
HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

(Stock Code: 820)

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IMPORTANT

The Securities and Futures Commission of Hong Kong, Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

Investments involve risks. Investors are advised to consider their own investment objectives and circumstances in determining the suitability of an investment in the Fund. An investment in the Fund may not be suitable for everyone. If you are in any doubt about the contents of this document, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. Investors should note:

- The Fund's market price on the stock exchange may be different from its net asset value per unit. The Fund is a close-ended fund and no investor may demand redemption of their units.
- The Fund invests primarily in Chinese equities and is subject to the concentration and emerging market risks arising from exposures to investments in a single emerging market.
- Investing in the Fund may involve substantial market, volatility, regulatory and political risks. Investors may suffer substantial loss of their investments in the Fund.
- Investors should not invest in the Fund solely based on the information provided in this document and should read the Offering Circular of the Fund for details.

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

*a Hong Kong unit trust authorised under
section 104 of the Securities and Futures Ordinance
(Chapter 571 of the Laws of Hong Kong)*

(Stock Code: 820)

Voluntary Announcement

This is a voluntary announcement made by HSBC China Dragon Fund (the "Fund").

The following table demonstrates the performance of different asset classes of the Fund. "The Fund's A-share and other QFII investments" represents the indicative performance of the Fund's investments in China A-shares and other QFII (Qualified Foreign Institutional Investor) investments. "The Fund's non A-share and non QFII investments" represents the indicative performance of the Fund's other investments such as H-shares, red chips and B-shares. The relevant figures are gross of expenses performances calculated from internal sources and are for indicative purpose only. Returns would be lower once expenses are deducted. The performances of the indices are quoted for indicative comparison purpose only and the indices are not the benchmarks of the Fund.

	Calendar year performance ¹			Cumulative performance ²		
	2009 year-to-date	2008 full year	2007 since August 07 ³	6 months	1 year	Since August 07 ³
The Fund's A-share and other QFII investments (gross of expenses)	84.31%	-58.35%	33.53%	28.31%	102.03%	2.51%
<i>MSCI China A</i>	94.28%	-61.99%	20.96%	28.47%	94.23%	-10.69%
The Fund's non A-share and non QFII investments (gross of expenses)	68.89%	-55.17%	28.40%	26.02%	86.10%	-2.78%
<i>MSCI China</i>	61.88%	-51.12%	23.43%	22.45%	78.88%	-2.34%

The following table demonstrates the performance of the Fund as a whole. "Net asset value of the Fund" performance figures are net of expenses performance calculated according to the net asset value per unit of the Fund.

	Calendar year performance ¹			Cumulative performance ²		
	2009 year-to-date	2008 full year	2007 since August 07 ³	6 months	1 year	Since August 07 ³
Net asset value of the Fund (net of expenses)	74.03%	-57.82%	29.48%	26.08%	90.65%	-4.96%

As at 30 November 2009:

Net asset value per unit of the Fund:	HK\$9.38
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$8.10
Discount / Premium to net asset value:	13.65% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 November 2009 (the "Reference Date"). All performance figures are total return figures in Hong Kong dollars.

Performance figures of the Fund are calculated according to the value of the respective underlying assets of the Fund or the net asset value per unit of the Fund (as the case may be), and are not calculated according to the Fund's market price on the exchange. The Fund's market price on the Stock Exchange of Hong Kong may be different from its net asset value per unit.

Investment involves risk. Past performance information presented is not indicative of future performance. Please refer to the Offering Circular of the Fund for further details including the risk factors.

Note:

1. Calendar year performance is the gain or loss of the Fund throughout a particular year.
2. Cumulative performance is the gain or loss of the Fund over certain period of time up to the Reference Date.
3. Performance figures are calculated since 1 August 2007, being the first dealing day of the month following the launch of the Fund on 20 July 2007.

The Fund is a close-ended fund and no investor may demand redemption of their units.

The listing of the Fund on the Stock Exchange of Hong Kong does not guarantee a liquid market and the Fund may be delisted. The Fund's market price on the Stock Exchange of Hong Kong may be different from its net asset value per unit. Currency movement may affect the value of investments. Investment in emerging market involves higher risks. The Fund invests part of its assets in China A-shares, which are subject to specific risks and restrictions as disclosed in the Offering Circular. The Fund differs from a typical trust and investors should read the Offering Circular for details including the risk factors. The document has not been reviewed by the Securities and Futures Commission.

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
16 December 2009

As at the date of this announcement, the board of directors of the Manager is comprised as follows: The executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. CONXICOEUR, Patrice Pierre Henri, Ms. LAM, Po Yee and Mr. STOKES, Edmund Richard. The non-executive directors of the Manager are Mr. CHENG, Hoi Chuen, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FRIED, David Lawrence, Mr. LEECH, Paul Ernest, Mr. LEUNG, William Wing Cheung and Mr. McCOMBE, Mark Seumas.

IMPORTANT

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Investments involve risks. Investors are advised to consider their own investment objectives and circumstances in determining the suitability of an investment in the Fund. An investment in the Fund may not be suitable for everyone. If you are in any doubt about the contents of this document, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. Investors should note:

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- Investors should not invest in the Fund solely based on the information provided in this document and should read the Offering Circular of the Fund for details.

