruments held by the Fund or the issuers of the debt instruments held by the Fund on an ongoing basis.

Credit risk arising from transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used.

The majority of the cash held by the Fund is deposited with the HSBC Group. Bankruptcy or insolvency of the bank may cause the Fund's rights with respect to the cash held by the bank to be delayed or limited. The Manager monitors the credit rating and financial position of the bank on an ongoing basis.

Substantially all of the assets of the Fund are held by the Custodian. Bankruptcy or insolvency of the Custodian may cause the Fund's rights with respect to securities held by the Custodian to be delayed or limited. The Custodian is a group company of the HSBC, for which the credit risk is considered insignificant.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the date of statement of assets and liabilities.

Notes to the Financial Statements

At both 31 July 2011 and 2010, there were no significant concentrations of credit risk to counterparties except to the Custodian.

(e) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund. The Fund is exposed to daily liquidity risk on redemption of units.

The Fund's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements in the short and longer term.

The Fund's listed investments are considered to have insignificant exposure to liquidity risk as they are all readily realisable under normal market condition. The Fund, however, also invests in unlisted investments such as unlisted bonds and unit trusts, which are not publicly traded on exchanges and may be illiquid. The market value of these unlisted investments at the year end was \$70,103,881 (2010: \$63,320,682).

As at 31 July 2011 and 2010, the Fund's financial liabilities are due within three months, except for redemptions payable which is repayable on demand.

(f) Specific instruments

Derivatives

At 31 July 2011 and 2010, the Fund's holdings in derivatives translated into Hong Kong dollars were as specified in the following tables.

As at 31 July 2011

Type of contract	Expiration	Underlying	Fair value assets HKD	Fair value (liabilities) HKD
Futures	August 2011	Hong Kong equity indices	37,280	-
Futures	September 2011	United States equity indices	486,535	-
			523,815	-

As at 31 July 2010

Type of contract	Expiration	Underlying	Fair value assets HKD	Fair value (liabilities) HKD
Futures	September 2010	Australian equity indices	83,271	-
Futures	August 2010	Hong Kong equity indices	-	(50,979)
Futures	September 2010	Japanese equity indices	-	(160,098)
Futures	September 2010	United States equity indices	-	(106,379)
			83,271	(317,456)

Futures

Futures are commitments either to purchase or sell a designated financial instrument, currency, commodity or index at a specified future date for a specified price and may be settled in cash or the underlying financial asset. Futures are standardised exchange-traded contracts. Initial margin requirements for futures are met in cash or other instruments, and changes in futures contract values are marked to market daily. Futures contracts have little credit risk because the counterparties are futures exchanges.

Futures contracts result in exposure to market risk based on changes in market prices relative to contracted prices. Market risks arise due to the possible movement in foreign currency exchange rates, indices, and securities' values underlying these instruments. In addition, because of the low margin deposits normally required in relation to notional contract sizes, a high degree of leverage may be typical of a futures contract and may result in substantial losses to the Fund. Trading in futures contracts may be subject to asset liquidity risk. Certain futures exchanges do not permit trading in particular futures contracts at prices that represent a material fluctuation in price during a single day's trading beyond certain preset limits. If prices fluctuate during a single day's trading beyond those limits, the Fund could be prevented from promptly liquidating unfavourable positions and thus could be subject to substantial losses.

14 Fair value information

The Fund's financial instruments are measured at fair value on the date of statement of assets and liabilities. Fair value estimates are made at a specified point in time, based on market conditions and information about the financial instruments. Usually, fair values can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including interest and dividends receivable, subscriptions receivable, amounts due from brokers, redemptions payable, amounts due to brokers and

Notes to the Financial Statements

other payables, the carrying amounts approximate fair values due to the immediate or short-term nature of these financial instruments.

Valuation of financial instruments

The Fund's accounting policy on fair value measurements is detailed in significant accounting policy in note 2(d)(iv).

The Fund measures fair values using the three levels of fair value hierarchy defined in HKFRS 7, *Financial instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

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

Fair values of financial assets and financial liabilities that are traded in active markets, such as equities, debt securities, unit trusts and futures which are listed on recognised stock exchanges are based on quoted market prices or dealer price quotations. For all other financial instruments, the Fund determines fair value using valuation techniques.

The Fund uses widely recognised valuation models for determining the fair value of the debt securities and unit trusts which do not have quoted market price in active market. Valuation techniques include net present value, discounted cash flow models, comparison to similar instruments for which market observable prices exist, comparison to quoted prices for identical instruments that are considered less than active and other valuation models.

The following analyses financial instruments at fair value at the date of the statement of assets and liabilities, by the level in the fair value hierarchy into which the fair value measurement is categorised.

31 July 2011

	Level 1 HKD	Level 2 HKD	Total HKD
<i>Financial assets at fair value through profit or loss</i>			
Equity securities	200,977,471	–	200,977,471
Debt securities	228,407,735	–	228,407,735
Unit trusts	31,968,526	–	31,968,526
Futures	523,815	–	523,815
Rights	–	23	23
	461,877,547	23	461,877,570

31 July 2010

	Level 1 HKD
<i>Financial assets at fair value through profit or loss</i>	
Equity securities	204,813,123
Debt securities	206,315,007
Unit trusts	17,819,961
Futures	83,271
Rights	434,038
Warrants	7,557
	429,472,957

Financial liabilities at fair value through profit or loss

Futures	(317,456)
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There are no significant transfers between the levels during the year.

15 Segment information

The Manager makes the strategic resource allocation on behalf of the Fund and determines the operating segments based on the internal reporting used to make strategic decisions.

The Manager's asset allocation decisions are based on one single and integrated investment strategy, and the Fund's performance is evaluated on an overall basis. Accordingly the Manager considers that the Fund has one single

Notes to the Financial Statements

operating segment which is investing in a portfolio of financial instruments to generate investment returns in accordance with the investment objective stipulated in the Explanatory Memorandum. There were no changes in the operating segment during the year.

All revenues generated from investments by the Fund are disclosed in note 3. The segment information provided to the Manager is the same as that disclosed in profit or loss and the statement of assets and liabilities.

16 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting year ended 31 July 2011

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and Interpretations and new standards which are not yet effective for the year ended 31 July 2011, and which have not been adopted in these financial statements. These include the following which may be relevant to the Fund:

	Effective for accounting periods beginning on or after
Improvements to HKFRSs 2010	1 January 2011
HKAS 24 (Revised), <i>Related party disclosures</i>	1 January 2011
HKFRS 9, <i>Financial instruments</i>	1 January 2013
HKFRS 13, <i>Fair value measurement</i>	1 January 2013

The Fund is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Fund's results of operations and financial position.

Portfolio Statement (unaudited)

HSBC Managed Stable Growth Fund

as at 31 July 2011

	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
Equities							
Listed investments							
Hong Kong							
AGRICULTURAL BANK OF CHINA H SHARES	157,000	660,970	0.13	CHINA SHENHUA ENERGY CO LTD H SHARES	17,500	685,125	0.14
AIA GROUP LTD	100,400	2,871,440	0.57	CHINA SINGYES SOLAR TECH HOLDINGS LTD	107,000	691,220	0.14
AIR CHINA LTD H SHARES	96,000	788,160	0.16	CHINA TAIPING INSURANCE HOLDINGS CO LTD	22,400	401,856	0.08
ANHUI CONCH CEMENT CO LTD H SHARES	14,000	511,000	0.10	CHINA TELECOM CORP LTD H SHARES	82,000	414,920	0.08
BANK OF CHINA LTD H SHARES	652,000	2,334,160	0.46	CHINA YURUN FOOD GROUP LTD	44,000	1,075,800	0.21
BANK OF COMMUNICATIONS CO LTD H SHARES	91,410	620,674	0.12	CHINA ZHENG TONG AUTO SERVICES HOLDINGS LTD	56,000	576,800	0.11
BANK OF EAST ASIA LTD	12,376	372,518	0.07	CLP HOLDINGS LTD	18,721	1,345,104	0.27
BEIJING ENTERPRISES HOLDINGS LTD	6,000	235,200	0.05	CNOOC LTD	179,390	3,117,798	0.61
BELLE INTERNATIONAL HOLDINGS LTD	57,000	970,140	0.19	COMBA TELECOM SYSTEMS HOLDINGS LTD	28,325	202,807	0.04
BOC HONG KONG HOLDINGS LTD	37,208	866,946	0.17	COSCO PACIFIC LTD	18,000	226,800	0.05
BRILLIANCE CHINA AUTOMOTIVE HOLDINGS LTD	74,000	736,300	0.15	DAH CHONG HONG HOLDINGS LTD	60,000	613,200	0.12
CHEUNG KONG (HOLDINGS) LTD	17,446	2,076,074	0.41	DONGFENG MOTOR GROUP CO LTD H SHARES	116,000	1,779,440	0.35
CHEUNG KONG INFRASTRUCTURE (HOLDINGS) LTD	9,000	403,650	0.08	DONGYUE GROUP	79,000	670,710	0.13
CHINA CITIC BANK H SHARES	67,000	318,920	0.06	EMPEROR WATCH & JEWELLERY LTD	580,000	968,600	0.19
CHINA COMMUNICATIONS CONSTRUCTION CO LTD H SHARES	94,000	624,160	0.12	EVA PRECISION INDUSTRIAL HOLDINGS LTD	420,000	1,234,800	0.24
CHINA CONSTRUCTION BANK H SHARES	575,410	3,613,575	0.71	EVERGRANDE REAL ESTATE GROUP LTD	65,000	379,600	0.08
CHINA LIFE INSURANCE CO LTD H SHARES	94,000	2,439,300	0.48	GALAXY ENTERTAINMENT GROUP LTD	11,000	221,650	0.04
CHINA METAL RECYCLING HOLDINGS LTD	66,000	685,080	0.14	GCL POLY ENERGY HOLDINGS LTD	291,000	1,283,310	0.25
CHINA MINSHENG BANKING CORP LTD H SHARES	42,000	288,540	0.06	GOME ELECTRICAL APPLIANCES HOLDING LTD	132,000	483,120	0.10
CHINA MOBILE LTD	52,543	4,066,828	0.80	GREAT WALL MOTOR CO LTD H SHARES	62,500	733,750	0.14
CHINA NATIONAL BUILDING MATERIAL H SHARES	122,000	1,908,080	0.38	HAIER ELECTRONICS GROUP CO LTD	42,000	397,320	0.08
CHINA NETCOM TECHNOLOGY HOLDINGS LTD	1,830,000	367,830	0.07	HANG LUNG PROPERTIES LTD	40,000	1,152,000	0.23
CHINA OVERSEAS GRAND OCEANS GROUP LTD	4,000	44,960	0.01	HANG SENG BANK LTD	4,200	513,660	0.10
CHINA OVERSEAS LAND & INVESTMENT LTD	48,000	835,200	0.16	HENGAN INTERNATIONAL GROUP CO LTD	8,000	539,200	0.11
CHINA PACIFIC INSURANCE GROUP CO LTD H SHARES	8,200	241,900	0.05	HONG KONG & CHINA GAS CO LTD	22,548	428,863	0.08
CHINA PETROLEUM & CHEMICAL CORP H SHARES	232,000	1,781,760	0.35	HONG KONG EXCHANGES AND CLEARING LTD	10,100	1,623,070	0.32
CHINA RESOURCES GAS GROUP LTD	40,000	460,000	0.09	HSBC HOLDINGS PLC	100,324	7,679,802	1.51
CHINA SHANSHUI CEMENT GROUP LTD	55,000	515,900	0.10	HUTCHISON WHAMPOA LTD	33,122	3,007,478	0.59
				HYSAN DEVELOPMENT CO LTD	15,246	554,954	0.11
				INDUSTRIAL AND COMMERCIAL BANK OF CHINA H SHARES	954,040	5,657,457	1.11
				JIANGXI COPPER CO LTD H SHARES	45,000	1,233,000	0.24
				JOHNSON ELECTRIC HOLDINGS LTD	69,500	318,310	0.06
				KERRY PROPERTIES LTD	14,500	548,100	0.11
				KINGBOARD CHEMICAL HOLDINGS LTD	11,202	415,034	0.08
				KUNLUN ENERGY CO LTD	24,000	312,480	0.06
				KWG PROPERTY HOLDING LTD	127,000	690,880	0.14
				LI & FUNG LTD	62,268	805,748	0.16

Portfolio Statement (unaudited)

HSBC Managed Stable Growth Fund

as at 31 July 2011

	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
Equities				Indonesia			
Listed investments				UNITED TRACTORS			
				1,496	36,890	0.01	
LIFESTYLE INTERNATIONAL HOLDINGS LTD				Ireland			
	21,500	546,100	0.11	KERRY GROUP PLC			
	23,000	276,000	0.05	1,716	552,394	0.11	
	208,000	626,080	0.12	Italy			
	12,838	338,923	0.07	AUTOGRILL SPA			
	10,329	116,718	0.02	4,975	511,263	0.10	
	14,500	158,340	0.03	UNICREDIT SPA			
	245,000	833,000	0.16	46,705	653,387	0.13	
	170,000	1,873,400	0.37		1,164,650	0.23	
	32,000	430,080	0.08	Japan			
	40,000	3,030,000	0.60	ABC-MART INC			
	25,000	144,750	0.03	200	60,102	0.01	
	22,925	1,485,540	0.29	AEON CO LTD			
	54,000	204,660	0.04	2,100	205,692	0.04	
	6,000	169,800	0.03	AEON CREDIT SERVICE CO LTD			
	9,833	196,463	0.04	1,100	120,517	0.02	
	16,000	182,400	0.04	AEON MALL CO LTD			
	152,000	410,400	0.08	700	140,097	0.03	
	1,980,000	401,940	0.08	700	209,863	0.04	
	192,000	622,080	0.12	AJINOMOTO CO INC			
	45,000	147,600	0.03	2,500	240,833	0.05	
	23,000	450,800	0.09	ALPS ELECTRIC CO LTD			
	174,000	870,000	0.17	2,000	174,490	0.03	
	21,876	2,592,306	0.51	AOZORA BANK LTD			
	5,212	570,714	0.11	6,000	112,692	0.02	
	131,000	869,840	0.17	ASAHI GLASS CO LTD			
	51,500	419,210	0.08	3,500	315,254	0.06	
	9,300	1,886,040	0.37	ASAHI KASEI CORP			
	144,000	552,960	0.11	4,000	220,132	0.04	
	4,000	168,800	0.03	ASTELLAS PHARMA INC			
	28,438	1,625,232	0.32	1,097	331,765	0.07	
	26,000	170,820	0.03	AUTOBACS SEVEN CO LTD			
	200,000	912,000	0.18	300	105,118	0.02	
	44,000	1,309,000	0.26	BRIDGESTONE CORP			
	37,500	618,750	0.12	1,900	367,025	0.07	
	115,000	481,850	0.10	BROTHER INDUSTRIES LTD			
		100,315,627	19.74	1,600	194,363	0.04	
				CANON INC			
				2,950	1,115,581	0.22	
				CAPCOM CO LTD			
				300	61,102	0.01	
				CENTRAL JAPAN RAILWAY CO			
				5	335,752	0.07	
				CHUBU ELECTRIC POWER CO INC			
				1,100	146,842	0.03	
				CHUGOKU ELECTRIC POWER CO LTD			
				600	75,370	0.02	
				COCA-COLA WEST CO LTD			
				900	139,501	0.03	
				DAI NIPPON PRINTING CO LTD			
				2,500	220,637	0.04	
				DAIDO STEEL CO LTD			
				2,000	110,672	0.02	
				DAIHATSU MOTOR CO LTD			
				1,000	136,522	0.03	
				DAI-CHI LIFE INSURANCE CO LTD			
				31	341,205	0.07	
				DAIICHI SANKYO CO LTD			
				300	48,257	0.01	
				DAINIPPON SCREEN MFG CO LTD			
				2,000	122,385	0.02	
				DAINIPPON SUMITOMO PHARMACEUTICAL CO LTD			
				900	70,978	0.01	
				DAITO TRUST CONSTRUCTION CO LTD			
				300	224,171	0.04	
				DAIWA HOUSE INDUSTRY CO LTD			
				2,500	261,028	0.05	
				DAIWA SECURITIES GROUP INC			
				2,000	67,857	0.01	
				DENKI KAGAKU KOGYO KK			
				4,000	150,659	0.03	
				DENSO CORP			
				1,200	332,985	0.07	
				DISCO CORP			
				300	136,018	0.03	
				DOWA HOLDINGS CO LTD			
				3,000	156,617	0.03	
				EAST JAPAN RAILWAY CO			
				398	194,516	0.04	

