HSBC Global Markets Indices

HSBC Optimised Vietnam Index

March 2008

HSBC

HSBC Global Markets Indices

Ground Rules for HSBC Optimised Vietnam Index

March 2008

Definitions

Average Daily Traded Value	Average daily value of shares traded over a specified period of time
Calculation Agent	HSBC's Quantitative Techniques business (QT) – a division of HSBC and an independent Calculation Agent which provides data and calculates indices for parts of HSBC Group, including to the Global Research Department and to organisations outside of HSBC
Capital Adjustment	Adjustment to a company's share capital resulting from bonus issues, rights issues, subdivisions, consolidations, capital repayments, mergers, demergers and other events of a related nature
Creation Date	1 January 2008
Currency Adjusted Market Capitalisation	Total value of a company's issued share capital expressed in US dollars
Data Disruption	Event involving unavailability of data as defined in Section 4.6
Effective Date	Date on which constituent changes from a Quarterly Review take effect in the calculation of the Index
Foreign Ownership	Non-Vietnamese investment into Vietnamese shares as defined and monitored by the Saigon Securities Institute
Foreign Ownership Review	Monthly procedure for adjusting the Index Shares of a company to reflect changes to an Index Constituent's Foreign Ownership Room. Also takes place when Foreign Ownership Room falls to below 2% for an Index Constituent (Section 2.7)
Foreign Ownership Room	The difference between the maximum number of shares available for Foreign Ownership and the actual number of shares in Foreign Ownership. Can also be expressed as a value in USD by multiplying by the stock price and USD/VND exchange rate
Free-float	Shares of a company which are freely available for purchase in stock markets
Ground Rules	The rules defining calculation, maintenance, governance and publication of the Index
Index	HSBC Optimised Vietnam Index
Index Constituent	Company whose shares are used to calculate the Index Value
Index Shares	The number of shares of an Index Constituent used to calculate the Index Value
Index Value	Calculated value of the Index. Applies to both capital (price) return and total return calculations
Optimised Indices Oversight Committee	A committee of HSBC Global Markets professionals charged with issues of index governance
Market Disruption	Event where trading or index calculation does not take place as defined in Section 4.6
Quarterly Review	Procedure for reviewing the list of constituents which make up the Index
Quarterly Review Date	Date from which data for the Quarterly Review is taken which is the last Business Day on the Ho Chi Minh Exchange in the months of February, May,

	August and November
Weighting Factor	Multiplier applied to Index Shares in order to restrict maximum weight at Quarterly Review or Foreign Ownership Review to 15%

1. Introduction

1.1 HSBC Optimised Vietnam Index overview

The HSBC Optimised Vietnam Index (the "Index") is promoted by HSBC Global Markets, a business area of HSBC Bank plc. The Index is provided as two series: The HSBC Optimised Vietnam Total Return Index, which includes ex-dividend adjustments; and the HSBC Optimised Vietnam Price Return Index, which excludes the effects of dividends.

The purpose of the Index is to provide investors with a benchmark which gives exposure to up to 20. liquid stocks listed on the Ho Chi Minh Stock Exchange. Each stock must have sufficient shares available for Foreign Ownership. Please refer to Section 2.7 for further information about Foreign Ownership Limits. Each stock must have a minimum Currency Adjusted Market Capitalisation of USD 200 million and minimum Average Daily Traded Value of USD 250,000 at the launch date and at each Quarterly Review Date. The 20 largest stocks (by market capitalisation) are selected.

Index Constituents are weighted by full market capitalisation, although the largest Index Constituents have a reduced weighting in the Index to limit their dominance. Please refer to Section 1.3 for further information about weighting factors.

Appendix B details the list of constituents and their weightings as of 31 January 2008.

1.2 HSBC Optimised Vietnam Index currencies

The Index Values shall be calculated in VND and USD. Please refer to Section 4.5 for information about exchange rates used to calculate Index Values.

1.3 Weighting

For rebalancing purposes, the starting point is that all constituents of the universe from which Index Constituents are selected are represented by their full market capitalisation. For Index calculation purposes, the maximum weight per Index Constituent on each Quarterly Review Date or following changes resulting from a Foreign Ownership Review (please see Section 2.7) is 15%.