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

*a Hong Kong unit trust authorised under
section 104 of the Securities and Futures Ordinance
(Chapter 571 of the Laws of Hong Kong)*

(Stock Code: 820)

Voluntary Announcement – Change of investment manager

This is a voluntary announcement made by HSBC China Dragon Fund (the "Fund").

HSBC Global Asset Management (Hong Kong) Limited, the Manager of the Fund, is pleased to announce that Halbis Capital Management (Hong Kong) Limited, the Investment Adviser of the Fund, has appointed Ms Mandy Chan (Investment Director) to manage the investment of the Fund in the place of Mr. Richard Wong with effect from 1 January 2010. Ms Chan has 12 years of asset management experience. Ms Chan graduated with a Bachelor of Commerce degree in Finance from the University of British Columbia in Canada, and is a Certified Financial Analyst charterholder.

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
11 December 2009

As at the date of this announcement, the board of directors of the Manager is comprised as follows: The executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. CONXICOEUR, Patrice Pierre Henri, Ms. LAM, Po Yee and Mr. STOKES, Edmund Richard. The non-executive directors of the Manager are Mr. CHENG, Hoi Chuen, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FRIED, David Lawrence, Mr. LEECH, Paul Ernest, Mr. LEUNG, William Wing Cheung and Mr. McCOMBE, Mark Seumas.

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

(a Hong Kong unit trust authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))
(根據《證券及期貨條例》(香港法例第 571 章) 第 104 條獲認可之香港單位信託基金)
(Stock Code 股份代號 : 820)

30 November 2009

Dear Unitholders,

Letter to Existing Unitholders – Election of Means of Receipt and Language of Corporate Communications

The 2009 Interim Report (the “Document”) of HSBC China Dragon Fund (the “Fund”) has been prepared in English and Chinese. Copies prepared in the language different from those you have received are available from Computershare Hong Kong Investor Services Limited (the Fund’s Registrar) on request, or on the Fund’s website at www.assetmanagement.hsbc.com/hk-chinadragonfund for five (5) years from the date of first publication and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk.

You may at any time change your choice of language or means of receipt, free of charge, by completing the attached Change Request Form and returning it to the Fund’s Registrar. You may also send email with a scanned copy of this form to hsbcchinadragon.ecom@computershare.com.hk.

Should you have any queries relating to this letter, please call the enquiry hotline at (852) 2862 8688 during business hours (9:00 a.m. to 6:00 p.m., Mondays to Fridays).

Yours faithfully,

Dr. APENBRINK, Rudolf Eduard Walter

Director

For and on behalf of

HSBC Global Asset Management (Hong Kong) Limited
as manager of HSBC China Dragon Fund

各位單位持有人：

致現有單位持有人之函件 — 選擇收取公司通訊的方式及語文

滙豐中國翔龍基金(「本基金」) 2009 年中期報告(「該文件」) 備有英文及中文版。香港中央證券登記有限公司(本基金之過戶登記處) 在收到閣下的要求後，可提供閣下所收到的版本以外另一種語言編製的版本。有關文件亦將由首次刊載日期起計五(5) 年內刊載於本基金網站 www.assetmanagement.hsbc.com/hk-chinadragonfund 內，並於香港交易及結算所有限公司網站 www.hkexnews.hk 登載。

如閣下欲更改已選擇的語言版本及收取方式，可隨時填寫隨附的更改指示表格，費用全免，然後把表格寄交本基金的過戶登記處。你亦可把已填妥之變更申請表的掃描副本電郵到 hsbcchinadragon.ecom@computershare.com.hk。

若閣下對本函件有任何疑問，請於星期一至星期五早上九時至下午六時致電查詢熱線 (852) 2862 8688。

代表

滙豐環球投資管理(香港)有限公司
作為滙豐中國翔龍基金之經理人

董事

區邦彥博士

謹啟

2009 年 11 月 30 日

“Corporate Communications” refer to any documents issued or to be issued by the Fund for the information or action of the Unitholders, including but not limited to annual report, interim report, notice of meeting, listing document, circular and proxy form. 「公司通訊」指本基金發出或將予發出以供基金單位持有人參照或採取行動的任何文件，包括但不限於年報、中期報告、會議通告、上市文件、通函及委派代表書。

Change Request Form 變更申請表格

To: HSBC China Dragon Fund ("the Fund")
c/o Computershare Hong Kong Investor Services Limited
Rooms 1806-1807, 18th Floor,
Hopewell Centre, 183 Queen's Road East,
Wanchai, Hong Kong

致：滙豐中國翔龍基金(「本基金」)
經香港中央證券登記有限公司
香港灣仔皇后大道東183號
合和中心18樓1806-1807室

I/We have already received a printed copy of the Current Corporate Communications in Chinese/English or have chosen to read the Current Corporate Communications posted on the Fund's website:

本人/我們已收取本次公司通訊文件之英文/中文印刷本或已選擇瀏覽本基金網站所登載之本次公司通訊文件：

Part A – I/We would like to receive another printed version of the Current Corporate Communications of the Fund as indicated below:

甲部 本人/我們現在希望以下列方式收取 貴基金本次公司通訊文件之另一語言印刷本：

(Please mark **ONLY ONE (X)** of the following boxes 請從下列選擇中，僅在其中一個空格內劃上「X」號)

- ☐ I/We would like to receive a **printed copy in English** now.
本人/我們現在希望收取一份英文印刷本。
- ☐ I/We would like to receive a **printed copy in Chinese** now.
本人/我們現在希望收取一份中文印刷本。
- ☐ I/We would like to receive **both the printed English and Chinese copies** now.
本人/我們現在希望收取英文和中文各一份印刷本。

Part B – I/We would like to change the choice of language and means of receipt of future Corporate Communications of the Fund as indicated below:

乙部 本人/我們現在希望更改以下列方式收取 貴基金日後公司通訊文件之語言版本及收取途徑：

(Please mark **ONLY ONE (X)** of the following boxes 請從下列選擇中，僅在其中一個空格內劃上「X」號)

- ☐ read the **Website version** of all future Corporate Communications published on the Fund's website in place of receiving printed copies; **OR**
瀏覽在本基金網站發表之公司通訊網上版本，以代替印刷本；或
- ☐ to receive the printed **English version** of all future Corporate Communications **ONLY**; **OR**
僅收取本公司通訊之英文印刷本；或
- ☐ to receive the printed **Chinese version** of all future Corporate Communications **ONLY**; **OR**
僅收取本公司通訊之中文印刷本；或
- ☐ to receive both printed **English and Chinese versions** of all future Corporate Communications.
同時收取本公司通訊之英文及中文印刷本。

Name(s) of Unitholders[#]
基金單位持有人姓名[#]

Date
日期

(Please use **ENGLISH BLOCK LETTERS** 請用英文正楷填寫)

Address[#]
地址[#]

(Please use **ENGLISH BLOCK LETTERS** 請用英文正楷填寫)

Contact telephone number
聯絡電話號碼

Signature(s)
簽名

[#] You are required to fill in the details if you download this Change Request Form from the Fund's Website. 假如你從基金網站下載本變更申請表，請必須填上有關資料。

Notes / 附註：

- Please complete all your details clearly.
請 閣下清楚填妥所有資料。
- By selection to read the Website Version of the Corporate Communications published on the Fund's website in place of receiving printed copies, you have expressly consented to waive the right to receive the Corporate Communications in printed form, including the right to receive notice of meeting by post or delivery at your address pursuant to the trust deed constituting the Fund.
在選擇瀏覽在本基金網站發表之公司通訊網上版本以代替收取印刷本後，閣下已明示同意放棄收取公司通訊印刷本的權利，包括根據成立本基金的信託契據以郵寄或送遞予閣下之地址的方式收取大會通告之權利。
- If your units are held in joint names, the Unitholder whose name stands first on the register of members of the Fund in respect of the joint holding should sign on this Change Request Form in order to be valid.
如屬聯名基金單位持有人，則本變更申請表須由該名於基金單位持有人名冊上就聯名持有基金單位其姓名位列首位的基金單位持有人簽署，方為有效。
- The above instruction will apply to all future Corporate Communications to be sent to Unitholders of the Fund until you notify otherwise by reasonable notice in writing to the Fund's Registrar, Computershare Hong Kong Investor Services Limited, Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or by email to hsbcchinadragon.ecom@computershare.com.hk.
上述指示適用於將來寄發予本基金單位持有人之所有公司通訊，直至閣下發出合理書面通知予本基金之過戶登記處香港中央證券登記有限公司地址為香港灣仔皇后大道東183號合和中心18樓1806-1807室或以電郵方式發送通知hsbcchinadragon.ecom@computershare.com.hk另作選擇為止。
- All Future Corporate Communications in both printed English and Chinese versions will be available for inspection from the Fund's Registrar upon request.
本基金之過戶登記處將備有所有公司通訊之英、中文印刷本以供索閱。
- The unitholders are entitled to change the choice of means of receipt or language of the Fund's Corporate Communications at any time by reasonable notice in writing to the Fund's Registrar.
基金單位持有人有權隨時發出合理書面通知本基金之過戶登記處，要求更改收取公司通訊之語言版本及方式。
- Any form with more than one box marked (X), with no box marked (X), with no signature or otherwise incorrectly completed will be void.
如在本表格作出超過一項選擇、或未有作出選擇、或未有簽署、或在其他方面填寫不正確，則本表格將會作廢。
- For the avoidance of doubt, we do not accept any special instructions written on this Request Form.
為免存疑，任何在本申請表格上的額外手寫指示，本公司將不予處理。

閣下寄回此變更申請表格時，請將郵寄
標籤剪貼於信封上。

如在本港投寄毋須貼上郵票。

Please cut the mailing label and stick this on
the envelope to return this Change Request Form to us.
No postage stamp necessary if posted in Hong Kong.