Portfolio Statement (unaudited)

HSBC Managed Stable Growth Fund

as at 31 July 2011

	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
Equities							
Listed investments				MITSUBISHI HEAVY INDUSTRIES LTD	3,000	108,450	0.02
				MITSUBISHI MATERIALS CORP	7,000	185,901	0.04
				MITSUBISHI UFJ FINANCIAL GROUP INC	31,100	1,231,044	0.24
				MITSUI AND CO LTD	3,500	513,171	0.10
				MITSUI ENGINEERING & SHIPBUILDING CO LTD	7,000	115,923	0.02
				MITSUI FUDOSAN CO LTD	1,000	148,236	0.03
				MITSUI MINING & SMELTING CO LTD	4,000	112,692	0.02
				MIZUHO FINANCIAL GROUP INC	52,000	666,859	0.13
				MS&AD INSURANCE GROUP HOLDINGS INC	600	116,872	0.02
				MURATA MANUFACTURING CO LTD	300	151,770	0.03
				NHK SPRING CO LTD	1,000	82,903	0.02
				NIKON CORP	600	109,602	0.02
				NINTEENDO CO LTD	200	247,800	0.05
				NIPPON ELECTRIC GLASS CO LTD	1,500	147,378	0.03
				NIPPON KAYAKU CO LTD	2,000	172,673	0.03
				NIPPON MEAT PACKERS INC	1,000	108,450	0.02
				NIPPON SHEET GLASS CO LTD	7,000	173,884	0.03
				NIPPON STEEL CORP	5,000	131,272	0.03
				NIPPON TELEGRAPH AND TELEPHONE CORP	1,282	491,925	0.10
				NIPPON TELEVISION NETWORK CORP	80	94,839	0.02
				NIPPON YUSEN KK	4,000	113,903	0.02
				NIPRO CORP	400	57,113	0.01
				NISHI-NIPPON BANK LTD	3,000	71,795	0.01
				NISSAN MOTOR CO LTD	6,000	498,024	0.10
				NISSHINBO HOLDINGS INC	2,000	153,487	0.03
				NISSIN FOODS HOLDINGS CO LTD	400	118,346	0.02
				NITORI HOLDINGS CO LTD	200	151,265	0.03
				NITTO DENKO CORP	300	112,692	0.02
				NKJS HOLDINGS INC	449	23,078	0.00
				NOMURA HOLDINGS INC	4,200	159,041	0.03
				NOMURA RESEARCH INSTITUTE LTD	1,000	185,396	0.04
				NTN CORP	4,000	187,819	0.04
				NTT DATA CORP	6	161,828	0.03
				NTT DOCOMO INC	35	500,094	0.10
				OBIC CO LTD	40	61,435	0.01
				OJI PAPER CO LTD	5,000	193,878	0.04
				ORACLE CORP JAPAN	400	104,169	0.02
				ORIX CORP	360	302,813	0.06
				OSAKA GAS CO LTD	6,000	184,184	0.04
				OTSUKA HOLDINGS CO LTD	300	64,283	0.01
				PANASONIC CORP	4,200	391,452	0.08
				RENGO CO LTD	3,000	153,285	0.03
				RESONA HOLDINGS INC	3,600	138,865	0.03
				RYOHIN KEIKAKU CO LTD	400	161,565	0.03
				SANKYO CO LTD	200	82,802	0.02

Portfolio Statement (unaudited)

HSBC Managed Stable Growth Fund

as at 31 July 2011

	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
Equities							
Listed investments							
SANTEN PHARMACEUTICAL CO LTD	500	156,264	0.03	UBE INDUSTRIES LTD	3,000	79,369	0.02
SAPPORO HOKUYO HOLDINGS INC	2,600	87,427	0.02	ULVAC INC	500	72,048	0.01
SAWAI PHARMACEUTICAL CO LTD	200	160,555	0.03	UNY CO LTD	1,900	144,853	0.03
SEGA SAMMY HOLDINGS INC	1,000	167,321	0.03	USS CO LTD	60	37,200	0.01
SEKISUI CHEMICAL CO LTD	3,000	215,689	0.04	WEST JAPAN RAILWAY CO	200	65,939	0.01
SEVEN & I HOLDINGS CO LTD	872	193,276	0.04	YAMADA DENKI CO LTD	320	198,402	0.04
SFCG CO LTD	70	0	0.00	YAMAGUCHI FINANCIAL GROUP INC	1,000	79,268	0.02
SHARP CORP	500	35,898	0.01	YAMATO KOGYO CO LTD	200	46,854	0.01
SHIKOKU ELECTRIC POWER CO INC	300	50,863	0.01	YAMAZAKI BAKING CO LTD	1,000	107,441	0.02
SHIN ETSU CHEMICAL CO LTD	300	126,021	0.02	YOKOHAMA RUBBER CO LTD	2,000	94,112	0.02
SHINSEI BANK LTD	19,000	186,103	0.04			<u>36,613,791</u>	<u>7.20</u>
SHIONOGI & CO LTD	500	67,251	0.01	Netherlands			
SHIZUOKA BANK LTD	3,000	219,324	0.04	ARCELORMITTAL	2,451	598,474	0.11
SKY PERFECT JSAT HOLDINGS INC	32	109,541	0.02	HEINEKEN NV	1,733	801,084	0.16
SOFTBANK CORP	1,300	395,127	0.08	ING GROEP NV	10,279	865,677	0.17
SOJITZ CORP	7,400	113,580	0.02	KONINKLIJKE KPN NV	6,754	752,334	0.15
SONY CORP	2,100	412,869	0.08	KONINKLIJKE PHILIPS ELECTRONICS NV	2,569	499,095	0.10
SONY FINANCIAL HOLDINGS INC	1,100	153,729	0.03	RANDSTAD HOLDING NV	1,575	554,283	0.11
SUMITOMO CORP	1,500	164,645	0.03	REED ELSEVIER NV	6,336	659,928	0.13
SUMITOMO FORESTRY CO LTD	900	66,161	0.01			<u>4,730,875</u>	<u>0.93</u>
SUMITOMO HEAVY INDUSTRIES LTD	3,000	162,979	0.03	New Zealand			
SUMITOMO METAL MINING CO LTD	2,500	345,093	0.07	TELECOM CORP OF NEW ZEALAND	21,655	387,158	0.08
SUMITOMO MITSUI FINANCIAL GROUP INC	3,250	798,131	0.16	Norway			
SUMITOMO MITSUI TRUST HOLDINGS INC	9,960	285,631	0.06	NORSK HYDRO ASA	8,687	483,366	0.10
SUMITOMO REAL ESTATE SALES CO LTD	70	25,234	0.00	SUBSEA 7 SA	2,575	529,673	0.10
TAIHEIYO CEMENT CORP	10,000	152,477	0.03	TELENOR ASA	3,227	419,762	0.08
TAKEDA PHARMACEUTICAL CO LTD	1,500	556,642	0.11			<u>1,432,801</u>	<u>0.28</u>
TEIJIN LTD	5,000	173,682	0.03	Singapore			
THK CO LTD	600	120,568	0.02	HONG KONG LAND HOLDINGS LTD	17,525	917,943	0.18
TOHOKU ELECTRIC POWER CO INC	1,200	120,568	0.02	Spain			
TOKAI RIKA CO LTD	600	91,789	0.02	AMADEUS IT HOLDING SA A SHARES	3,395	532,369	0.10
TOKIO MARINE HOLDINGS INC	1,679	385,539	0.08	BANCO SANTANDER SA	11,478	941,714	0.19
TOKUYAMA CORP	2,000	76,945	0.02	FERROVIAL SA	5,218	520,221	0.10
TOKYO ELECTRIC POWER CO INC	1,600	68,865	0.01	GRIFOLS SA	3,791	646,694	0.13
TOKYU CORP	5,000	174,692	0.03	MEDIASET ESPANA COMUNICACION SA	3,967	289,971	0.06
TOKYU LAND CORP	4,000	145,408	0.03	REPSOL YPF SA	4,174	1,029,706	0.20
TONEN GENERAL SEKIYU KK	2,000	195,494	0.04	TELEFONICA SA	6,818	1,187,115	0.23
TOPPAN FORMS CO LTD	900	58,981	0.01			<u>5,147,790</u>	<u>1.01</u>
TOSHIBA CORP	9,000	362,612	0.07				
TOSHIBA TEC CORP	3,000	99,060	0.02				
TOSOH CORP	5,000	165,604	0.03				
TOYODA GOSEI CO LTD	800	136,684	0.03				
TOYOTA MOTOR CORP	4,700	1,497,354	0.30				
TOYOTA TSUSHO CORP	600	81,853	0.02				

Portfolio Statement (unaudited)

HSBC Managed Stable Growth Fund

as at 31 July 2011

	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
Equities							
Listed investments							
Sweden							
ERICSSON LM B SHARES	5,570	545,475	0.10	TESCO PLC ORD	9,766	478,881	0.10
VOLVO AB B SHARES	3,967	499,035	0.10	UNILEVER PLC	3,362	837,946	0.17
				VODAFONE GROUP PLC	30,802	677,854	0.13
				XSTRATA PLC	4,751	787,502	0.15
		1,044,510	0.20				
Switzerland							
ABB LTD	4,284	804,077	0.16	United States of America			
CREDIT SUISSE GROUP AG	2,609	734,278	0.14	MELCO CROWN ENTERTAINMENT LTD ADR	8,100	955,239	0.19
NESTLE SA	1,290	641,029	0.13	Unlisted investments			
NOVARTIS LTD	1,756	842,205	0.17	AYALA LAND INC PREFERRED SHARES	80,000	0	0.00
ROCHE HOLDING AG	972	1,361,073	0.27	Equities (Total)			
SYNTHES INC	213	298,892	0.06			200,977,471	39.55
ZURICH FINANCIAL SERVICES AG	232	431,089	0.08	Debt securities			
		5,112,643	1.01	Bonds			
				Listed investments			
Taiwan							
ASUSTEK COMPUTER INC	98	6,146	0.00	AUSTRALIA (GOVERNMENT OF) 5.25%			
CATHAY FINANCIAL HOLDING CO	445	5,196	0.00	15 MARCH 2019	200,000	1,772,923	0.35
CHINA STEEL CORP	498	4,045	0.00	AUSTRIA (REPUBLIC OF) 4.65%			
CHINATRUST FINANCIAL HOLDING CO	2,471	17,366	0.01	15 JANUARY 2018	200,000	2,500,779	0.49
CHONG HONG CONSTRUCTION CO LTD	62	1,527	0.00	BELGIUM (KINGDOM OF) 3.5%			
FAR EASTERN NEW CENTURY CORP	290	3,622	0.00	28 MARCH 2015	150,000	1,690,437	0.33
FIRST FINANCIAL HOLDING CO LTD	292	1,886	0.00	BELGIUM (KINGDOM OF) 4%			
PEGATRON CORP	219	1,960	0.00	28 MARCH 2019	200,000	2,227,034	0.44
WISTRON CORP	509	6,666	0.00	DEPFA ACS BANK 1.65% EMTN			
		48,414	0.01	20 DECEMBER 2016	60,000,000	5,674,323	1.12
United Kingdom							
BARCLAYS PLC	20,207	576,290	0.11	EKSPORTFINANS A/S 1.6%			
BG GROUP PLC	4,856	897,171	0.18	20 MARCH 2014	133,000,000	13,853,135	2.73
BP PLC	21,516	1,267,436	0.25	EUROPEAN INVESTMENT BANK			
CAPITA GROUP PLC	5,766	529,698	0.10	1.25% 20 SEPTEMBER 2012	3,300,000	337,190	0.07
CENTRICA PLC	12,266	481,019	0.10	EUROPEAN INVESTMENT BANK			
GROUP 4 SECURICOR PLC	16,538	579,991	0.11	2.15% 18 JANUARY 2027	5,000,000	536,078	0.11
HSBC HOLDINGS PLC	14,114	1,073,572	0.21	FRANCE (GOVERNMENT OF) OAT			
IMPERIAL TOBACCO GROUP PLC	1,642	444,547	0.09	4% 25 APRIL 2018	590,000	7,150,301	1.41
INTERNATIONAL POWER PLC	12,922	505,422	0.10	FRANCE (GOVERNMENT OF) OAT			
INTERTEK GROUP PLC	1,705	417,756	0.08	4.25% 25 OCTOBER 2023	533,000	6,491,150	1.28
KINGFISHER PLC	17,788	575,124	0.11	FRANCE(GOVERNMENT OF) 5.75%			
PRUDENTIAL PLC	7,296	643,648	0.13	25 OCTOBER 2032	203,000	2,939,038	0.58
RECKITT BENCKISER GROUP PLC	1,407	622,153	0.12	GERMANY (REPUBLIC OF) 5.5%			
RIOTINTO PLC	1,301	715,772	0.14	4 JANUARY 2031	95,000	1,396,906	0.27
ROYAL DUTCH SHELL PLC B SHARES	4,808	1,377,361	0.27	GERMANY (REPUBLIC OF) 3.5%			
				14 OCTOBER 2011	217,000	2,443,312	0.48
				GERMANY (REPUBLIC OF) 3.5%			
				4 JULY 2019	349,000	4,247,175	0.84