If the largest Index Constituent is greater than 15% then this constituent's weight is set at 15% by the multiplication of a Weighting Factor, with lower-ranked Index Constituents having their weights increased pro-rata. If the second Index Constituent is 15% or more then the process is repeated and is repeated again with the third Index Constituent onwards until all Index Constituents have 15% weight or lower. The consequent Weighting Factor is the ratio between the weight before applying this rule and the weight after. Where no Index Constituent has a weight of 15% or above should the Index be represented by Index Constituents at their full market capitalisations, all Weighting Factors are set to 1.

1.4 Weighting and Constituent Numbers

Only securities incorporated in Vietnam and listed on the Ho Chi Minh Stock Exchange (stock exchange) are eligible for inclusion in the Index. However please see Section 1.7 (below).

The maximum number of constituents in the index is 20 and the minimum is 7. If the total number of eligible companies is lower than 7 then the liquidity criterion is lowered progressively until at least 7 companies are eligible.

For historic simulation purposes, the same procedures apply at each historic Quarterly Review Date that apply at the Creation Date.

1.5 Exclusions

The following securities are ineligible as Index Constituents and are excluded from Quarterly Reviews:

- Companies with below 10% free float
- Companies in whose shares HSBC Global Markets is prohibited from dealing and which have been notified to the Calculation Agent by HSBC Global Banking and Markets Compliance.
- Companies where the remaining Foreign Ownership Limit is 4% (2% if already an Index Constituent) of the total market capitalisation, subject to a minimum USD 15 million.

Index Constituents which become ineligible between Quarterly Reviews are replaced with the eligible non-constituent with the highest market capitalisation (please see Section 1.1). Results of actions affecting the Index will be published on the HSBC Global Markets website for indices www.hsbcinvestorsolutions.com.

1.6 Liquidity screening

At the date of launch and on subsequent Quarterly Review Dates, each company must have a minimum Average Daily Traded Value over 3 months of USD 250,000 (however this may be lowered under certain circumstances– please see Section 1.4). When companies are newly listed on the Ho Chi Minh Exchange (or relevant exchange where ADRs or GDRs are used in their place), and 3-month data is not available, the Average Daily Traded Value over the period since trading began is used provided that at least four weeks of price and volume data is available.

1.7 Multiple share classes

Other than ordinary shares listed on the Ho Chi Minh Exchange, American Depository Receipts (ADRs) and Global Depositary Receipts (GDRs) are also permitted. The substitution by an ADR or GDR of a Ho Chi Minh listed security will arise only where either insufficient liquidity renders an eligible security ineligible (please see Section 1.6) or where the shares available for Foreign Ownership on the Ho Chi Minh listed security has dropped below 4% (2% for Index Constituents) (please see Section 2.7).

2. Index Maintenance

2.1 Changes to number of shares in issue and Capital Adjustments

Changes to the number of shares in issue and Capital Adjustments which affect the price of an Index Constituent (bonus issues, rights issues, subdivisions, consolidations, capital repayments, mergers and demergers) are processed on the day the action takes effect.

Share changes resulting from IPOs, additional listings and conversions (of warrants, convertibles etc), or partial cancellations and buy-backs would not normally be processed before the subsequent Quarterly Review Date.

2.2 Mergers, acquisitions and restructurings

Corporate actions which affect the eligibility of an Index Constituent are processed after the close of the business day. Such corporate actions include takeovers, mergers, acquisitions, restructurings and schemes of arrangement. These are processed at the start of the date on which they are effective. If an Index Constituent is no longer eligible then it is removed without replacement. If an Index Constituent has a spin off (or de-merger), then the Calculation Agent (see Section 4 below) will review both the original company and the resultant company prior to the effective date and announce on the HSBC Global Market website for indices if the resultant company will become an Index Constituent with the original company removed.

2.3 IPOs

Newly listed companies only become eligible for inclusion into the Index at the next Quarterly Review Date, provided that four weeks of price and volume data are available to the Calculation Agent to ensure that liquidity criteria are met. Consequently there may be more than three months between the date when a company’s shares are first traded and the date when they are considered for inclusion into the Index.

2.4 Suspension

A stock’s quotation may be suspended for a number of reasons but, for index purposes, these fall into two categories. If the purpose of the suspension is to comply with regulations during takeover discussions, regulatory arrangements, or other corporate restructurings, then the Index Constituent is not removed from the index and its price remains static at the value when it was suspended.