郵寄標籤 MAILING LABEL

香港中央證券登記有限公司
Computershare Hong Kong Investor Services Limited
簡便回郵號碼 Freepost No. 37
香港 Hong Kong

HSBC CHINA DRAGON FUND
滙豐中國翔龍基金

(a Hong Kong unit trust authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))
(根據《證券及期貨條例》(香港法例第 571 章) 第 104 條獲認可之香港單位信託基金)
(Stock Code 股份代號 : 820)

30 November 2009

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Letter to Existing Unitholders – Election of Means of Receipt and Language of Corporate Communications

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Should you have any queries relating to this letter, please call the enquiry hotline at (852) 2862 8688 during business hours (9:00 a.m. to 6:00 p.m., Mondays to Fridays).

Yours faithfully,
Dr. APENBRINK, Rudolf Eduard Walter
Director
For and on behalf of
HSBC Global Asset Management (Hong Kong) Limited
as manager of HSBC China Dragon Fund

各位單位持有人：

致現有單位持有人之函件 — 選擇收取公司通訊的方式及語文

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如閣下欲更改已選擇的語言版本及收取方式，可隨時填寫隨附的更改指示表格，費用全免，然後把表格寄交本基金的過戶登記處。你亦可把已填妥之變更申請表的掃描副本電郵到 hsbcchinadragon.ecom@computershare.com.hk。

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代表
滙豐環球投資管理(香港)有限公司
作為滙豐中國翔龍基金之經理人
董事
區邦彥博士
謹啟

2009 年 11 月 30 日

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Change Request Form 變更申請表格

To: HSBC China Dragon Fund ("the Fund")
c/o Computershare Hong Kong Investor Services Limited
Rooms 1806-1807, 18th Floor,
Hopewell Centre, 183 Queen's Road East,
Wanchai, Hong Kong

致：滙豐中國翔龍基金(「本基金」)
經香港中央證券登記有限公司
香港灣仔皇后大道東183號
合和中心18樓1806-1807室

I/We have already received a printed copy of the Current Corporate Communications in Chinese/English or have chosen to read the Current Corporate Communications posted on the Fund's website:
本人/我們已收取本次公司通訊文件之英文/中文印刷本或已選擇瀏覽本基金網站所登載之本次公司通訊文件：

Part A – I/We would like to receive another printed version of the Current Corporate Communications of the Fund as indicated below:

甲 部 本人/我們現在希望以下列方式收取 貴基金本次公司通訊文件之另一語言印刷本：

(Please mark **ONLY ONE (X)** of the following boxes 請從下列選擇中，僅在其中一個空格內劃上「X」號)

- ☐ I/We would like to receive a **printed copy in English** now.
本人/我們現在希望收取一份英文印刷本。
- ☐ I/We would like to receive a **printed copy in Chinese** now.
本人/我們現在希望收取一份中文印刷本。
- ☐ I/We would like to receive **both the printed English and Chinese copies** now.
本人/我們現在希望收取英文和中文各一份印刷本。

Part B – I/We would like to change the choice of language and means of receipt of future Corporate Communications of the Fund as indicated below:

乙 部 本人/我們現在希望更改以下列方式收取 貴基金日後公司通訊文件之語言版本及收取途徑：

(Please mark **ONLY ONE (X)** of the following boxes 請從下列選擇中，僅在其中一個空格內劃上「X」號)

- ☐ read the **Website version** of all future Corporate Communications published on the Fund's website in place of receiving printed copies; **OR**
瀏覽在本基金網站發表之公司通訊網上版本，以代替印刷本；或
- ☐ to receive the printed **English version** of all future Corporate Communications **ONLY**; **OR**
僅收取本公司通訊之英文印刷本；或
- ☐ to receive the printed **Chinese version** of all future Corporate Communications **ONLY**; **OR**
僅收取本公司通訊之中文印刷本；或
- ☐ to receive both printed **English and Chinese versions** of all future Corporate Communications.
同時收取本公司通訊之英文及中文印刷本。

Name(s) of Unitholders[#]
基金單位持有人姓名[#]

Date
日期

(Please use **ENGLISH BLOCK LETTERS** 請用英文正楷填寫)

Address[#]
地址[#]

(Please use **ENGLISH BLOCK LETTERS** 請用英文正楷填寫)

Contact telephone number
聯絡電話號碼

Signature(s)
簽名

[#] You are required to fill in the details if you download this Change Request Form from the Fund's Website. 假如你從基金網站下載本變更申請表，請必須填上有關資料。
Notes / 附註：