Portfolio Statement (unaudited)

HSBC Managed Stable Growth Fund

as at 31 July 2011

	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
Bonds							
Listed investments							
				SPAIN (GOVERNMENT OF) 5.75%			
				30 JULY 2032	140,000	1,461,232	0.29
				SWEDEN (GOVERNMENT OF) 4.25%			
				12 MARCH 2019	700,000	971,885	0.19
GERMANY (REPUBLIC OF) 3.75%				SWITZERLAND (GOVERNMENT OF) 3%			
4 JANUARY 2015	109,000	1,314,029	0.26	8 JANUARY 2018	100,000	1,113,767	0.22
GERMANY (REPUBLIC OF) 3.75%				UK TREASURY 4% 7 SEPTEMBER 2016	369,000	5,243,638	1.03
4 JULY 2013	223,000	2,620,145	0.52	UK TREASURY 4.25% 7 MARCH 2036	402,000	5,354,597	1.05
GERMANY (REPUBLIC OF) 3.75%				UK TREASURY 8% 7 DECEMBER 2015	127,000	2,073,971	0.41
4 JANUARY 2017	117,000	1,436,419	0.28	US TREASURY BONDS 7.625%			
GERMANY (REPUBLIC OF) 4%				15 FEBRUARY 2025	405,000	4,644,895	0.91
4 JANUARY 2018	176,000	2,199,503	0.43	US TREASURY NOTES 4.25%			
GERMANY (REPUBLIC OF) 4.25%				15 AUGUST 2014	638,000	5,524,571	1.09
12 OCTOBER 2012	318,000	3,691,472	0.73	US TREASURY NOTES 8.875%			
GERMANY (REPUBLIC OF) 4.25%				15 FEBRUARY 2019	180,000	2,066,480	0.41
4 JULY 2039	130,000	1,704,718	0.33	US TREASURY NOTES 11.25%			
ITALY (REPUBLIC OF) 3.75%				15 FEBRUARY 2015	365,000	3,890,083	0.76
1 AUGUST 2016	300,000	3,164,309	0.62	XTRA FINANCE CORP 5.15%			
ITALY (REPUBLIC OF) 4%				1 APRIL 2017	260,000	2,258,637	0.44
1 FEBRUARY 2037	490,000	3,997,159	0.79				
ITALY (REPUBLIC OF) 4.25%							
15 APRIL 2013	538,000	6,019,346	1.18				
ITALY (REPUBLIC OF) 4.25%							
1 AUGUST 2013	520,000	5,812,713	1.14				
JAPAN GOVERNMENT 10 YEAR BOND				Unlisted but quoted investments			
#248 0.7% 20 MARCH 2013	42,000,000	4,278,868	0.84	CANADA (GOVERNMENT OF) 3.75%			
JAPAN GOVERNMENT 10 YEAR BOND				1 SEPTEMBER 2011	200,000	1,637,209	0.32
#264 1.5% 20 SEPTEMBER 2014	38,000,000	3,989,772	0.78	CANADA (GOVERNMENT OF) 4%			
JAPAN GOVERNMENT 10 YEAR BOND				1 JUNE 2017	140,000	1,256,559	0.25
#278 1.8% 20 MARCH 2016	54,600,000	5,878,778	1.16	CANADA TREASURY BONDS 5.75%			
JAPAN GOVERNMENT 10 YEAR BOND				1 JUNE 2029	170,000	1,870,603	0.37
#284 1.7% 20 DECEMBER 2016	87,000,000	9,378,264	1.84	US TREASURY NOTES 3.125%			
JAPAN GOVERNMENT 10 YEAR BOND				31 AUGUST 2013	675,000	5,560,934	1.09
#300 1.5% 20 MARCH 2019	118,000,000	12,602,816	2.48	US TREASURY NOTES 3.375%			
JAPAN GOVERNMENT 10 YEAR BOND				31 JULY 2013	356,000	2,941,874	0.58
#90 2.2% 20 SEPTEMBER 2026	78,400,000	8,535,847	1.68	US TREASURY NOTES 4%			
JAPAN GOVERNMENT 10 YEAR BOND				15 AUGUST 2018	414,000	3,643,650	0.72
#97 2.2% 20 SEPTEMBER 2027	40,000,000	4,324,892	0.85	US TREASURY NOTES 4.25%			
JAPAN GOVERNMENT 10 YEAR BOND				30 SEPTEMBER 2012	1,175,000	9,578,543	1.89
#29 2.4% 20 SEPTEMBER 2038	53,600,000	5,837,302	1.15	US TREASURY NOTES 4.5%			
MEXICO (UNITED STATES OF) 8%				15 FEBRUARY 2016	770,000	6,901,092	1.36
11 JUNE 2020	2,000,000	1,461,728	0.29	US TREASURY NOTES 4.5%			
NORWAY (GOVERNMENT OF) 4.5%				15 MAY 2038	684,000	5,711,303	1.12
22 MAY 2019	300,000	487,197	0.10	US TREASURY NOTES 4.875%			
POLAND (REPUBLIC OF) SER 1015				15 AUGUST 2016	580,000	5,302,062	1.04
6.25% 24 OCTOBER 2015	470,000	1,368,597	0.27	US TREASURY STRIPS 0%			
SPAIN (GOVERNMENT OF) 4.1%				15 MAY 2030	321,000	1,159,443	0.23
30 JULY 2018	220,000	2,237,944	0.44				
SPAIN (GOVERNMENT OF) 4.4%							
31 JANUARY 2015	240,000	2,639,108	0.52				
				Debt securities (Total)		228,407,735	44.95

Portfolio Statement (unaudited)

HSBC Managed Stable Growth Fund

as at 31 July 2011

	Holdings	Market value HKD	% of net asset value
Unit Trusts			
Listed investments			
ISHARES MSCI CANADA INDEX FUND	19,548	4,695,947	0.92
ISHARES MSCI JAPAN INDEX FUND	18	1,496	0.00
LINK REIT	25,313	689,779	0.14
SPDR S&P 500 ETF TRUST	2,020	2,040,695	0.40
		<u>7,427,917</u>	<u>1.46</u>
Unlisted but quoted investments			
HALBIS FUNDS - HSBC CHINA A SHARE FUND CLASS X	42	3,327,304	0.65
HSBC POOLED ASIAN EQUITY FUND W CLASS	528,517	18,593,210	3.66
HSBC POOLED CHINESE EQUITY FUND W CLASS	241,706	2,620,095	0.52
		<u>24,540,609</u>	<u>4.83</u>
Unit trusts (Total)		<u>31,968,526</u>	<u>6.29</u>
Futures			
Listed investments			
HANG SENG INDEX FUTURES AUGUST 2011	(11)	37,280	0.01
S&P 500 INDEX FUTURES (CME) SEPTEMBER 2011	18	486,535	0.09
		<u>523,815</u>	<u>0.10</u>
Rights			
Listed investments			
FIRST FINANCIAL HOLDING RIGHTS (JULY 2011)	25	23	0.00
Total investments			
<i>(Total cost of investments: \$413,679,075)</i>		<u>461,877,570</u>	<u>90.89</u>
Other net assets			
		<u>46,321,937</u>	<u>9.11</u>
Total net assets			
		<u>508,199,507</u>	<u>100.00</u>

Statement of Movements in Portfolio Holdings (Unaudited)

HSBC Managed Stable Growth Fund

for the year ended 31 July 2011

	% of net asset value 2011	% of net asset value 2010
Financial assets		
Equities		
Listed investments		
Australia	2.36	4.52
Belgium	–	0.13
Denmark	0.14	0.15
Finland	0.12	0.05
France	2.32	1.81
Germany	0.78	0.93
Hong Kong	19.74	23.82
Indonesia	0.01	0.00
Ireland	0.11	–
Italy	0.23	0.23
Japan	7.20	6.51
Netherlands	0.93	0.89
New Zealand	0.08	–
Norway	0.28	0.10
Singapore	0.18	0.20
South Korea	–	0.03
Spain	1.01	0.74
Sweden	0.20	–
Switzerland	1.01	0.79
Taiwan	0.01	0.01
United Kingdom	2.65	2.41
United States of America	0.19	–
	39.55	43.32
Unlisted investments	0.00	0.00
	39.55	43.32
Bonds		
Listed investments	35.98	33.88
Unlisted investments	8.97	9.76
	44.95	43.64
Unit trusts		
Listed investment	1.46	0.14
Unlisted but quoted investments	4.83	3.63
	6.29	3.77

Statement of Movements in Portfolio Holdings (Unaudited)

	% of net asset value 2011	% of net asset value 2010
Futures	0.10	0.02
Rights	0.00	0.09
Warrants	–	0.00
Total financial assets	90.89	90.84
Financial liabilities		
Futures	–	(0.06)
Total financial liabilities	–	(0.06)
Total investments	90.89	90.78
Other net assets	9.11	9.22
Total net assets	100.00	100.00

Performance Record (Unaudited)

HSBC Managed Stable Growth Fund

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

Year	Provident class units			
	Bid		Offer	
	Lowest HKD	Highest HKD	Lowest HKD	Highest HKD
2004	9.95	11.99	10.50	12.66
2005	11.20	12.86	11.82	13.57
2006	12.56	14.38	13.26	15.18
2007	13.81	16.65	13.81	16.65
2008	15.45	18.09	15.45	18.09
2009	11.46	16.17	11.46	16.17
2010	14.98	16.69	14.98	16.69
2011	15.83	18.15	15.83	18.15

(b) Total net asset value (at bid prices)

	2011 HKD	2010 HKD	2009 HKD	2008 HKD
Total net asset value	508,199,507	472,766,594	451,809,353	610,367,309

(c) Net asset value per unit (at bid prices)

	2011 HKD	2010 HKD	2009 HKD	2008 HKD
Net asset value per unit – Provident class units	17.93	15.94	15.24	16.21

Investment Adviser's Report

HSBC Global Money Funds

Market review

HSBC Global Money Funds – Hong Kong Dollar

The Fund delivered a positive absolute return for the year ending July 2011. The US economy generally underperformed in the summer of 2010. Over the review period, a general softening in data and Standard & Poor's decision to downgrade the US Treasury market's AAA rating have led US Treasuries to rally. In addition, there are still deep-seated structural problems in Europe with regards to the heavy and possibly unsustainable debt in a number of countries. This depressed yields and led to a more dovish outlook for monetary policy in the developed markets. The Fund will continue to invest in good quality names and will actively manage the maturity to take advantage of changes in rates.

HSBC Global Money Funds – US Dollar

Short-term interest rates remained extremely low during the second half of 2010 and the start of 2011. The economic recovery continued to sputter as the Obama administration struggled with the most critical element of economic good health – the nation's employment growth. The reported unemployment rate increased to 9.2 percent, although the actual amount of joblessness that is not being counted towards that rate is believed to be significantly higher. Twice during the second quarter, the Federal Reserve revised its economic growth forecast for the balance of 2011 and beyond. As short-term markets maintained strong liquidity, the Fund continued to extend maturities during the first half of 2011, acting as a defensive measure against a continued decline in yields. Towards the end of the second quarter of 2011, in response to the impending US debt ceiling resolution or lack thereof, the Fund adopted a more conservative strategy. While not significantly altering its portfolio composition, the Fund either shortened tenors, bolstered its near-term liquidity ladders, or in some cases, altogether avoided the issuance of US Treasury securities beyond the implied 2 August deadline. While taking a more conservative approach on investment strategy, we continue to reinforce our commitment to providing ultimate safety and liquidity to the shareholders.

HSBC Global Asset Management (Hong Kong) Limited

22 November 2011

Trustee's Report

HSBC Global Money Funds ("the Fund")

We hereby confirm that, in our opinion, the Manager of the sub-funds of the Fund ("the sub-funds") has, in all material respects, managed the sub-funds in accordance with the provisions of the Trust Deed dated 12 February 1991, as amended, for the year ended 31 July 2011.

Amy FUNG)
Bertha TAM) For and on behalf of
) HSBC Trustee (Cayman) Limited,
) Trustee
)

Independent Auditors' Report to the Unitholders of HSBC Global Money Funds ("the Fund")

Report on the financial statements

We have audited the financial statements of the sub-funds of the Fund set out on pages 149 to 163, which comprise the statement of assets and liabilities as at 31 July 2011, the statement of comprehensive income, statement of changes in net assets attributable to unitholders/ statement of changes in equity and cash flow statement for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

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

Auditor's responsibility

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to

fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager and the Trustee, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the sub-funds of the Fund as at 31 July 2011, and of their transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

Report on disclosure requirements under the Code

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

KPMG

Chartered Accountants
Grand Cayman, 22 November 2011

Statement of Assets and Liabilities

HSBC Global Money Funds

as at 31 July 2011

	Note	2011		2010	
		HK Dollar sub-fund HKD	US Dollar sub-fund USD	HK Dollar sub-fund HKD	US Dollar sub-fund USD
ASSETS					
Financial assets at fair value					
through profit or loss	5	826,572,302	62,486,128	1,098,476,589	85,796,949
Interest receivable		748,926	15,644	1,827,194	86,977
Other receivables		200	11,083	–	13,467
Cash and cash equivalents	7(b)	965,871,442	20,821,818	1,087,520,100	4,497,245
		<u>1,793,192,870</u>	<u>83,334,673</u>	<u>2,187,823,883</u>	<u>90,394,638</u>
LIABILITIES					
Redemptions payable		17,241,448	71,508	16,722,753	231,330
Amounts due to brokers	6	–	–	–	3,998,686
Other payables	7(a), 7(c)	568,885	12,943	840,473	12,884
		<u>17,810,333</u>	<u>84,451</u>	<u>17,563,226</u>	<u>4,242,900</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (BID PRICES)		<u>1,775,382,537</u>	<u>83,250,222</u>	<u>2,170,260,657</u>	<u>86,151,738</u>
Representing:					
Financial liabilities		1,775,382,537	–	2,170,260,657	–
Equity		–	83,250,222	–	86,151,738
Total number of units in issue					
Series A units	9	84,896,225	42,111,505	103,959,752	43,588,597
Series L units	9	1,878,355	–	2,190,176	–
Net asset value per unit at bid price					
Series A units		20.47	1.98	20.45	1.98
Series L units		20.02	–	20.11	–

Approved by the Trustee and the Manager on 22 November 2011

)
Amy FUNG) For and on behalf of
Bertha TAM) HSBC Trustee (Cayman) Limited
)

)
Edgar Kai Man NG) For and on behalf of
Julie J KOO) HSBC Investment Funds (Hong Kong) Limited
)

The notes on pages 153 to 163 form part of these financial statements.