If the suspension is attributable to the possibility that the Index Constituent is insolvent, is in breach of regulations or laws which may prevent the continuance of the Index Constituent’s quote, or is likely to be suspended for an indefinite period, then the Index Constituent is removed with zero value. Removal of suspended Index Constituents takes place after the tenth business day of suspension, but the time period can be longer where the reason for suspension has not been clearly established.

If a suspended company which was removed from the Index at zero value resumes trading it will reinstated in the Index at zero value, thereafter being valued at its closing price. Notification of constituent suspensions will be posted on the HSBC Global Markets website for indices.

2.5 Replacement of Index Constituents

If a company is removed for reasons of Free-float or restrictions on ownership by HSBC (please see Section 1.5) or Foreign Ownership (please see Section 2.7) then it is replaced by the eligible company with the highest current market capitalisation which is not already an Index Constituent. If a company is removed from the Index due to takeover, delisting or suspension, there is no replacement before the following Effective Date as a consequence of the Quarterly Review. Notice of removal shall be posted on the HSBC Global Markets website for indices.

2.6 Dividends

For the purposes of calculating a total return index, net dividends, meaning the dividend amount received after deduction of any local and withholding taxes based on the tax treatment of a Luxembourg based investor, are processed when a company is quoted ex-dividend. Net Dividends which appear to be paid from a company’s capital are treated as capital repayments (please see Section 2.1). See Appendix C: HSBC Optimised Vietnam Index withholding tax rates.

The indices are calculated to act as reference values for financial products which are linked to their performance. Should the tax regulations as they relate to the withholding tax on corporate actions (dividends) in Luxembourg change, the Optimised Indices Oversight Committee may change the withholding tax rates applied to properly reflect the financial impact. Changes will be posted on the HSBC Global Markets website for indices.

2.7 Foreign Ownership Reviews

A Foreign Ownership Review takes place during the first week of each month, coinciding once per quarter with the Quarterly Review. A Foreign Ownership Review also takes place on any day in a month following a Foreign Ownership Review when QT discovers that an Index Constituent's Foreign Ownership Room has dropped to below 2% of the number of shares in issue. The consequences of a Foreign Ownership Review are stated below:

(i) If an Index Constituent's Foreign Ownership Room is below 2% or USD 15million for one regular monthly Foreign Ownership Review then its Index Shares are reduced to two thirds of its number of issued shares

(ii) If an Index Constituent's Foreign Ownership Room is below 2% or USD 15million for two regular monthly Foreign Ownership Reviews then its Index Shares are reduced to one third of its number of issued shares

(iii) If an Index Constituent's Foreign Ownership Room is below 2% or USD 15million for three regular monthly Foreign Ownership Reviews then its Index Shares are removed completely from the Index and the shares become ineligible until Foreign Ownership Room is 4% and USD 15million or higher at a subsequent Quarterly Review

(iv) If an Index Constituent's Index Shares have been reduced following (i) or (ii) (above) at a previous Foreign Ownership Review and its Foreign Ownership Room has increased to 4% and USD 15million or greater then the Index Shares are restored to the full number of shares in issue for the Index Constituent.

(v) If an Index Constituent's Foreign Ownership Room is below 4% but is not below 2% or USD 15million at a regular monthly Foreign Ownership Review then its Index Shares remain at the level at which they were set at the previous Foreign Ownership Review

(vi) Weighting Factors based on Index Shares arising from the application of (i) to (v) (above) are recalculated (Section 3.3) following a Foreign Ownership Review whenever any changes to Index Shares take place. Where all Index Shares remain unchanged there will be no recalculation of Weighting Factors.

If there exists an ADR or a GDR whose underlying share is listed on the Ho Chi Minh stock exchange with Foreign Ownership Room causing Index Shares to be reduced or removed following the application of (i) to (iii) (above) and which satisfies liquidity criteria then the ADR or GDR becomes eligible as a Index Constituent, replacing the Index Constituent whose Index Shares would otherwise have been reduced. ADRs and GDRs are not subjected to Foreign Ownership Reviews. The replacement of Index Shares with ADRs and GDRs is used in preference to the weight-reducing procedure described in the previous paragraph. ADRs and GDRs remain Index Constituents until at a Quarterly Review the underlying shares have Foreign Ownership Room of 4% and USD 15million or greater at which time the underlying shares are again used.