- Please complete all your details clearly.
請 閣下清楚填妥所有資料。
- By selection to read the Website Version of the Corporate Communications published on the Fund's website in place of receiving printed copies, you have expressly consented to waive the right to receive the Corporate Communications in printed form, including the right to receive notice of meeting by post or delivery at your address pursuant to the trust deed constituting the Fund.
在選擇瀏覽在本基金網站發表之公司通訊網上版本以代替收取印刷本後，閣下已明示同意放棄收取公司通訊印刷本的權利，包括根據成立本基金的信託契據以郵寄或送遞予閣下之地址的方式收取大會通告之權利。
- If your units are held in joint names, the Unitholder whose name stands first on the register of members of the Fund in respect of the joint holding should sign on this Change Request Form in order to be valid.
如屬聯名基金單位持有人，則本變更申請表須由該名於基金單位持有人名冊上就聯名持有基金單位其姓名位列首位的基金單位持有人簽署，方為有效。
- The above instruction will apply to all future Corporate Communications to be sent to Unitholders of the Fund until you notify otherwise by reasonable notice in writing to the Fund's Registrar, Computershare Hong Kong Investor Services Limited, Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or by email to hsbcchinadragon.ecom@computershare.com.hk.
上述指示適用於將來寄發予本基金單位持有人之所有公司通訊，直至閣下發出合理書面通知予本基金之過戶登記處香港中央證券登記有限公司地址為香港灣仔皇后大道東183號合和中心18樓1806-1807室或以電郵方式發送通知hsbcchinadragon.ecom@computershare.com.hk另作選擇為止。
- All Future Corporate Communications in both printed English and Chinese versions will be available for inspection from the Fund's Registrar upon request.
本基金之過戶登記處將備有所有公司通訊之英、中文印刷本以供索閱。
- The unitholders are entitled to change the choice of means of receipt or language of the Fund's Corporate Communications at any time by reasonable notice in writing to the Fund's Registrar.
基金單位持有人有權隨時發出合理書面通知本基金之過戶登記處，要求更改收取公司通訊之語言版本及方式。
- Any form with more than one box marked (X), with no box marked (X), with no signature or otherwise incorrectly completed will be void.
如在本表格作出超過一項選擇、或未有作出選擇、或未有簽署、或在其他方面填寫不正確，則本表格將會作廢。
- For the avoidance of doubt, we do not accept any special instructions written on this Request Form.
為免存疑，任何在本申請表格上的額外手寫指示，本公司將不予處理。

閣下寄回此變更申請表格時，請將郵寄
標籤剪貼於信封上。

如在本港投寄毋須貼上郵票。

Please cut the mailing label and stick this on
the envelope to return this Change Request Form to us.
No postage stamp necessary if posted in Hong Kong.

郵寄標籤 MAILING LABEL

香港中央證券登記有限公司
Computershare Hong Kong Investor Services Limited
簡便回郵號碼 Freepost No. 37
香港 Hong Kong

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

(a Hong Kong unit trust authorised under section 104 of the Securities and Futures Ordinance
(Chapter 571 of the Laws of Hong Kong))
(stock code: 820)

Managed by
HSBC Global Asset Management (Hong Kong) Limited

2009 INTERIM RESULTS ANNOUNCEMENT

HSBC China Dragon Fund (the “Fund”) is a unit trust constituted by the Trust Deed dated 20 June 2007 (as amended) governed by the laws of Hong Kong. The Manager of the Fund is HSBC Global Asset Management (Hong Kong) Limited.

The board of directors of the Manager is pleased to announce the interim results of the Fund for the period from 1 April 2009 to 30 September 2009.

The interim results of the Fund for the period from 1 April 2009 to 30 September 2009 have been reviewed by the Fund’s Manager and Trustee. This interim results announcement of the Fund is based on the unaudited interim report of the Fund for the period from 1 April 2009 to 30 September 2009.

Investment Adviser’s Report

Review

In the second quarter of 2009, the H-share and MSCI China index rallied 35.8% and 33.3% respectively, as investors gained confidence following the release of stronger-than-expected macro data. The pick up in economic activities in China and additional measures to stimulate consumption and boost investment helped raise investors’ hopes that the market had finally bottomed. China’s Purchasing Managers’ Index registered 53.2 in June, staying above 50 for the fourth consecutive month, indicating that economic activities will continue to expand. Following the RMB 4-trillion stimulus package and sharp interest rate reductions last year, China announced more measures to boost domestic consumption, such as subsidies to replace old cars and household appliances. Premier Wen Jiabao further encouraged the market after he announced that more stimulus policies were likely to be implemented this year.

In the third quarter of 2009, the H-share and MSCI China index rallied 8.2% and 7.3% respectively on better-than-expected interim results and economic data. The surprisingly strong 7.9% GDP growth in the second-quarter of 2009 further boosted investor confidence in China’s recovery. The revival of investment growth in the private sector, such as property, was also encouraging.

Outlook

The fund manager remains positive on the China market; he expects the rise in consumption and private investment, as well as the stabilisation in the export sector, to drive GDP growth.

With stronger economic growth going into the second half of 2009, the fund manager expects more upward earnings revisions, which should further support market upside. As at late September, consensus earnings growth forecast for MSCI China was revised to 13.8% year-on-year for all of 2009, and 20.3% year-on-year for all of 2010 respectively.

The fund manager believes recent concerns of credit tightening in China are premature as economic recovery, especially in the private sector, is still at an early stage and the country continues to experience deflation.

However, the large supply of IPOs could hurt market liquidity in the short term, and increasing trade protectionism is also a concern. The risk of trade protectionism is rising as governments in developed economies attempt to protect their economies already affected by high unemployment and weak demand. Fears of a trade war between China and the US have also intensified. The US Commerce Department recently launched an inquiry into Chinese-made steel pipes, in an investigation that could lead to a near 100% tariff on imported steel pipes from China. That development came less than a month after the US imposed punitive duties on Chinese-made tyres, a move that China denounced.

Overall, the fund manager remains positive on China's outlook as government policies have been effective in driving investment and consumption to support economic growth.