Statement of Comprehensive Income

HSBC Global Money Funds

for the year ended 31 July 2011

	Note	2011		2010	
		HK Dollar sub-fund HKD	US Dollar sub-fund USD	HK Dollar sub-fund HKD	US Dollar sub-fund USD
Interest income	7(b)	2,489,437	135	4,628,220	–
Net gains from financial assets at fair value through profit or loss	3	3,120,705	209,110	1,868,294	274,657
Other income		279	–	–	–
TOTAL REVENUE		5,610,421	209,245	6,496,514	274,657
Management fees	7(a)	2,678,142	84,774	3,505,709	164,164
Trustee's fees	7(c)	1,151,231	50,804	1,386,237	53,514
Auditor's remuneration		217,251	8,604	131,826	17,026
Registrar's fees	7(a)	20,000	1,286	20,000	1,288
Administrative fees	7(a)	78,815	12,210	58,650	5,724
Bank charges		45,638	8,520	8,472	8,218
Miscellaneous expenses		23,555	23,788	845,300	16,069
TOTAL OPERATING EXPENSES		4,214,632	189,986	5,956,194	266,003
NET PROFIT FROM OPERATIONS BEFORE FINANCE COSTS		1,395,789	19,259	540,320	8,654
Interest expense		–	(155)	–	(76)
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,395,789	19,104	540,320	8,578

The notes on pages 153 to 163 form part of these financial statements.

Statement of Changes in Net Assets Attributable to Unitholders/Statement of Changes in Equity

HSBC Global Money Funds

for the year ended 31 July 2011

	2011		2010	
	HK Dollar sub-fund HKD	US Dollar sub-fund USD	HK Dollar sub-fund HKD	US Dollar sub-fund USD
Balance at the beginning of the year	2,170,260,657	86,151,738	2,730,132,582	105,488,974
Increase in net assets attributable to unitholders and total comprehensive income for the year	1,395,789	19,104	540,320	8,578
Transactions with unitholders/ transactions with owners, recorded directly in equity				
Subscriptions of units	422,188,847	36,020,531	505,837,702	18,202,134
Redemptions of units	(818,462,756)	(38,941,151)	(1,066,249,947)	(37,547,948)
Total transactions with unitholders/owners*	(396,273,909)	(2,920,620)	(560,412,245)	(19,345,814)
Balance at the end of the year	1,775,382,537	83,250,222	2,170,260,657	86,151,738

* The redeemable units of the Hong Kong Dollar sub-fund are classified as financial liabilities. This sub-fund presents a statement of changes in net assets attributable to unitholders, and the issue and redemption of units are treated as transactions with unitholders.

The redeemable units of the US Dollar sub-fund are classified as equity. This sub-fund presents a statement of changes in equity, and the issue and redemption of units are treated as transactions with owners and recorded directly in the statement of changes in equity.

The notes on pages 153 to 163 form part of these financial statements.

Cash Flow Statement

HSBC Global Money Funds

for the year ended 31 July 2011

	2010		2009	
	HK Dollar sub-fund HKD	US Dollar sub-fund USD	HK Dollar sub-fund HKD	US Dollar sub-fund USD
OPERATING ACTIVITIES				
Interest received	3,774,798	135	3,505,652	–
Management fees paid	(2,718,866)	(85,017)	(3,731,070)	(179,656)
Trustee's fees paid	(1,168,679)	(50,662)	(1,422,816)	(55,212)
Other income received	79	2,384	–	(13,467)
Other operating expenses paid	(598,675)	(54,403)	(555,997)	(31,929)
Cash used in operating activities	(711,343)	(187,563)	(2,204,231)	(280,264)
INVESTING ACTIVITIES				
Payments on purchase of investments	(3,826,232,436)	(624,252,255)	(3,925,000,479)	(517,259,459)
Proceeds from sale of investments	4,101,050,335	643,844,833	3,948,795,148	538,519,655
Cash generated from investing activities	274,817,899	19,592,578	23,794,669	21,260,196
FINANCING ACTIVITIES				
Proceeds from issue of units	422,188,847	36,020,531	505,837,702	18,202,134
Payments on redemption of units	(817,944,061)	(39,100,973)	(1,064,605,431)	(37,615,549)
Cash used in financing activities	(395,755,214)	(3,080,442)	(558,767,729)	(19,413,415)
Net (decrease)/increase in cash and cash equivalents	(121,648,658)	16,324,573	(537,177,291)	1,566,517
Cash and cash equivalents at the beginning of the year	1,087,520,100	4,497,245	1,624,697,391	2,930,728
Cash and cash equivalents at the end of the year	965,871,442	20,821,818	1,087,520,100	4,497,245

The notes on pages 153 to 163 form part of these financial statements.

Notes to the Financial Statements

HSBC Global Money Funds

1 The Fund

HSBC Global Money Funds (“the Fund”) was established under a Trust Deed dated 12 February 1991, as amended, and is governed by the laws of the Cayman Islands. The Fund registered under the Mutual Funds Law of the Cayman Islands on 25 July 1994. The purpose of the Fund is to provide unitholders with a rate of return higher than that normally available for personal deposits through investing in monetary instruments such as treasury bills, bills of exchange, commercial paper, certificates of deposit or interbank deposits.

The Fund is an umbrella investment fund divided into a number of underlying sub-funds, each of which is linked to a different currency. Currently, there are two sub-funds linked to Hong Kong Dollars and United States Dollars respectively.

The sub-funds are authorised by the Hong Kong Securities and Futures Commission (“SFC”) under section 104 of the Hong Kong Securities and Futures Ordinance (“HKSF”) and are governed by the Hong Kong Code on Unit Trusts and Mutual Funds.

2 Significant accounting policies

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong, the relevant disclosure provisions of the Trust Deed, as amended, and the relevant disclosure requirements of the Hong Kong Code on Unit Trusts and Mutual Funds issued by the SFC. A summary of the significant accounting policies adopted by the sub-funds are set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the sub-funds. There have been no significant changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the sub-funds for the current and prior accounting periods reflected in these financial statements.

The sub-funds have not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 12).

(b) Basis of preparation of the financial statements

The functional and presentation currencies of the Hong Kong Dollar sub-fund and the US Dollar sub-fund are Hong Kong dollars and United States dollars respectively reflecting the fact that the participating redeemable units of each sub-fund are issued and redeemed in those respective currencies.

The financial statements are prepared on a fair value basis for financial assets and financial liabilities at fair value through profit or loss. Other financial assets and financial liabilities are stated at amortised cost or redemption amount (redeemable units).

The Fund maintains a separate account for each sub-fund to which the proceeds of issue and the income arising from the investment of those proceeds are credited and against which the expenses are allocated accordingly. Upon redemption, unitholders are entitled only to their proportion of the net assets held in the account relating to the sub-fund in which the units are designated.

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

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

The accounting policies have been applied consistently by the sub-funds and are consistent with those used in the previous year.

Notes to the Financial Statements

(c) Foreign currency translation

Foreign currency transactions during the year are translated into the reporting currencies of the respective sub-funds at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the reporting currencies of the respective sub-funds at the foreign exchange rates ruling at the date of the statement of assets and liabilities. Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the reporting currencies of the respective sub-funds at the foreign currency exchange rates ruling at the dates that the values were determined.

(d) Financial instruments

(i) Classification

All of the sub-funds' investments are classified as financial assets or financial liabilities at fair value through profit or loss. This category comprises financial instruments held for trading, which are instruments that the sub-funds have acquired principally for the purpose of short-term profit-taking. These include investments in fixed income instruments.

Financial assets that are classified as loans and receivables include interest receivable and other receivables.

Financial liabilities that are not at fair value through profit or loss include amounts due to brokers, redemptions payable and other payables and financial liabilities arising on redeemable units.

(ii) Recognition

The sub-funds recognise financial assets and financial liabilities on the date they become a party to the contractual provisions of the instrument.

A regular way purchase or sale of financial assets is recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed their obligations under the contract or the contract is a derivative contract not exempted from the scope of HKAS 39.

(iii) Measurement

Financial instruments are measured initially at fair value (transaction price). Transaction costs on financial assets and liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair values recognised in profit or loss.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate method. Financial liabilities arising from the redeemable units issued by the Hong Kong Dollar sub-fund are carried at the redemption amount representing the unitholders' right to a residual interest in the sub-funds' assets.

(iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the date of the statement of assets and liabilities without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

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

Notes to the Financial Statements

Where pricing models are used, inputs are based on market data at the date of the statement of assets and liabilities.

(v) Impairment

Financial assets that are stated at cost or amortised cost are reviewed at each date of the statement of assets and liabilities to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through profit or loss.

(vi) Derecognition

The sub-funds derecognise a financial asset when the contractual rights to the cash flows from the financial assets expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with HKAS 39.

The sub-funds use the weighted average method to determine realised gains and losses on derecognition.

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

(vii) Offsetting

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

(viii) Specific instruments

Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(e) Revenue recognition

Provided it is probable that the economic benefits will flow to the sub-funds and the revenue and costs if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Interest income

Interest income is recognised in profit or loss as it accrues, using the effective interest rate method. Interest income on bank deposits is disclosed separately on the face of profit or loss. Interest income on fixed income instruments is included in net gains from financial assets at fair value through profit or loss.

(f) Expenses

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

(g) Related parties

For the purposes of these financial statements, a party is considered to be related to the sub-funds if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the sub-funds or exercise significant influence over the sub-funds in making financial and operating policy decisions, or has joint control over the sub-funds;
- (ii) the sub-funds and the party are subject to common control;
- (iii) the party is a subsidiary, an associate of the sub-funds or a joint venture in which the sub-funds are venturer;

Notes to the Financial Statements

- (iv) the party is a member of key management personnel of the sub-funds or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals; or
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the sub-funds.

(h) Subscriptions and redemptions

The sub-funds recognise unitholders' subscriptions and allots units upon receipt of a valid subscription application and derecognises them upon receipt of a valid redemption application.

(i) Units in issue

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

The Hong Kong Dollar sub-fund has two classes of redeemable units in issue – "Series A" class and "Series L" class. All the classes belong to the most subordinate class of financial instruments in the sub – fund and rank *pari passu* in all material respects and have the same terms and conditions other than different management fee rate. The redeemable units provide unitholders with the right to require redemption for cash at a value proportionate to the unitholders' share in the sub-fund's net assets at each redeemable date, and also in the event of the sub-fund's liquidation. In accordance with amendments to HKAS 32, such instrument is classified as a financial liability and is measured at the present value of the redeemable amounts.

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

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

- it entitles the holder to a pro rata share of the entity's net assets in the event of the sub-fund's liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- apart from the contractual obligation for the sub-fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life are based substantially on profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the sub-fund over the life of the instrument.

The US Dollar sub-fund's redeemable units meet all of these conditions and are classified as equity in accordance with the amendments to HKAS 32.

(j) Segment reporting

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

Notes to the Financial Statements

3 Net gains from financial assets at fair value through profit or loss

	2011		2010	
	HK Dollar sub-fund HKD	US Dollar sub-fund USD	HK Dollar sub-fund HKD	US Dollar sub-fund USD
Realised gains	3,538,711	105,581	2,012,550	305,456
Unrealised (losses)/gains	(418,006)	103,529	(144,256)	(30,799)
	3,120,705	209,110	1,868,294	274,657

4 Taxation

There are no taxes on income or gains under Cayman Islands Law currently. Accordingly, no provision for income taxes is included in these financial statements.

No provision for Hong Kong profits tax has been made in the financial statements as the sub-funds are exempt from taxation under section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

Interest income received by the sub-funds may be subject to non-recoverable withholding tax imposed in the country of origin. Interest income is recorded gross of such taxes and the withholding tax is recognised in profit or loss as incurred.

5 Financial assets at fair value through profit or loss

	2011		2010	
	HK Dollar sub-fund HKD	US Dollar sub-fund USD	HK Dollar sub-fund HKD	US Dollar sub-fund USD
Listed investments, at market value	-	2,000,295	-	7,372,197
Unlisted investments, at market value	826,572,302	60,485,833	1,098,476,589	78,424,752
	826,572,302	62,486,128	1,098,476,589	85,796,949

Fixed income instruments

	2011		2010	
	HK Dollar sub-fund HKD	US Dollar sub-fund USD	HK Dollar sub-fund HKD	US Dollar sub-fund USD
Investments, at cost	826,387,755	62,466,701	1,097,874,036	85,881,051
Net unrealised appreciation/ (depreciation) in value of investments	184,547	19,427	602,553	(84,102)
Investments, at market value	826,572,302	62,486,128	1,098,476,589	85,796,949

6 Amounts due to brokers

	2011		2010	
	HK Dollar sub-fund HKD	US Dollar sub-fund USD	HK Dollar sub-fund HKD	US Dollar sub-fund USD
<i>Balance due to brokers</i>				
Amounts payable on purchases of investment	-	-	-	3,998,686

7 Related parties transactions

The following is a summary of transactions with related parties for the year. All such transactions were entered into in the ordinary course of business and on normal commercial terms.

- (a) The sub-funds are managed by HSBC Investment Funds (Hong Kong) Limited ("the Manager"). The Manager receives a management fee, payable monthly in arrears, equivalent to a percentage per annum of the net asset value of the sub-funds as follows:

Notes to the Financial Statements

Hong Kong Dollar sub-fund

Management fee

For the period from 1 August 2009 to 4 August 2009

- For Series A units	0.20%
- For Series L units	0.65%

For the period from 5 August 2009 to 29 October 2009

- For Series A units	0.15%
- For Series L units	0.60%

For the period from 30 October 2009 to 31 July 2011

- For Series A units	0.13%
- For Series L units	0.58%

Management fee

US Dollar sub-fund

For the period from 1 August 2009 to 14 January 2010

- For Series A units	0.25%
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For the period from 15 January 2010 to 27 January 2010

- For Series A units	0.13%
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For the period from 28 January 2010 to 31 July 2011

- For Series A units	0.10%
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In addition, the Manager, as the registrar, receives registrar's fees of HK\$20,000 (2010: HK\$20,000) per annum for the Hong Kong Dollar sub-fund and of HK\$10,000 (2010: HK\$10,000) per annum for the US Dollar sub-fund and fees for various administrative functions performed on behalf of the sub-funds.