3. Index governance

3.1 Overview

The HSBC Optimised Vietnam Index is a Rules Based Index sponsored by HSBC Global Markets. The Index is calculated independently by the Calculation Agent. HSBC Global Markets has formed an Optimised Indices Oversight Committee to review policies and coverage of the HSBC Global Markets Indices, meeting between Quarterly Review Dates as and when required. Whilst, it is not envisaged that the Rules will change, any modification to the Rules, including notification of when HSBC Global Markets resolves to cease publishing the Index, will be available directly from the HSBC Global Markets website for indices (please refer to Section 4.4) with a 3-month notice period prior to the proposed change. Any decision to cease publication shall only be taken once HSBC Global Markets has made sure all products which use the Index as a reference have expired or have been redeemed.

3.2 Oversight Committee

The HSBC Optimised Indices Oversight Committee has the following constituents:

HSBC Global Markets:

1. Structured Equities
2. Execution Services
3. Third Party Structured Product Development
4. Compliance

The names of Oversight Committee members can be obtained by contacting HSBC Global Markets. Any changes to the Index Rules made by the Oversight Committee will be published on the HSBC Global Markets website for indices. The amendments will be updated in the Index Rules.

3.3 Information about the Index

All data and information concerning the Index, such as

a) Ground Rules
b) Change of Ground Rules (if any)
c) Index Values
d) Index Constituents
e) Announcements
f) Information as to historical volatilities etc.

is available directly from the HSBC Global Markets website for indices.

3.4 About HSBC Global Markets Indices

This Index has been created by HSBC Global Markets. The aim of the HSBC Optimised Indices is to provide reference benchmarks for investment products. HSBC Global Markets has attempted to optimise the Index Rules so that investment products which reference these indices can be serviced on a long-term basis. These indices are characterised by their relatively small number of constituents and their strong emphasis on foreign availability and market liquidity.

Investors should be aware that the Index is constituted by the Global Markets Division of HSBC Bank plc ("HSBC Global Markets") and is not an independent research index operated by the Global Research Department.

The HSBC Global Markets Indices are a distinct series of indices from the range offered by HSBC Global Research, of which the Calculation Agent is a part. HSBC Global Research operates as a separate business within HSBC from HSBC Global Markets (please see Appendix D: Important Note).

4 Role of the Calculation Agent

The role of the Calculation Agent is to calculate the daily value of the constituted Index and to Review the Index on each Review date in order to reconstitute the Index in accordance with the rules of the Index as specified by HSBC Global Markets.

The Calculation Agent:

1. Reviews the Vietnam Stock Universe.
2. Reviews liquidity.
3. Identifies Index Constituent changes.
4. Revises weighting factors.
5. Compiles the new constituents for the Index

All removals and inclusions are effective on the Effective Date.

4.1 Calculation

Index Values are calculated daily, after the close of business at the Ho Chi Minh stock exchange.

Corporate actions affecting the price of a security (bonus issues, rights issues, subdivisions, consolidations, capital repayments, mergers and de-mergers) are processed on the day when they are effective. See Section 2 for further details of how corporate actions affect the Index calculation.

The list of constituents forming the Index is rebalanced quarterly, based on prices, numbers of shares and exchange rates as at the last business day of the Ho Chi Minh stock exchange in the months of February, May, August and November. These are the Quarterly Review Dates. Index Constituent changes resulting from the Quarterly Review are effective after the close of business on the Effective Date, which is the Wednesday preceding the second Friday in March, June, September and December.

4.2 Index calculation formula

Each daily index return is a weighted average of the returns of its Index Constituents, where the weights are defined according to the methodology in Section 1.3. The weights are subsequently adjusted to accommodate capital changes (rights issues, capital repayments, mergers and de-mergers). The Index calculation formula is provided in Appendix A.

The index calculation method does not incorporate any deductions for transaction costs, taxes or fees other than taxes used in the calculation of net dividends for the purpose of calculating the total return series (please see Section 2.6).

4.3 Initial values

Each index series' Creation Date is 1 January 2008. Index Values are available from 1 March 2007.