Interim statement of assets and liabilities (unaudited)

As at 30 September 2009

	Note	30 September 2009 (Unaudited) HK\$	31 March 2009 (Audited) HK\$
Assets			
Investments	6	2,968,224,660	2,213,433,658
Dividend receivables		1,904,653	—
Interest and other receivables		2,398,558	2,395,952
Amounts due from brokers		3,066,508	73,869,889
Cash and cash equivalents		91,792,940	85,811,063
Total assets		3,067,387,319	2,375,510,562
Liabilities			
Taxation	5	39,762,194	30,104,377
Amounts due to brokers		8,657,109	59,867,991
Accrued expenses and other payables		4,339,148	3,584,762

Total liabilities (excluding net assets attributable to unitholders)		52,758,451	93,557,130
		<u>-----</u>	<u>-----</u>
Net assets attributable to unitholders		3,014,628,868	2,281,953,432
		<u>-----</u>	<u>-----</u>
Number of units in issue	9	371,910,000	371,910,000
		<u>-----</u>	<u>-----</u>
Net asset value per unit		8.11	6.14
		<u>-----</u>	<u>-----</u>

Interim statement of comprehensive income (unaudited)

For the period ended 30 September 2009

	Note	Period from 1 April 2009 to 30 September 2009 (Unaudited) HK\$	Period from 1 April 2008 to 30 September 2008 (Unaudited) HK\$
Dividend income		40,990,506	40,151,844
Interest income	7(d)	261,224	327,147
Gains on investments	4	996,301,500	294,406,869
Losses on investments	4	(257,620,387)	(1,457,909,111)
Net foreign exchange (loss)/gain		(22,298)	853,884
		<u>-----</u>	<u>-----</u>
Net investment income/(loss)		779,910,545	(1,122,169,367)
		<u>-----</u>	<u>-----</u>
Expenses			
Management fee	7(a)	(21,696,038)	(22,986,866)
Transaction costs	7(e)	(8,540,060)	(9,963,974)
Trustee's fee	7(b)	(1,556,055)	(1,641,409)
Custodian fee	7(c)	(836,363)	(963,886)
Auditors' remuneration		(134,347)	(179,832)
Other operating expenses		(913,508)	(500,797)
		<u>-----</u>	<u>-----</u>
Operating expenses		(33,676,371)	(36,236,764)
		<u>-----</u>	<u>-----</u>
Changes in net assets attributable to unitholders before taxation		746,234,174	(1,158,406,131)
Taxation	5	(13,558,738)	(2,479,425)
		<u>-----</u>	<u>-----</u>
Profits/(losses) and total comprehensive income/(loss) for the period		732,675,436	(1,160,885,556)
		<u>-----</u>	<u>-----</u>

Interim statement of changes in net assets attributable to unitholders (unaudited)

For the period ended 30 September 2009

	Period from 1 April 2009 to 30 September 2009 (Unaudited) HK\$	Period from 1 April 2008 to 30 September 2008 (Unaudited) HK\$
Net assets attributable to unitholders, beginning of period	2,281,953,432	3,370,192,394
Profits/(losses) and total comprehensive income/(loss) for the period	732,675,436	(1,160,885,556)
Net assets attributable to unitholders, end of period	3,014,628,868	2,209,306,838

Interim cash flow statement (unaudited)

For the period ended 30 September 2009

	Period from 1 April 2009 to 30 September 2009 (Unaudited) HK\$	Period from 1 April 2008 to 30 September 2008 (Unaudited) HK\$
Operating activities		
Interest received	261,224	392,319
Dividends received	39,085,853	38,316,315
Management fee paid	(20,730,123)	(24,447,466)
Trustee's fees paid	(1,499,909)	(1,766,162)
Other operating expenses paid	(14,617,778)	(10,399,880)
Net cash generated from operating activities	2,499,267	2,095,126
Investing activities		
Proceeds from sales of investments	1,721,650,227	1,569,437,834
Payments on purchases of investments	(1,718,167,617)	(1,635,131,990)
Net cash generated from/(used in) investing activities	3,482,610	(65,694,156)
Net increase/(decrease) in cash and cash equivalents	5,981,877	(63,599,030)

Cash and cash equivalents at the beginning of the period	85,811,063	169,925,839
Cash and cash equivalents at the end of the period	91,792,940	106,326,809

Notes on the unaudited interim financial statements

1. Background

HSBC China Dragon Fund (“the Fund”) is a closed-end unit trust governed by its Trust Deed dated 20 June 2007 (“the Trust Deed”), as amended. The Fund is authorized by the Hong Kong Securities and Futures Commission (“the SFC”) under Section 104 of the Hong Kong Securities and Futures Ordinance. The Fund is also listed on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) (a subsidiary of the Hong Kong Exchanges and Clearing Limited). The period fixed for the duration of the Fund is eighty years after the date of inception.

The investment objective of the Fund is to achieve long-term capital growth by investing primarily in listed companies established or operating in the People’s Republic of China (PRC) or listed companies that are positioned to benefit from the strong economic growth potential and promising investment opportunities in the PRC, including but not limited to A Shares, B Shares, H Shares and shares issued by Red Chip Companies and other companies which carry out a significant proportion of their business activities in the PRC.