	2011		2010	
	HK Dollar sub-fund HKD	US Dollar sub-fund USD	HK Dollar sub-fund HKD	US Dollar sub-fund USD
Management fees for the year	2,678,142	84,744	3,505,709	164,164
Registrar's fees and administrative fees for the year	98,815	13,496	78,650	7,012
Management fees payable at year end	200,399	6,988	241,122	7,232

- (b) Bank accounts are maintained with The Hongkong and Shanghai Banking Corporation Limited, HSBC Bank USA New York and HSBC-Fund Services, which are members of the HSBC Group. The balances of these accounts are set out below:

	2011		2010	
	HK Dollar sub-fund HKD	US Dollar sub-fund USD	HK Dollar sub-fund HKD	US Dollar sub-fund USD
Cash held at year end	2,871,442	20,821,818	50,520,100	4,497,245
Interest income	-	135	-	-

- (c) The Trustee of the sub-funds is HSBC Trustee (Cayman) Limited, a fellow subsidiary of the Manger within the HSBC Group. The Trustee receives a monthly fee of the net asset value of the sub-funds. The following basis is used for the calculation of the trustee fee.

% charged

For the period from 1 August 2009 to 27 May 2009

The first US\$250 million of the aggregate NAV of both sub-funds	0.08% per annum
The next US\$250 million of the aggregate NAV of both sub-funds	0.06% per annum
The remaining balance of the aggregate NAV of both sub-funds	0.04% per annum

For the period from 28 May 2009 to 9 August 2009

The first US\$250 million of the aggregate NAV of both sub-funds	0.07% per annum
The next US\$250 million of the aggregate NAV of both sub-funds	0.05% per annum
The remaining balance of the aggregate NAV of both sub-funds	0.03% per annum

For the period from 10 August 2009 to 31 July 2011

The first US\$250 million of the aggregate NAV of both sub-funds	0.065% per annum
The next US\$250 million of the aggregate NAV of both sub-funds	0.045% per annum
The remaining balance of the aggregate NAV of both sub-funds	0.025% per annum

	2011		2010	
	HK Dollar sub-fund HKD	US Dollar sub-fund USD	HK Dollar sub-fund HKD	US Dollar sub-fund USD
Trustee's fees for the year	1,151,231	50,804	1,386,237	53,514
Trustee's fees payable at year end	87,871	3,974	105,319	3,832

Notes to the Financial Statements

- (d) In its purchases and sales of investments, the Hong Kong Dollar sub-fund utilises the brokerage services of The Hongkong and Shanghai Banking Corporation Limited, which is a member of the HSBC Group. Details of transactions effected through the Fund are as follows:

	The Hongkong and Shanghai Banking Corporation Limited	
	2011	2010
	HKD	HKD
HSBC Global Money Funds – Hong Kong Dollar sub-fund		
Commission paid for the year	–	–
Average rate of commission	–	–
Total aggregate value of such transactions for the year	271,342,621	99,982,074
Percentage of such transactions in value to total transactions for the year	3.42%	1.27%

There were no transactions effected through the above company by the US Dollar sub-fund during the year.

The figures for commission paid do not include any trading margin which may be reflected in the market price of transactions with this entity on any transactions by the sub-fund during the year.

8 Soft commission arrangements

No soft commission arrangements were entered into with brokers during the year (2010: nil).

9 Units issued and redeemed

	2011	2010
	HKD	HKD
HSBC Global Money Funds – Hong Kong Dollar sub-fund		
(a) Series A units		
Number of units in issue brought forward	103,959,752	131,061,765
Units issued during the year	20,065,563	24,233,819
Units redeemed during the year	(39,129,090)	(51,335,832)
Number of units in issue carried forward	84,896,225	103,959,752

(b) Series L units		
Number of units in issue brought forward	2,190,176	2,499,260
Units issued during the year	645,241	510,544
Units redeemed during the year	(957,062)	(819,628)
Number of units in issue carried forward	1,878,355	2,190,176

HSBC Global Money Funds – US Dollar sub-fund

Number of units in issue brought forward	43,588,597	53,378,921
Units issued during the year	18,220,098	9,305,455
Units redeemed during the year	(19,697,190)	(19,095,779)
Number of units in issue carried forward	42,111,505	43,588,597

The Fund and the sub-funds do not have any externally imposed capital requirements.

10 Financial instruments and associated risks

The sub-funds maintain an investment portfolio in a variety of listed and unlisted financial instruments as dictated by their respective investment management strategies. The purpose of the sub-funds is to provide unitholders with a rate of return higher than that normally available for personal deposits through investing in monetary instruments such as treasury bills, bills of exchange, commercial paper, certificates of deposits or interbank deposits.

Notes to the Financial Statements

The sub-funds' investing activities expose them to various types of risks that are associated with the financial instruments and markets in which they invest. The Manager and the Trustee have set out below the most important types of financial risks inherent in each type of financial instruments. The Manager and the Trustee would like to highlight that the following list of associated risks only sets out some of the risks but does not purport to constitute an exhaustive list of all the risks inherent in an investment in the sub-funds. Investors should note that additional information in respect of risks associated with financial instruments in the sub-funds can be found in the offering document of the relevant sub-funds.

The nature and extent of the financial instruments outstanding at the date of statement of assets and liabilities and the risk management policies employed by the sub-funds are discussed below:

(a) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices,

whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The majority of investments held by the sub-funds are fixed income instruments for which values are less fluctuated due to change of market prices other than those arising from interest rate risk. As a result, the sub-funds are not subject to significant price risk due to uncertainties about future prices of the investments.

(b) Interest rate risk

Interest rate risk arises from change in interest rates which may affect the value of fixed income instruments and therefore result in potential gain or loss to the sub-funds. The sub-funds' interest rate risk is managed on an ongoing basis by the Manager.

The following table indicates the period in which the interest bearing assets and liabilities mature at the date of the statement of assets and liabilities:

	HSBC Global Money Funds – Hong Kong Dollar						HSBC Global Money Funds – US Dollar					
	2011 Non 1 year or less interest bearing		2010 Non 1 year or less interest bearing		Total	2011 Non 1 year or less interest bearing		2010 Non 1 year or less interest bearing		Total		
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	
ASSETS												
Financial assets at fair value through profit or loss	826,572	–	826,572	1,098,477	–	1,098,477	62,486	–	62,486	85,797	–	85,797
Interest receivable	–	749	749	–	1,827	1,827	–	16	16	–	87	87
Other receivables	–	–	–	–	–	–	–	11	11	–	14	14
Cash and cash equivalents	963,000	2,871	965,871	1,082,000	5,520	1,087,520	20,820	2	20,822	4,494	3	4,497
Total assets	1,789,572	3,620	1,793,192	2,180,477	7,347	2,187,824	83,306	29	83,335	90,291	104	90,395
LIABILITIES												
Redemptions payable	–	17,241	17,241	–	16,723	16,723	–	71	71	–	231	231
Amount due to brokers	–	–	–	–	–	–	–	–	–	–	3,999	3,999
Other payables	–	569	569	–	840	840	–	13	13	–	13	13
Total liabilities	–	17,810	17,810	–	17,563	17,563	–	84	84	–	4,243	4,243
Total interest sensitivity gap	1,789,572			2,180,477			83,306			90,291		

Notes to the Financial Statements

Interest rate sensitivity

At the date of statement of assets and liabilities, assuming all other factors unchanged, it is estimated that an increase in interest rate of 50 basis points would result in an increase in the net assets attributable to unitholders and the profit for the year as follows; an equal change in the opposite direction would result in a decrease in the net assets attributable to unitholders by an equal amount. The analysis is performed on the same basis for 2010:

	Change in net assets if interest rate increased by 50 b.p.	
	2011	2010
HSBC Global Money Funds – Hong Kong Dollar sub-fund	HKD 4,242,345	HKD 4,696,709
HSBC Global Money Funds – US Dollar sub-fund	USD 68,794	USD (26,626)

(c) Currency risk

The sub-funds did not invest in financial instruments or enter into transactions that are denominated in currencies other than its functional currency as the sub-funds entered into agreement with the issuers of the fixed income instruments that all investments will be paid in term of its functional currency at the maturity date. Consequently, the sub-funds are exposed to minimal currency risk.

(d) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the sub-funds. The sub-funds' exposure to credit risk is monitored by the Manager on an ongoing basis.

At 31 July 2011, all of the sub-funds' financial assets were exposed to credit risk. These include investments and cash and cash equivalents placed with banks and the Custodian.

At the date of statement of assets and liabilities, the sub-funds invested in fixed income instruments with the following credit quality expressed as a percentage of total fixed income instruments:

As at 31 July 2011

Rating	Hong Kong Dollar Sub-fund	US Dollar Sub-fund
	% of fixed income instruments	% of fixed income instruments
P-1	95.65	100.00
NR	4.35	–
Total	100.00	100.00

As at 31 July 2010

Rating	Hong Kong Dollar Sub-fund	US Dollar Sub-fund
	% of fixed income instruments	% of fixed income instruments
P-1	100.00	92.42
WR	–	7.58
Total	100.00	100.00

Credit risk is managed by reviewing and monitoring the credit quality of fixed income instruments or the issuers of the fixed income instruments held by the sub-funds on an ongoing basis.

Credit risk arising from transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used.

The majority of the cash held by the sub-funds are deposited with the HSBC Group. Bankruptcy or insolvency of the bank may cause the sub-funds' rights with respect to the cash held by the bank to be delayed or limited. The Manager monitors the credit rating and financial position of the bank on an ongoing basis.

Substantially all of the assets of the sub-funds are held by the Custodian. Bankruptcy or insolvency of the Custodian may cause the sub-funds' rights with respect to securities held by the Custodian to be delayed or limited. The Custodian is a group company of HSBC, for which credit risk is considered insignificant.

Notes to the Financial Statements

The carrying amounts of the financial assets best represent the maximum credit risk exposure at the date of the statement of assets and liabilities.

At both 31 July 2011 and 2010, there were no significant concentrations of credit risk to counterparties except to the Custodian.

(e) Liquidity risk

Liquidity risk arises from the risk that the Manager may not be able to convert investments into cash to meet liquidity needs in a timely manner. The sub-funds are exposed to daily liquidity risk on redemption of units.

The sub-funds' policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements in the short and longer term.

The sub-funds' financial instruments include mainly investments in unlisted fixed income instruments. The Manager aims to maintain an average portfolio maturity of not exceeding 90 days, therefore the sub-funds are not subject to significant liquidity risk.

The sub-funds invest in unlisted investments such as unlisted fixed income instruments, which are not publicly traded on exchanges and may be illiquid. The total value of unlisted investments of Hong Kong Dollar sub-fund and the US Dollar sub-fund as at 31 July 2011 was HK\$826,572,302 and US\$60,485,833 respectively. (2010: HK\$1,098,476,589 and US\$78,424,752 respectively.)

As at 31 July 2011 and 2010, the sub-funds' financial liabilities are due within three months except for redemptions payable which is repayable on demand.

(f) Fair value information

The sub-funds' financial instruments are measured at fair value on the date of the statement of assets and liabilities. Fair value estimates are made at a specified point in time, based on market conditions and information about the financial instruments. Usually, fair values can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including interest receivable, other receivables, redemptions payable, amounts due to brokers and other payables, the carrying amounts approximate fair values due to the immediate or short-term nature of these financial instruments.

Valuation of financial instruments

The sub-funds' accounting policy on fair value measurements is detailed in significant accounting policy in note 2(d)(iv).

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

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

For fixed income instruments which are listed on recognised stock exchanges or those with daily dealer price quotations, the fair values of them are based on quoted market prices in active market. For all other fixed income instruments, the sub-funds determine fair value using valuation techniques.

The sub-funds use widely recognised valuation models for determining the fair value of the fixed income instruments which do not have quoted market price in active market. Valuation techniques include net present value, discounted cash flow models, comparison to similar instruments for which market observable prices exist, comparison to quoted prices for identical instruments that are considered less than active and other valuation models.

The following analyses financial instruments at fair value at the date of the statement of assets and liabilities, by the level in the fair value hierarchy into which the fair value measurement is categorised.

Notes to the Financial Statements

31 July 2011

	Level 1 HKD	Level 2 HKD	Total HKD
Hong Kong Dollar sub-fund			
- Unlisted fixed income instruments	429,464,323	397,107,979	826,572,302

	Level 1 USD	Level 2 USD	Total USD
US Dollar sub-fund			
- Listed fixed income instruments	-	2,000,295	2,000,295
- Unlisted fixed income instruments	999,905	59,485,928	60,485,833
	999,905	61,486,223	62,486,128

31 July 2010

	Level 1 HKD	Level 2 HKD	Total HKD
Hong Kong Dollar sub-fund			
- Unlisted fixed income instruments	629,632,846	468,843,743	1,098,476,589

	Level 1 USD	Level 2 USD	Total USD
US Dollar sub-fund			
- Listed fixed income instruments	-	7,372,197	7,372,197
- Unlisted fixed income instruments	4,447,363	73,977,389	78,424,752
	4,447,363	81,349,586	85,796,949

There were no significant transfers of financial instruments between the fair value hierarchy levels during the year.

11 Segment information

The Manager makes the strategic resource allocation on behalf of the sub-funds and determines the operating segments based on the internal reporting used to make strategic decisions.

The Manager's asset allocation decisions are based on one single and integrated investment strategy, and the sub-

funds' performance is evaluated on an overall basis. Accordingly the Manager considers that the sub-funds have one single operating segment which is investing in a portfolio of financial instruments to generate investment returns in accordance with the investment objective stipulated in the Explanatory Memorandum. There were no changes in the operating segment during the year.

All revenues generated from investments by the sub-funds are disclosed in note 3. The segment information provided to the Manager is the same as that disclosed in profit or loss and statement of assets and liabilities.

The sub-funds are domiciled in Cayman Islands. All income from investments in Hong Kong Dollar sub-fund and US Dollar sub-fund are linked to Hong Kong Dollars and United Dollar respectively.

12 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting year ended 31 July 2011

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and Interpretations and new standards which are not yet effective for the year ended 31 July 2011, and which have not been adopted in these financial statements. These include the following which may be relevant to the sub-funds.