4.4 Daily calculations

Index Values are calculated and released normally before 3:30 p.m. (UK time) and are distributed to data vendors, where they are available on the following pages:

Data Vendor	Page
Bloomberg:	HSIP
Reuters:	HSBC/OPTIMISED1
HSBC Global Markets website for indices	www.hsbcinvestorsolutions.com

Remark: Market Disruptions (please see Section 4.6) may prevent Index Values being published before 3:30 pm.

4.5 Index calculation and maintenance data sources

The Calculation Agent obtains closing prices, traded volumes and numbers of issued shares used for both calculation and maintenance of the Index Values each day from Reuters. The Calculation Agent may supplement data from Reuters with other sources such as Interactive Data Corporation, Bedford, USA (IDC) at its absolute discretion.

The Calculation Agent obtains exchange rates used for both calculation and maintenance of the Index Values each day from IDC. The exchange rate data provided by IDC are composite; meaning they are calculated using a number of quotes taken at 12:00 noon in London. The Calculation Agent may supplement data from IDC with other sources such as Reuters at its absolute discretion.

Free-float percentages are sourced from the Ho Chi Minh Stock Exchange website.

Foreign ownership data is currently collected from the Saigon Securities Institute website.

The Calculation Agent does not guarantee the accuracy of the data from its data vendors or independently verify such data.

4.6 Market Disruptions and Data Disruptions

In the event of a Market Disruption (including but not restricted to: the Ho Chi Minh Stock Exchange not opening for or severely curtailing hours of business or; trading on the Ho Chi Minh Stock Exchange being conducted without timely electronic dissemination of closing price data or; disruptions preventing HSBC staff from calculating and/or disseminating Index Values), HSBC shall not publish Index Values until such time as the Market Disruption is over and that it believes it can once again accurately calculate the Index Values.

In the event of a Data Disruption (including but not restricted to: failure of electronic data delivery by data providers contracted to HSBC; unavailability of electronic or internet access to data obtained from an online source; or a disruption of any of HSBC's data systems rendering data inaccessible to processes required to calculate the Index) HSBC shall use its best endeavours to source data from alternative sources with the aim of publishing Index Values by 3:30 p.m. on a day of calculation. HSBC shall not publish Index Values until the Data Disruption is over or data from an alternative source has been acquired. The unavailability of Free-float and Foreign Ownership data shall not be considered sufficient reason to delay the calculation of Index Values and until such time that Free-float or Foreign Ownership data is once again available HSBC shall continue using the last data available to it for the maintenance of the Index.

5. Announcements

5.1 Index reviews

The Calculation Agent will typically announce Quarterly Review constituent changes during the first week in March, June, September and December. All changes to constituents, including those arising from Foreign Ownership Reviews will be notified to HSBC Global Markets one day (excluding UK bank holidays and non-trading days in Vietnam) before constituent or weighting changes, if any, take effect.

5.2 Index Constituent changes

Announcements concerning Index Constituent changes (apart from Quarterly Reviews) are made as soon as the Calculation Agent has verified and processed the implications of the reasons for the change. Normally, any changes take effect following the business day after the announcement is made.

5.3 Amendments

If an announcement needs to be amended, then HSBC issues a replacement announcement as soon as is reasonably practicable. HSBC makes every attempt to be as accurate as possible, and it cannot be held responsible for any actions subscribers take relating to announcements which are subsequently amended.

5.4 Information about announcements

Details of announcements are available on the HSBC Global Markets website for indices (please see Section 4.4) by following the link to “Announcements”.

5.5 Index Values

The Calculation Agent is acting in an arm’s length capacity to provide independent calculation services to HSBC Global Markets. Index Values are calculated daily and supplied to clients and data providers at 3:30 p.m. (UK time). Neither HSBC Global Markets nor the Calculation Agent can be held responsible for any errors, intentional or unintentional, on the part of external data providers nor for any delays in publishing the Index.

6. Contacts

For general information about the HSBC Optimised Vietnam Index and other HSBC Global Markets Indices please contact your local HSBC Global Markets representative or contact HSBC Global Markets Third Party Structured Products Development on +44 (0)20 7992 6002, email structured.investments@hsbcib.com, or visit the HSBC Global Markets website for indices, www.hsbcinvestorsolutions.com

For more information concerning these Ground Rules and the calculation of the HSBC Global Markets Indices please contact the Calculation Agent, QT, on + 44 8455 847360 or email qt-inquiries@hsbcib.com.