Under the prevailing regulations in the PRC, foreign investors can invest in the PRC A-Share market through institutions that have obtained qualified foreign institutional investor (QFII) status in the PRC. The Fund itself is not a QFII, but may invest directly in A Shares via the US\$200 million QFII investment quota obtained by the Manager.

2. Significant accounting policies

(a) Statement of compliance

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

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2009, except for the accounting policy changes that are expected to be reflected in the 2009 interim financial statements.

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

The interim financial statements are unaudited, but has been reviewed in accordance with Hong Kong Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”, issued by the HKICPA.

The financial information relating to the financial year ended 31 March 2009 that is included in the interim financial statements as being previously reported information does not constitute the Fund's statutory financial statements for that financial year but is derived from those financial statements. The auditors have expressed an unqualified opinion on the financial statements for the year ended 31 March 2009 in their report dated 21 July 2009.

(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 units of the Fund are issued in Hong Kong dollars.

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

The preparation of 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 and 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 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.

(c) Financial instruments

(i) Classification

The Fund designated all its equity investments into the financial assets at fair value through profit or loss category upon initial recognition.

Financial instruments are designated at fair value through profit or loss upon initial recognition when:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or
- the separation of the embedded derivative(s) from the financial instrument is not prohibited.

Financial assets that are classified as receivables include amounts due from brokers, interest receivables and other receivables, and dividend receivables.

Financial liabilities that are not at fair value through profit or loss include amounts due to brokers, accrued expenses 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 and financial liabilities 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 obligation 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 financial 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 the statement of comprehensive income.

Financial assets classified as receivables are carried at amortised cost using the effective interest rate method less impairment loss, 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.

Upon termination of the Fund, all net cash proceeds derived from the sale or realisation of the Fund less any liabilities will be shared among the unitholders at the value proportionate to the unitholders' interest in the Fund at the date of termination. The unitholders' funds are therefore classified as a financial liability other than equity in accordance with HKAS 32. It is shown on the statement of assets and liabilities as the "net assets attributable to unitholders".

(iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices 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/ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

Gains and losses on investments are included in the statement of comprehensive income. Realised gains and losses include net gains or losses on contracts which have been settled or for which offsetting contracts have been entered into.

(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 the statement of comprehensive income 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 the statement of comprehensive income.

(vi) Derecognition

A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership have been transferred.

Assets held for trading that are sold are derecognised and corresponding receivables from the brokers are recognised as of the date the Fund commits to sell the assets.

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

The Fund uses the weighted average method to determine realised gains and losses to be recognised in profit or loss on derecognition.

(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 set off the recognised amounts and there is an intention to settle on a net basis, or simultaneously, e.g. through a market mechanism.

(viii) Cash and cash equivalents

Cash and cash equivalents comprise 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.

(d) 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 the statement of comprehensive income as follows:

Interest income

Interest income is recognised in the statement of comprehensive income as it accrues, by using the effective interest rate method. Interest income on bank deposits is disclosed separately on the face of the statement of comprehensive income. Interest income on debt securities is included in gains on investments.

Dividend income

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend. Dividends from other investments are recognised in the statement of comprehensive income 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.

(e) Expenses

All expenses are recognised in the statement of comprehensive income on an accruals basis.

(f) Taxation

Taxation comprises current tax and deferred tax. Current tax and movements in deferred tax assets and liabilities are recognised in the statement of comprehensive income.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the date of statement of assets and liabilities.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

(g) Translation of foreign currency

Foreign currency transactions during the period are translated into Hong Kong dollars at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the foreign exchange rates ruling at the date of statement of assets and liabilities. Exchange gains and losses are recognised in the statement of comprehensive income.

(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 an associate of the Fund;
- (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

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

(j) 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 (loss)/gain* 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.

3. Changes in accounting policies

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Fund. Of these, HKAS 1 (revised 2007), *Presentation of financial statements* and Amendment and HKFRS 7, *Financial instruments: Disclosures: improving disclosures about financial instruments* are relevant to the Fund's financial statements.

The impact of these developments is as follows:

- As a result of the adoption of HKAS 1 (revised 2007), details of net assets attributable to unitholders during the period arising from transactions with unitholders in their capacity as such have been presented separately from all other income and expenses in a statement of net assets attributable to unitholders. All other items of income and expense are presented in the income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the statement of comprehensive income. The new format for the statement of comprehensive income and the statement of changes in net assets attributable to unitholders has been adopted in this interim financial report. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.
- As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures in note 11 about the fair value measurement of the Fund's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Fund has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

The Fund has not applied any new standard or Interpretation that is not yet effective for the current accounting period (see note 12).

4. Gains and losses on investments

	Period from 1 April 2009 to 30 September 2009 HK\$	Period from 1 April 2008 to 30 September 2008 HK\$
Realised gains	238,775,242	95,484,605
Unrealised gains	757,526,258	198,922,264
	<hr/>	<hr/>
Total gains on investments	996,301,500	294,406,869
	<hr/>	<hr/>
Realised losses	(123,671,339)	(560,911,852)
Unrealised losses	(133,949,048)	(896,997,259)
	<hr/>	<hr/>
Total losses on investments	(257,620,387)	(1,457,909,111)
	<hr/>	<hr/>
Net gains/(losses) on investments	738,681,113	(1,163,502,242)
	<hr/>	<hr/>

Gains and losses presented above exclude dividend income.