	Effective for accounting periods beginning on or after
Improvements to HKFRSs 2010	1 January 2011
HKAS 24 (Revised), <i>Related party disclosures</i>	1 January 2011
HKFRS 9, <i>Financial instruments</i>	1 January 2013
HKFRS 13, <i>Fair value measurement</i>	1 January 2013

The sub-funds are in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far they have concluded that the adoption of them is unlikely to have a significant impact on the sub-funds' results of operations and financial position.

Portfolio Statement (Unaudited)

HSBC Global Money Funds – Hong Kong Dollar Sub-fund

as at 31 July 2011

	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
Fixed income instruments				UNICREDIT SPA LONDON (BR) 0%			
Unlisted investments				23 SEPTEMBER 2011	36,000,000	35,989,551	2.03
CHINA DEVELOPMENT BANK CORP (BR) 0% 15 SEPTEMBER 2011	36,000,000	35,983,593	2.03	Fixed income investment (Total)		826,572,302	46.56
COMMONWEALTH BANK OF AUSTRALIA EMTN 2.2%				Total investments (Total cost of investment: HK\$826,387,755)		826,572,302	46.56
20 JANUARY 2012	20,000,000	20,163,020	1.13	Other net assets		948,810,235	53.44
COMMONWEALTH BANK OF AUSTRALIA SER EMTN 2.5%				Total net assets		1,775,382,537	100.00
12 JANUARY 2012	16,000,000	16,145,899	0.91				
CREDIT AGRICOLE CORP ECP							
6 DECEMBER 2011	37,000,000	36,934,673	2.08				
DZ PRIVATBANK S.A. ECP							
23 AUGUST 2011	36,000,000	35,995,879	2.03				
HONG KONG MORTGAGE CORP ECP	36,000,000	35,978,474	2.03				
HONG KONG TREASURY BILLS SER 91 10 AUGUST 2011	200,000,000	199,993,591	11.26				
HONG KONG TREASURY BILLS SER 91 31 AUGUST 2011	140,000,000	139,985,046	7.88				
HONG KONG TREASURY BILLS SER 91 21 SEPTEMBER 2011	39,500,000	39,493,931	2.22				
HONG KONG TREASURY BILLS SER 91 26 OCTOBER 2011	50,000,000	49,991,755	2.81				
INDUSTRIAL AND COMMERCIAL BANK OF CHINA 0%							
23 SEPTEMBER 2011	36,000,000	35,968,162	2.03				
KOREA DEVELOPMENT BANK ECP							
12 OCTOBER 2011	36,000,000	35,975,896	2.03				
LLOYDS TSB BANK PLC ECP							
23 SEPTEMBER 2011	36,000,000	35,990,334	2.03				
ROYAL BANK OF SCOTLAND NV ECP 20 OCTOBER 2011	36,000,000	35,980,286	2.03				
SOCIETE GENERALE HK FRCD FRN 13 MARCH 2012	36,000,000	36,002,212	2.03				

Portfolio Statement (Unaudited)

HSBC Global Money Funds – US Dollar Sub-fund

as at 31 July 2011

	Holdings	Market value USD	% of net asset value		Holdings	Market value USD	% of net asset value
Fixed income instruments							
Listed investments							
				NATIONAL AUSTRALIA FUNDING (DE) INC UCP 9 DECEMBER 2011	1,000,000	999,169	1.20
TOYOTA MOTOR CREDIT CORP SER MTN (REG) 1.6% 5 AUGUST 2011	2,000,000	2,000,295	2.40	NATIONAL BANK OF CANADA NY UCP 15 SEPTEMBER 2011	2,000,000	1,999,500	2.40
				NATIXIS US FINANCE CO UCP 1 SEPTEMBER 2011	2,000,000	1,999,656	2.40
				NESTLE CAPITAL CORP UCP 11 OCTOBER 2011	1,000,000	999,547	1.20
Unlisted investments							
				NORDEA NORTH AMERICA INC UCP 6 SEPTEMBER 2011	1,000,000	999,690	1.20
AUSTRALIA AND NEW ZEALAND BANKING UCP 2 SEPTEMBER 2011	2,000,000	1,999,716	2.40	PACCAR FINANCIAL CORP UCP 1 AUGUST 2011	2,000,000	2,000,000	2.41
BARCLAYS US FUNDING LLC UCP 4 AUGUST 2011	2,000,000	1,999,963	2.41	PROCTER & GAMBLE CO UCP 14 OCTOBER 2011	1,000,000	999,815	1.20
BNP PARIBAS FINANCE INC UCP 4 AUGUST 2011	1,000,000	999,981	1.20	PROCTER & GAMBLE CO UCP 9 JANUARY 2012	1,000,000	999,374	1.20
CAISSE D'AMORT DETTE SOC UCP 2 NOVEMBER 2011	1,000,000	999,225	1.20	RBS FINANCE NV NORTH AMERICA INC UCP 5 OCTOBER 2011	2,000,000	1,999,097	2.40
CITIGROUP FUNDING INC UCP 2 AUGUST 2011	2,000,000	1,999,988	2.41	ROYAL BANK OF CANADA UCP 7 SEPTEMBER 2011	2,000,000	1,999,425	2.40
COMMERZBANK US FINANCE INC UCP 24 AUGUST 2011	2,000,000	1,999,706	2.40	SANOFI-AVENTIS UCP 13 SEPTEMBER 2011	1,000,000	999,701	1.20
COMMONWEALTH BANK OF AUSTRALIA UCP 11 AUGUST 2011	2,000,000	1,999,894	2.41	SANOFI-AVENTIS UCP 17 OCTOBER 2011	1,000,000	999,658	1.20
CREDIT AGRICOLE NORTH AMERICA UCP 17 AUGUST 2011	2,000,000	1,999,831	2.40	SCOTIABANC INC UCP 2 AUGUST 2011	2,000,000	1,999,994	2.41
DANSKE CORP UCP 12 AUGUST 2011	2,000,000	1,999,878	2.40	SIEMENS CAPITAL CO LLC UCP 15 SEPTEMBER 2011	2,000,000	1,999,775	2.40
DNB NOR BANK ASA UCP 11 OCTOBER 2011	1,000,000	999,487	1.20	SOCIETE GENERALE NORTH AMERICA UCP 1 AUGUST 2011	2,000,000	2,000,000	2.41
DNB NOR BANK ASA UCP 22 SEPTEMBER 2011	1,000,000	999,783	1.20	SUMITOMO MITSUI BANKING UCP 20 OCTOBER 2011	1,000,000	999,400	1.20
EUROPEAN INVESTMENT BANK UCP 11 OCTOBER 2011	2,000,000	1,999,527	2.40	SVENSKA HANDELSBANK INC UCP 17 OCTOBER 2011	1,000,000	999,594	1.20
ING (US) FUNDING LLC UCP 7 SEPTEMBER 2011	2,000,000	1,999,651	2.40	TORONTO DOMINION HOLDINGS USA UCP 14 NOVEMBER 2011	1,000,000	999,329	1.20
JOHN DEERE CREDIT INC UCP 6 SEPTEMBER 2011	2,000,000	1,999,820	2.40	TOTAL CAPITAL CANADA LTD UCP 15 DECEMBER 2011	1,000,000	998,489	1.20
JP MORGAN CHASE & CO UCP 18 AUGUST 2011	1,000,000	999,882	1.20	TOYOTA MOTOR CREDIT CORP UCP 19 AUGUST 2011	2,000,000	1,999,930	2.40
KFW UCP 19 AUGUST 2011	1,000,000	999,935	1.20	US TREASURY BILL 0% 25 NOVEMBER 2011	200,000	199,938	0.24
KFW UCP 7 SEPTEMBER 2011	1,000,000	999,866	1.20	US TREASURY BILL 1 SEPTEMBER 2011	200,000	199,993	0.24
METLIFE SHORT TERM FUND UCP 23 AUGUST 2011	1,500,000	1,499,844	1.80	US TREASURY BILL 25 AUGUST 2011	200,000	199,989	0.24
NATIONAL AUSTRALIA FUNDING (DE) INC UCP 6 OCTOBER 2011	1,000,000	999,652	1.20				

Portfolio Statement (Unaudited)

HSBC Global Money Funds – US Dollar Sub-fund

as at 31 July 2011

	Holdings	Market value USD	% of net asset value
US TREASURY BILL 3 NOVEMBER 2011	200,000	199,988	0.24
US TREASURY BILL 6 OCTOBER 2011	200,000	199,997	0.24
WESTPAC BANKING CORP UCP 7 NOVEMBER 2011	1,000,000	999,156	1.20
		<u>60,485,833</u>	<u>72.66</u>
Fixed income instruments (Total)		<u>62,486,128</u>	<u>75.06</u>
Total investments (Total cost of investments: US\$62,466,701)		62,486,128	75.06
Other net assets		<u>20,764,094</u>	<u>24.94</u>
Total net assets		<u>83,250,222</u>	<u>100.00</u>

Statement of Movements in Portfolio Holdings (Unaudited)

HSBC Global Money Funds – Hong Kong Dollar sub-fund

for the year ended 31 July 2011 (Unaudited)

	% of net asset value 2011	% of net asset value 2010
Fixed income instruments		
Unlisted investments	46.56	50.61
Total investments	46.56	50.61
Other net assets	53.44	49.39
Total net assets	100.00	100.00

HSBC Global Money Funds – US Dollar sub-fund

for the year ended 31 July 2011 (Unaudited)

	% of net asset value 2011	% of net asset value 2010
Fixed income instruments		
Listed investments	2.40	8.56
Unlisted investments	72.66	91.03
Total investments	75.06	99.59
Other net assets	24.94	0.41
Total net assets	100.00	100.00

Performance Record (Dealing net asset value per unit) (Unaudited)

HSBC Global Money Funds

Year	Hong Kong Dollar Sub-fund				US Dollar Sub-fund	
	Series A units		Series L units		Price	
	Lowest Price	Highest Price	Lowest Price	Highest Price	Lowest USD	Highest USD
	Lowest HKD	Highest HKD	Lowest HKD	Highest HKD		
2001	16.61	17.50	–	–	1.56	1.65
2002	17.50	17.91	–	–	1.65	1.68
2003	17.91	18.15	–	–	1.68	1.70
2004	18.15	18.20	–	–	1.70	1.71
2005	18.20	18.34	–	–	1.71	1.75
2006	18.34	19.00	–	–	1.75	1.82
2007	19.00	19.77	19.31	19.72	1.82	1.91
2008	19.73	20.29	19.68	20.14	1.91	1.98
2009	20.30	20.56	20.14	20.37	1.97	1.98
2010	20.45	20.46	20.11	20.20	1.98	1.98
2011	20.45	20.47	20.02	20.10	1.98	1.98
			2011	2010	2009	2008
Total net asset value of Hong Kong Dollar sub-fund (in HKD)						
– Series A units		1,737,771,378	2,126,226,761	2,699,282,084	1,987,543,588	
– Series L units		37,611,159	44,033,896	30,850,498	63,080,387	
		1,775,382,537	2,170,260,657	2,730,132,582	2,050,623,975	
Net asset value per unit of Hong Kong Dollar sub-fund (in HKD)						
– Series A units		20.47	20.45	20.45	20.29	
– Series L units		20.02	20.11	20.20	20.14	
Total net asset value of US Dollar sub-fund (in USD)		83,250,222	86,151,738	105,488,974	106,929,653	
Net asset value per unit of US Dollar sub-fund (in US\$)		1.98	1.98	1.98	1.97	

The Manager of the sub-funds has been issuing and redeeming units at the same price for the year ended 31 July 2011. As such, the above records have not shown the bid and offer prices separately.

Investment Adviser's Report

HSBC Global Themes Fund

Market review

In comparison, the Fund outperformed the market by rising more in the strong rebound in H2 2010. Overall, risky assets and equities in particular have generated positive returns. The second half of 2010 was especially fruitful for equity investors on the back of a global recovery in most of the developed and emerging markets. Despite investors' concerns about the challenging fiscal situation of some developed countries, economic data releases have been robust and expanding. However, since the beginning of 2011, the economic picture has been more mitigated with mixed macro data releases combined with ongoing concerns about the social movements in the Middle East, and European and US sovereign debt challenges. The key contributors to the Fund's performance have been North American and Asian equities as well its exposure to the global energy sector, while the exposure to Hong Kong equities has detracted from its performance.

HSBC Global Asset Management (Hong Kong) Limited

22 November 2011

Trustee's Report

HSBC Global Themes Fund ("the Fund")

We hereby confirm that, in our opinion, the Manager of the Fund has, in all material respects, managed the Fund in accordance with the provisions of the Trust Deed dated 15 April 2004, as amended, for the year ended 31 July 2011.

)
Amy FUNG) For and on behalf of
Bertha TAM) HSBC Trustee (Cayman) Limited,
) Trustee
)

Independent Auditors' Report to the Unitholders of HSBC Global Themes Fund ("the Fund")

Report on the financial statements

We have audited the financial statements of the Fund, a sub-fund of HSBC Investment Highlight Series, set out on pages 172 to 186, which comprise the statement of assets and liabilities as at 31 July 2011, the statement of comprehensive income, statement of changes in net assets attributable to unitholders, cash flow statement and distribution statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

Auditor's responsibility

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material

misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager and the Trustee, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 July 2011, and of its transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

Report on disclosure requirements under the Code

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

KPMG

Chartered Accountants
Grand Cayman, 22 November 2011

Statement of Assets and Liabilities

HSBC Global Themes Fund

as at 31 July 2011

	Note	2011 USD	2010 USD
ASSETS			
Financial assets at fair value through profit or loss	5	21,268,675	27,051,029
Subscriptions receivable		1,347	765
Other receivables		38,644	–
Cash and cash equivalents	6(b)	173,129	1,909,898
		21,481,795	28,961,692
LIABILITIES			
Redemptions payable		4,523	60,665
Other payables	6(a), 6(c)	46,426	46,942
		50,949	107,607
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (BID PRICES)			
	10	21,430,846	28,854,085
Representing:			
Financial liabilities		21,430,846	28,854,085
Total number of units in issue			
	8		
“A” class income units		1,771,385	2,884,801
“C” class income units		232,773	251,754
Net asset value per unit at bid/ask price			
“A” class income units		10.89	9.32
“C” class income units		9.21	7.78

Approved by the Trustee and the Manager on 22 November 2011

)
 Amy FUNG) For and on behalf of
 Bertha TAM) HSBC Trustee (Cayman) Limited
)

)
 Stuart Glenn BERRY) For and on behalf of
 Julie J KOO) HSBC Investment Funds
) (Hong Kong) Limited
)

The notes on pages 177 to 186 form part of these financial statements.