Appendix A:
Index Calculation Formula

The Index return is a weighted average return of its constituent companies, where the weights are the market capitalisation. The weights are adjusted to accommodate capitalisation issues and corporate actions; this is the standard method of calculation for indices. The Index calculation formula is:

$$Index_t = Index_0 \times \frac{\sum (P_{it} N_{it} F_{it})}{D_t}$$

where:

$Index_t$	=	Index Value at time t.
$Index_0$	=	Index Value as at the inception date of the Index.
P_{it}	=	The closing price of Index Constituent i at time t.
N_{it}	=	The number of Index Shares of Index Constituent i at time t.
F_{it}	=	The Weighting Factor of Index Constituent i at time t.
D_t	=	Divisor at time t.

The Divisor is a figure that represents the total market capitalisation at the base date of the Index. It is only adjusted (formula below) to accommodate changes to Index Constituents and changes in the Index Constituents' share capital, thus avoiding distortions in the Index.

Divisor Adjustments

The Divisor adjustment formula is:

$$D_t = D_{t-1} \times \left(1 + \frac{\sum CA_{it}}{M_{t-1}}\right)$$

where:

D_t	=	Divisor at time t.
D_{t-1}	=	Divisor at time t minus 1 day.
CA_{it}	=	The capital adjustment of Index Constituent i at time t.
M_{t-1}	=	Market Capitalisation of the Index at time t minus 1 day

Appendix B:
HSBC Optimised Vietnam Index Constituents

The following table shows the constituents of the HSBC Optimised Vietnam Index as at 1 January 2008.

HSBC Vietnam Optimised Index

Rank	Symbol	Name	Factor	Weight
1	VNM	Vietnam Dairy Products	1	13.26%
2	DPM	Petrovietnam Fertiliser	1	12.82%
3	PPC	Pha Lai Thermal Power	1	8.82%
4	FPT	Corp For Financing & Promoting	1	9.34%
5	SSI	Saigon Securities	1	9.19%
6	PVD	Petrovietnam Drilling	1	7.63%
7	ITA	Tan Tao Industries	1	4.60%
8	HPG	Hoa Phat Group	1	5.72%
9	VIC	Vincom	1	5.65%
10	SJS	SongDa Urban	1	4.56%
11	KDC	Kinhdo Corpoation	1	3.18%
12	SAM	Sacom	1	3.40%
13	VSH	Vinh Son – Song	1	2.93%
14	DHG	DHG Pharmaceutical	1	2.20%
15	TRC	Tay Ninh Rubber	1	1.67%
16	MPC	Minh Phu Seafood Corporation	1	1.91%
17	VTO	Vietnam Tanker	1	1.63%
18	VIP	Vietnam Petroleum	1	1.47%
19	-	-	-	-
20	-	-	-	-

Appendix C:

IMPORTANT NOTE

This document is issued by HSBC Bank plc ("HSBC"). HSBC is authorised and regulated by the Financial Services Authority ("FSA") and is a member of the HSBC Group of companies ("HSBC Group"). Any member of the HSBC Group, together with their directors, officers and employees may have traded for their own account as principal, or together with its officers, directors and employees may have a long or short position in any related instrument mentioned in this material.

The HSBC Optimised Vietnam Index (the "Index") is promoted by the Global Banking and Markets business of HSBC Bank plc ("Global Banking and Markets"). The Index is not an independent Research product of the Global Research Department. The Index is calculated by HSBC Bank plc's Quantitative Techniques business ("QT"). Global Banking and Markets has no responsibility for the calculation of the Index and does not guarantee or represent or warrant the accuracy or completeness of the Index or the data comprised therein.

QT provides an independent service offering indices and data products to customers including users of the HSBC Indices. QT operates independently from the Global Banking and Markets business from which it is both structurally and physically separated. Whilst QT calculates and publishes the level of the Index in good faith based on sources which it believes to be reliable, it does not guarantee, represent or warrant the accuracy or completeness of the Index or the data comprised therein.

Except in the case of fraudulent misrepresentation, no liability is accepted by either Global Banking and Markets or QT whatsoever for any direct, indirect or consequential loss arising from the Index.

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These index rules are a "financial promotion" within the scope of the rules of the FSA.

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