Statement of Comprehensive Income

HSBC Global Themes Fund

for the year ended 31 July 2011

	Note	2011 USD	2010 USD
Dividend income		473,475	996,418
Net gains from financial instruments at fair value through profit or loss	3	4,972,191	4,286,483
Net foreign exchange loss		(11,055)	(120,204)
TOTAL REVENUE		5,434,611	5,162,697
Management fees	6(a)	288,945	574,013
Transaction costs	6(d)	64,822	82,560
Trustee's fees	6(c)	34,837	56,308
Administrative fees	6(a)	25,043	25,277
Auditor's remuneration		20,709	31,635
Safe custody fees, bank charges and miscellaneous expenses		8,247	11,468
TOTAL OPERATING EXPENSES		442,603	781,261
NET PROFIT FROM OPERATIONS BEFORE TAXATION		4,992,008	4,381,436
Taxation	4	(127,215)	(298,926)
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,864,793	4,082,510

The notes on pages 177 to 186 form part of these financial statements.

Statement of Changes in Net Assets Attributable to Unitholders

HSBC Global Themes Fund

for the year ended 31 July 2011

	Note	2011 USD	2010 USD
Balance at the beginning of the year		28,854,085	57,314,632
Increase in net assets attributable to unitholders and total comprehensive income for the year		4,864,793	4,082,510
Transactions with unitholders			
Subscriptions of units (excluding equalisation)		4,772,724	2,966,419
Redemptions of units (excluding equalisation)		(16,959,957)	(35,116,273)
Income equalisation on subscriptions and redemptions	9	(100,799)	(393,203)
Total transactions with unitholders		(12,288,032)	(32,543,057)
Balance at the end of the year		21,430,846	28,854,085

The notes on pages 177 to 186 form part of these financial statements.

Cash Flow Statement

HSBC Global Themes Fund

for the year ended 31 July 2011

	2011 USD	2010 USD
OPERATING ACTIVITIES		
Dividends received	434,831	996,418
Management fees paid	(294,920)	(597,110)
Trustee's fees paid	(35,286)	(57,931)
Margin deposit withdrawn from brokers	–	529,471
Tax paid	(127,215)	(298,926)
Other operating expenses paid	(123,968)	(257,817)
Cash (used in)/generated from operating activities	(146,558)	314,105
INVESTING ACTIVITIES		
Payments on purchase of investments	(32,973,986)	(34,257,864)
Proceeds from sale of investments	43,728,531	67,285,690
Cash generated from investing activities	10,754,545	33,027,826
FINANCING ACTIVITIES		
Proceeds from issue of units including equalisation	4,777,870	3,517,977
Payments on redemption of units including equalisation	(17,122,626)	(35,481,448)
Cash used in financing activities	(12,344,756)	(31,963,471)
Net (decrease)/increase in cash and cash equivalents	(1,736,769)	1,378,460
Cash and cash equivalents at the beginning of the year	1,909,898	531,438
Cash and cash equivalents at the end of the year	173,129	1,909,898

The notes on pages 177 to 186 form part of these financial statements.

Distribution Statement

HSBC Global Themes Fund

for the year ended 31 July 2011

	2011 USD	2010 USD
Amount available for distribution brought forward	284,658	688,280
Loss for the year reducing amount available for distribution *	(40,972)	(10,419)
Income equalisation on subscriptions and redemptions	(100,799)	(393,203)
Amount available for distribution carried forward	<u>142,887</u>	<u>284,658</u>

* Loss for the year reducing amount available for distribution is the adjusted total comprehensive income for the year, for which the calculation basis is in accordance with the relevant clauses of the Trust Deed.

There is no distribution for the Fund during the year.

The notes on pages 177 to 186 form part of these financial statements.

Notes to the Financial Statements

HSBC Global Themes Fund

1 The Fund

HSBC Global Themes Fund (“the Fund”) is a sub-fund of HSBC Investment Highlight Series (“the Trust”), which is an open-ended umbrella unit trust established under a trust deed dated 15 April 2004, as amended, and is governed by the laws of the Cayman Islands. The Trust registered under the Mutual Funds Law of the Cayman Islands on 20 April 2004. The Fund commenced operations on 28 February 2007. There were three other sub-funds created under the Trust, namely HSBC Investment Highlight Growth Fund, HSBC Investment Highlight Balances Fund and HSBC Investment Highlight Stable Fund, which were all terminated on 29 December 2009.

The Fund’s objective is to achieve long-term capital growth and income by investing globally in the best investment ideas or attractive opportunities identified by the Investment Adviser which are believed to be able to produce strong positive performance. Strategically, the Fund will invest in a concentrated portfolio of investment funds (including but not limited to equity funds, bond funds, real estate investment trusts and exchange traded funds) which will best represent and capture the benefit of the selected investment ideas or opportunities. The Fund may hold cash for ancillary purposes and enter into financial futures contracts for hedging purposes.

The Fund is authorised by the Hong Kong Securities and Futures Commission (“SFC”) under Section 104 of the Hong Kong Securities and Futures Ordinance (“HKSF”) and is governed by the Hong Kong Code on Unit Trusts and Mutual Funds issued by the SFC.

2 Significant accounting policies

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong, the relevant disclosure provisions of the Trust Deed, as amended, and the relevant disclosure requirements of the Hong Kong Code on Unit Trusts and Mutual Funds issued by the SFC. A summary of the

significant accounting policies adopted by the Fund is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption of the current accounting period of the Fund. There have been no significant changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Fund for the current and prior accounting periods reflected in these financial statements.

The Fund has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 14).

(b) Basis of preparation of the financial statements

The functional and presentation currency of the Fund is United States dollars reflecting the fact that the participating redeemable units of the Fund are issued and redeemed in United States dollars.

The financial statements are prepared on a fair value basis for financial assets and financial liabilities at fair value through profit or loss. Other financial assets and financial liabilities are stated at amortised cost or redemption amount (redeemable units).

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

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

The accounting policies have been applied consistently by the Fund and are consistent with those used in the previous year.

Notes to the Financial Statements

(c) Foreign currency translation

Foreign currency transactions during the year are translated into United States dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into United States dollars at the foreign exchange rates ruling at the date of the statement of assets and liabilities. Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to United States dollars at the foreign currency exchange rates ruling at the dates that the values were determined.

Foreign currency exchange differences relating to investments at fair value through profit or loss are included in net gains from financial instruments at fair value through profit or loss. All other foreign currency exchange differences relating to monetary items including cash and cash equivalents are presented separately in profit or loss.

(d) Financial instruments

(i) Classification

All of the Fund's investments are classified as financial assets or financial liabilities at fair value through profit or loss. This category comprises financial instruments held for trading, which are instruments that the Fund has acquired principally for the purpose of short-term profit-taking. These include investments in unit trusts.

Financial assets that are classified as loans and receivables include amounts due from brokers, subscriptions receivable and other receivables.

Financial liabilities that are not at fair value through profit or loss include redemptions payable, other payables and financial liabilities arising on redeemable units.

(ii) Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

A regular way purchase or sale of financial assets is recognised using trade date accounting. From this date any gains and losses arising from changes in

fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed their obligations under the contract or the contract is a derivative contract not exempted from the scope of HKAS 39.

(iii) Measurement

Financial instruments are measured initially at fair value (transaction price). Transaction costs on financial assets and liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair values recognised in profit or loss.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities other than those at fair value through profit or loss are measured at amortised cost using the effective interest rate method. Financial liabilities arising from the redeemable units issued by the Fund are carried at the redemption amount representing the unitholders' right to a residual interest in the Fund's assets.

(iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the date of the statement of assets and liabilities without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

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

Notes to the Financial Statements

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

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

(v) Impairment

Financial assets that are stated at cost or amortised cost are reviewed at each date of the statement of assets and liabilities to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through profit or loss.

(vi) Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial assets expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with HKAS 39.

The Fund uses the weighted average method to determine realised gains and losses on derecognition.

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

(vii) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of assets and liabilities when the Fund has a legally enforceable

right to offset the recognised amounts and the transactions are intended to be settled on a net basis or simultaneously, e.g. through a market clearing mechanism.

(viii) Specific instruments

Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(e) Revenue recognition

Provided it is probable that the economic benefits will flow to the Fund and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Dividend income

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend. Dividends or distributions from other investments are recognised in profit or loss as dividend income when declared. In some cases, the Fund may receive or choose to receive dividends in the form of additional shares rather than cash. In such cases, the Fund recognises the dividend income for the amount of the equivalent cash dividend with the corresponding debit treated as an additional investment.

(ii) Interest income

Interest income is recognised in profit or loss as it accrues, using the effective interest rate method. Interest income on bank deposits is disclosed separately on the face of profit or loss.

(f) Expenses

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

Notes to the Financial Statements

(g) Related parties

For the purposes of these financial statements, a party is considered to be related to the Fund if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Fund or exercise significant influence over the Fund in making financial and operating policy decisions, or has joint control over the Fund;
- (ii) the Fund and the party are subject to common control;
- (iii) the party is a subsidiary, an associate of the Fund or a joint venture in which the Fund is a venturer;
- (iv) the party is a member of key management personnel of the Fund, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals; or
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the Fund.

(h) Foreign exchange gains and losses

Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognised together with other changes in the fair value. Included in profit or loss line item, *Net foreign* exchange loss are net foreign exchange gains and losses on monetary financial assets and financial liabilities other than those classified at fair value through profit or loss.

(i) Subscriptions and redemptions

The Fund recognises unitholders' subscriptions and allots units upon receipt of a valid subscription application and derecognises them upon receipt of a valid redemption application.

(j) Units in issue

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Fund has two classes of redeemable units in issue – "A" class and "C" class. All the classes belong to the most subordinate class of financial instruments in the Fund and rank *pari passu* in all material respects and have the same terms and conditions other than different management fee rate. The redeemable units provide unitholders with the right to require redemption for cash at a value proportionate to the unitholders' share in the Fund's net assets at each daily redemption date, and also in the event of the Fund's liquidation. In accordance with amendments to HKAS 32, such instrument is classified as a financial liability and is measured at the present value of the redeemable amounts.

(k) Segment reporting

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

3 Net gains from financial instruments at fair value through profit or loss

	2011	2010
	USD	USD
Realised gains	7,069,886	8,885,419
Unrealised losses	(2,097,695)	(4,598,936)
	<u>4,972,191</u>	<u>4,286,483</u>

4 Taxation

There are no taxes on income or gains under Cayman Islands Law currently. Accordingly, no provision for income taxes is included in these financial statements.

No provision for Hong Kong profits tax has been made in the financial statements as the Fund is exempted from taxation under section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

Notes to the Financial Statements

Dividend income received by the Fund may be subject to non-recoverable withholding tax imposed in the country of origin. Dividend income is recorded gross of such taxes and the withholding tax is recognised in profit or loss as incurred.

Taxation in profit or loss represents:

	2011 USD	2010 USD
Overseas withholding tax	127,215	298,926

5 Financial assets at fair value through profit or loss

	2011 USD	2010 USD
Unlisted unit trusts	595,138	–
Listed unit trusts	20,673,537	27,051,029
	<u>21,268,675</u>	<u>27,051,029</u>
Investments, at cost	21,356,512	25,041,171
Net unrealised (depreciation)/ appreciation in value of investments	(87,837)	2,009,858
Investments, at market value	<u>21,268,675</u>	<u>27,051,029</u>

6 Related parties transactions

The following is a summary of transactions with related parties for the year. All such transactions were entered into in the ordinary course of business and on normal commercial terms.

(a) The Fund is managed by HSBC Investment Funds (Hong Kong) Limited (“the Manager”). The Manager receives a management fee, payable monthly in arrears, equivalent to a percentage per annum of the net asset value of the Fund as follows, and fees for various administrative functions performed on behalf of the Fund.

	2011 USD	2010 USD
Management fee rate	1.00%	1.00%
(i) Management fees for the year	288,945	574,013
(ii) Administrative fees for the year	25,043	25,277
(iii) Management fees payable at year end	19,509	25,484
(iv) Administrative fees payable at year end	4,753	19

(b) Bank accounts are maintained with HSBC Bank USA New York and The Hongkong and Shanghai Banking Corporation Limited, which are members of the HSBC Group. The balances of these accounts are set out below:

	2011 USD	2010 USD
Cash held at the year end	173,129	1,904,786

(c) The Trustee of the Fund is HSBC Trustee (Cayman) Limited, a subsidiary of the Manager within the HSBC Group, which receives a monthly fee equivalent to a percentage per annum of the net asset value of the Fund as follows:

	2011 USD	2010 USD
For “A” class units and “C” class units	0.1% on the first \$10 million of NAV, 0.075% on any excess	0.1% on the first \$10 million of NAV, 0.075% on any excess

In addition, the Trustee provides valuation services to unitholders in return for a daily fee of \$150 (2010: \$70) for the Fund.

	2011 USD	2010 USD
(i) Trustee’s fees for the year	34,837	56,308
(ii) Trustee’s fees payable at year end	2,797	3,246

Notes to the Financial Statements

(d) In its purchases and sales of investments, the Fund utilises the brokerage services of the Manager, HSBC Investment Fund (Hong Kong) Limited, HSBC (Hong Kong) and HSBC Bank Plc Futures, which are subsidiaries of the Manager within HSBC Group. Details of transactions effected through these companies are as follows:

	2011 USD	2010 USD
HSBC Investment Funds (Hong Kong) Limited		
Commission paid for the year	–	–
Average rate of commission	N/A	N/A
Total aggregate value of such transactions for the year	529,000	–
Percentage of such transactions in value to total transactions for the year	0.69%	N/A

HSBC (Hong Kong)

Commission paid for the year	1,793	–
Average rate of commission	0.10%	N/A
Total aggregate value of such transactions for the year	1,793,272	–
Percentage of such transactions in value to total transactions for the year	2.34%	N/A

	2011 USD	2010 USD
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HSBC Bank Plc Futures

Commission paid for the year	–	72
Average rate of commission	N/A	0.02%
Total aggregate value of such transactions for the year	–	333,792
Percentage of such transactions in value to total transactions for the year	N/A	0.31%

For the future contracts transacted with HSBC Bank Plc Futures, the Fund pays HSBC Bank Plc Futures at a fixed rate per contract irrespective of the notional amount of the contract. The rates vary depending on the currency of each future contract.

The figures for commission paid do not include any trading margin which may be reflected in the market price of transactions with this entity on any transactions by the Fund during the year.

7 Soft commission arrangements

The Manager has entered into soft commission arrangements with brokers under which certain goods and services used to support investment decision making are received by the Manager. The Manager does not make direct payment for these services but transacts an agreed amount of business with the brokers on behalf of the Fund. Commission is paid from the Fund on these transactions.

The goods and services utilised for the Fund include the following:

- research and advisory services;
- economic and political analysis;
- portfolio analysis, including valuation and performance measurement;
- market analysis, data and quotation services;
- computer hardware and software incidental to the above goods and services; and
- clearing and custodian services and investment-related publications.

8 Units issued and redeemed

	2011 USD	2010 USD
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"A" class income units

Number of units in issue brought forward	2,884,801	6,268,218
Units issued during the year	323,164	228,188
Units redeemed during the year	(1,436,580)	(3,611,605)
Number of units in issue carried forward	1,771,385	2,884,801

Notes to the Financial Statements

“C” class income units

Number of units in issue		
brought forward	251,754	365,869
Units issued during the year	158,335	109,637
Units redeemed during the year	(177,316)	(223,752)
	<hr/>	<hr/>
Number of units in issue		
carried forward	232,773	251,754

The Trust and the Fund do not have any externally imposed capital requirements.

9 Income equalisation

This is the proportion of the unit price which relates to the contributed accrued net expense or the undistributed accrued net income of the Fund at the date of issue or redemption of units.

10 Reconciliation of net asset values

The net asset value presented in the financial statements and that quoted for pricing purposes at the year end (“Dealing NAV”) are different as the principles for calculating the Dealing NAV as set out in the Explanatory Memorandum document are different from those required for financial reporting purposes under HKFRSs. The following reconciliation provides details of these differences:

		2011
		USD
NAV as reported in the financial statements		
as at 31 July 2011		21,430,846
Adjustments for different basis adopted by		
the Fund in arriving at the Dealing NAV		
– Use of last traded pricing instead of		
bid pricing in valuing investment		265,267
– Preliminary expenses		4,162
		<hr/>
Dealing NAV as at 31 July 2011		21,700,275

2010
USD

NAV as reported in the financial statements		
as at 31 July 2010		28,854,085
Adjustments for different basis adopted by		
the Fund in arriving at the Dealing NAV		
– Use of last traded pricing instead of		
bid pricing in valuing investment		465,309
– Preliminary expenses		11,362
		<hr/>
Dealing NAV as at 31 July 2010		29,330,756

11 Financial instruments and associated risks

The Fund maintains an investment portfolio in a variety of listed and unlisted financial instruments as dictated by its investment management strategy. The objective of this Fund is to achieve long-term capital growth and income by investing globally in the best investment ideas or attractive opportunities identified by the Investment Adviser. Strategically, the Fund will invest in a concentrated portfolio of investment funds which will best represent and capture the benefit of the selected investment ideas or opportunities. The Fund’s investment portfolio mainly comprises of unit trusts.

The Fund’s investing activities expose the Fund to various types of risks that are associated with the financial instruments and markets in which it invests. The most important types of financial risks to which the Fund is exposed are market risk, credit risk and liquidity risk.

The nature and extent of the financial instruments outstanding at the date of the statement of assets and liabilities and the risk management policies employed by the Fund are discussed below.

(a) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

The Fund is exposed to price risk as changes in market prices of their investments will affect the valuation of the Fund. Price risk can be mitigated by constructing a diversified portfolio of investments across different issuers, different sectors, or traded on different markets.

Notes to the Financial Statements

Price sensitivity

The impact on a 5% increase in value of the investments at 31 July 2011, with all other variables held constant, is shown below. An equal change in the opposite direction would have reduced the net asset value by an equal but opposite amount. The analysis is performed on the same basis for 2010:

	USD
As at 31 July 2011	
Market exposures	
– Unit trusts	21,268,675
Change in net assets if investment value increased by 5%	
– Unit trusts	1,063,434
As at 31 July 2010	
Market exposures	
– Unit trusts	27,051,029
Change in net assets if investment value increased by 5%	
– Unit trusts	1,352,551

(b) Interest rate risk

The Fund is exposed to interest rate risk only to the extent that it earns bank interest on cash and deposits.

The majority of the Fund's financial assets and liabilities are non-interest bearing. As a result, the Fund is not subject to significant interest rate risk due to fluctuations in the prevailing levels of market interest rates. Changes in interest rates will not significantly change the net assets attributable to unitholders.

(c) Currency risk

The Fund may invest in financial instruments and enter into transactions that are denominated in currencies other than its functional currency. Consequently, the Fund is exposed to risks that the exchange rate of its functional currency relative to other foreign currencies may change in a manner that has an adverse effect on the fair value of that portion of the Fund's financial assets or liabilities denominated in currencies other than the USD.

The fluctuations in the rate of exchange between the currency in which the asset or liability is denominated and the functional currency could result in an appreciation or depreciation in the fair value of that asset or liability. The Manager may attempt to mitigate this risk by using financial derivative instruments.

In accordance with the Fund's policy, the Manager monitors the Fund's currency exposures on a daily basis. At both 31 July 2011 and 2010, there was no foreign currency exposure held by the Fund. As the HKD is pegged to the USD, the Fund does not expect any significant movements in the USD/HKD exchange rate. Changes in foreign exchange rates will not significantly change the net assets attributable to unitholders of the Fund.

(d) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund's exposure to credit risk is monitored by the Manager on an ongoing basis.

At 31 July 2011, all of the Fund's financial assets were exposed to credit risk. These include investments and cash and cash equivalents placed with banks and the Custodian.

Credit risk arising from transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used.

The majority of the cash held by the Fund is deposited with HSBC Group. Bankruptcy or insolvency of the bank may cause the Fund's rights with respect to the cash held by the bank to be delayed or limited. The Manager monitors the credit rating and financial position of the bank on an ongoing basis.

Substantially all of the assets of the Fund are held by the Custodian. Bankruptcy or insolvency of the Custodian may cause the Fund's rights with respect to securities held by the Custodian to be delayed or limited. The Custodian is a group company of HSBC, for which credit risk is considered insignificant.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the date of statement of assets and liabilities.

Notes to the Financial Statements

At both 31 July 2011 and 2010, there were no significant concentrations of credit risk to counterparties except to the Custodian.

(e) Liquidity risk

Liquidity risk arises from the risk that the Manager may not be able to convert investments into cash to meet liquidity needs in a timely manner. The Fund is exposed to daily liquidity risk on redemption of units.

The Fund's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements in the short and longer term.

The Fund's listed investments are considered to have insignificant exposure to liquidity risk as they are all readily realisable under normal market condition. The Fund, however, also invests in unlisted investments such as unlisted unit trusts, which are not publicly traded on exchanges and may be illiquid. The Fund held unlisted investment amounting to \$595,138 (2010: \$Nil).

The Fund's financial liabilities are due within three months, except for redemptions payable which is repayable on demand as at both 31 July 2011 and 2010.

12 Fair value information

The Fund's financial instruments are measured at fair value on the date of the statement of assets and liabilities. Fair value estimates are made at a specified point in time, based on market conditions and information about the financial instruments. Usually, fair values can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including subscriptions receivable, other receivables, redemptions payable and other payables, the carrying amounts approximate fair values due to the immediate or short-term nature of these financial instruments.

Valuation of financial instruments

The Fund's accounting policy on fair value measurements is detailed in significant accounting policy in note 2(d)(iv).

The Fund measures fair values using the three levels of fair value hierarchy defined in HKFRS 7, *Financial instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on

the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

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

The following analyses financial instruments at fair value at the date of statement of assets and liabilities, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Level 1 2011 USD	Level 1 2010 USD
Unit trusts	21,268,675	27,051,029

There were no significant transfers of financial instruments between the fair value hierarchy levels during the year.

13 Segment information

The Manager makes the strategic resource allocation on behalf of the Fund and determines the operating segments based on the internal reporting used to make strategic decisions.

The Manager's asset allocation decisions are based on one single and integrated investment strategy, and the Fund's performance is evaluated on an overall basis. Accordingly the Manager considers that the Fund has one single operating segment which is investing in a portfolio of financial instruments to generate investment returns in accordance with the investment objective stipulated in the Explanatory Memorandum. There were no changes in the operating segment during the year.

Notes to the Financial Statements

All revenues generated from investments by the Fund are disclosed in note 3. The segment information provided to the Manager is the same as that disclosed in profit or loss and statement of assets and liabilities.

14 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting year ended 31 July 2011

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and Interpretations and new standards which are not yet effective for the year ended 31 July 2011, and which have not been adopted in these financial statements. These include the following which may be relevant to the Fund:

	Effective for accounting periods beginning on or after
Improvements to HKFRSs 2010	1 January 2011
HKAS 24 (Revised), <i>Related party disclosures</i>	1 January 2011
HKFRS 9, <i>Financial instruments</i>	1 January 2013
HKFRS 13, <i>Fair value measurement</i>	1 January 2013

The Fund is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Fund's results of operations and financial position.

Portfolio Statement (Unaudited)

HSBC Global Themes Fund

as at 31 July 2011

	Holdings	Market value USD	% of net asset value
Unit trusts			
Listed investments			
Hong Kong			
TRACKER FUND OF HONG KONG	79,500	232,602	1.09
United Kingdom			
HSBC MSCI JAPAN ETF	72,180	1,759,748	8.21
United States of America			
ISHARES FTSE CHINA 25 INDEX FUND	18,715	791,645	3.69
ISHARES MSCI ALL COUNTRY ASIA EX-JAPAN INDEX FUND	38,169	2,378,311	11.10
ISHARES MSCI EMERGING MARKETS INDEX	19,849	936,079	4.37
ISHARES MSCI JAPAN INDEX FUND	41,502	442,411	2.06
ISHARES RUSSELL MIDCAP VALUE INDEX FUND	87,414	3,924,889	18.31
ISHARES S&P EUROPE 350 INDEX FUND	110,176	4,217,537	19.68
SPDR S&P 500 ETF TRUST	46,218	5,990,315	27.95
		18,681,187	87.16
Unlisted but quoted investments			
HSBC GLOBAL INVESTMENT FUNDS			
RUSSIA EQUITY	65,199	595,138	2.78
Unit trusts (total)		21,268,675	99.24
Total investments (Total cost of investments \$21,356,512)		21,268,675	99.24
Other net assets		162,171	0.76
Total net assets		21,430,846	100.00

Statement of Movements in Portfolio Holdings (Unaudited)

HSBC Global Themes Fund

for the year ended 31 July 2011

	% of net asset value 2011	% of net asset value 2010
Unit trusts		
Listed investments	96.46	93.75
Unlisted but quoted investments	2.78	–
Unit trusts (Total)	99.24	93.75
Total investments	99.24	93.75
Other net assets	0.76	6.25
Total net assets	100.00	100.00

Performance Record (Unaudited)

HSBC Global Themes Fund

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

Year	Bid		Offer	
	Lowest USD	Highest USD	Lowest USD	Highest USD
"A" class income units				
- 2007	9.542	11.260	10.071	11.884
- 2008	9.953	12.235	10.504	12.913
- 2009	6.319	10.182	6.669	10.746
- 2010	8.533	10.075	9.006	10.633
- 2011	9.249	11.654	9.761	12.300
"C" class income units				
- 2008	8.584	10.263	8.584	10.263
- 2009	5.322	7.446	5.322	7.446
- 2010	7.187	8.431	7.187	8.431
- 2011	7.712	9.641	7.712	9.641

(b) Total net asset value (at bid prices)

	2011 USD	2010 USD	2009 USD	2008 USD
Total net asset value				
- "A" class income units	19,286,660	26,895,747	54,626,680	94,865,923
- "C" class income units	2,144,186	1,958,337	2,687,952	1,675,329

(c) Net asset value per unit (at bid prices)

	2011 USD	2010 USD	2009 USD	2008 USD
Net asset value per unit				
- "A" class income units	10.89	9.32	8.71	10.19
- "C" class income units	9.21	7.78	7.35	8.68

Administration

Fund Name	Manager	Investment Adviser	Investment Sub-Adviser	Trustee/Custodian or *Custodian, Administrator & Valuation Agent	Registrar/ Registrar's Agent	Auditors
HSBC Managed Funds — HSBC Managed Balanced Fund — HSBC Managed Growth Fund — HSBC Managed Stable Fund — HSBC Managed Stable Growth Fund	HSBC Investment Funds (Hong Kong) Limited	HSBC Global Asset Management (Hong Kong) Limited	Halbis Capital Management (Hong Kong) Limited <i>(resigned 31 December 2010)</i> Halbis Capital Management (France) <i>(appointed on 1 January 2011 & resigned on 30 June 2011)</i> Sinopia Asset Management (UK) Limited <i>(appointed on 1 January 2011 & resigned on 30 June 2011)</i> HSBC Global Asset Management (France) <i>(appointed on 1 July 2011)</i> HSBC Global Asset Management (UK) Limited <i>(appointed on 1 July 2011)</i>	HSBC Trustee (Cayman) Limited	HSBC Trustee (Cayman) Limited / HSBC Investment Funds (Hong Kong) Limited	KPMG
HSBC Global Money Fund — HK Dollar — US Dollar	HSBC Investment Funds (Hong Kong) Limited	HSBC Global Asset Management (Hong Kong) Limited	<u>For US Dollar Fund only</u> HSBC Global Asset Management (USA) Inc.	HSBC Trustee (Cayman) Limited / *HSBC Institutional Trust Services (Asia) Limited	HSBC Investment Funds (Hong Kong) Limited	KPMG
HSBC Investment Highlight Series — HSBC Global Themes Fund	HSBC Investment Funds (Hong Kong) Limited	HSBC Global Asset Management (Hong Kong) Limited	N/A	HSBC Trustee (Cayman) Limited	HSBC Trustee (Cayman) Limited / HSBC Investment Funds (Hong Kong) Limited	KPMG

Administration

HSBC Investment Funds (Hong Kong) Limited

HSBC Main Building,
1 Queen's Road Central,
Hong Kong

HSBC Global Asset Management (Hong Kong) Limited

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HSBC Global Asset Management (France)

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Board of Directors of HSBC Investment Funds (Hong Kong) Limited

Patrice Pierre Henri CONXICOEUR

Po Yee LAM

Stuart Glenn BERRY (appointed on 1 February 2011)

Julie J KOO (appointed on 27 June 2011)

Joanna Mary MUNRO (appointed on 11 May 2011)

Edgar Kai Man NG (appointed on 10 December 2010)

Stephen Chun Pong TAM (appointed on 1 December 2010 and resigned on 10 December 2010)

Rudolf Eduard Walter APENBRINK (resigned on 1 October 2010)

Ayaz Hatim EBRAHIM (resigned on 13 May 2011)

Kean Kee LIM (resigned on 1 December 2010)

Edmund Richard STOKES (resigned on 19 May 2011)

Issued by HSBC Global Asset Management (Hong Kong) Limited