5. Taxation

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.

Under the current general provisions of the PRC Corporate Income Tax Law and published tax circulars, the Fund would be subject to PRC withholding tax at the rate of 10% in respect of its PRC sourced income earned, including capital gains realised on the sale of PRC listed companies, dividend income derived from PRC listed companies and interest income earned in respect of PRC bank deposits and corporate bonds. This withholding taxation basis should apply as it is intended that the Fund would be managed and operated in such a manner that it would not be considered a tax resident enterprise in China or otherwise as having a taxable permanent establishment in the PRC. The 10% withholding tax rate may be further reduced under an applicable tax treaty which the PRC has entered into with the jurisdiction in which the beneficial owner of the relevant income is a resident. However, in the Fund's case, as the beneficial owners of the Fund may be difficult to identify precisely to the satisfaction of the PRC tax authorities, any preferential tax treatment under an applicable tax treaty/tax arrangement would unlikely to be applied. On this basis, the 10% withholding tax rate would likely be applicable in respect of the Fund's PRC sourced income derived.

The Offering Circular of the Fund gives the Manager the right to provide for withholding tax on such gains or income and withhold the tax for the account of the Fund. On the basis of the available information, the Manager has determined that it is appropriate to provide for PRC taxation at the withholding tax rate of 10% on realised gains on A-shares, dividend income from A, B and H shares and interest income from PRC bank deposits in the financial statements.

Taxation in the statement of comprehensive income represents:

	Period from 1 April 2009 to 30 September 2009 HK\$	Period from 1 April 2008 to 30 September 2008 HK\$
PRC dividend and interest income withholding tax	4,368,148	—
PRC capital gains tax	9,190,590	2,479,425
	<u>13,558,738</u>	<u>2,479,425</u>

6. Investments

	As at 30 September 2009 HK\$	As at 31 March 2009 HK\$
Listed equity securities		
– in Hong Kong	1,530,632,334	1,022,131,374
– outside Hong Kong	1,437,592,326	1,188,857,157
	<u>2,968,224,660</u>	<u>2,210,988,531</u>

Listed bonds		
– outside Hong Kong	–	2,445,127
	<u>2,968,224,660</u>	<u>2,213,433,658</u>
Investments, at cost	2,659,967,085	2,528,753,293
Net unrealised appreciation/(depreciation) in value of investments	<u>308,257,575</u>	<u>(315,319,635)</u>
Investments, at market value	<u>2,968,224,660</u>	<u>2,213,433,658</u>

7. Related parties transactions

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

(a) Management fee

The fee payable to the Manager is calculated at the rate of 1.5% per annum of the net asset value of the Fund payable monthly in arrears. Any fees payable to the Investment Adviser should be borne by the Manager. The management fee charged by the Fund in respect of the period and payable at the end of the period amounted to \$21,696,038 (for the period from 1 April 2008 to 30 September 2008: \$22,986,866) and \$3,780,559 (as at 31 March 2009: \$2,814,644) respectively.

The Fund has invested directly in A Shares via the US\$200 million QFII investment quota obtained by the Manager.

(b) Trustee's fee

The fee payable to the Trustee is calculated at the rate of 0.125% per annum for the first \$390 million of the net asset value, and 0.1% per annum thereafter. The trustee fee is accrued daily and payable in arrears on a monthly basis. The trustee fee charged by the Fund in respect of the period and payable at the end of the period amounted to \$1,556,055 (for the period from 1 April 2008 to 30 September 2008: \$1,641,409) and \$296,485 (as at 31 March 2009: \$240,339) respectively.

(c) Custodian fee

The custodian fee is calculated at the rate of 0.1% per annum of the net asset value of the assets held by the QFII custodian as determined by the QFII custodian (based on the actual number of calendar days in a year). The custodian fee charged by the Fund in respect of the period and payable at the end of the period amounted to \$836,363 (for the period from 1 April 2008 to 30 September 2008: \$963,886) and \$12,090 (as at 31 March 2009: \$31,362) respectively.

(d) Bank balances

Bank balances are maintained with the Trustee. The bank balances held with the Trustee as at 30 September 2009 amounted to \$33,423,679 (as at 31 March 2009: \$58,732,645). During the period, interest earned on the above bank balances was nil (for the period from 1 April 2008 to 30 September 2008: \$71,453).

(e) In its purchases and sales of investments, the 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 this company are as follows:

	The Hongkong and Shanghai Banking Corporation Limited	
	Period from 1 April 2009 to 30 September 2009 HK\$	Period from 1 April 2008 to 30 September 2008 HK\$
Commission paid for the period	156,303	1,683
Average rate of commission	0.19%	0.20%
Total aggregate value of such transactions for the period	81,812,167	841,457
Percentage of such transactions in value to total transactions for the period	<u>2.47%</u>	<u>0.03%</u>

8. Soft dollar practices

The Manager, the Investment Adviser or any of its connected persons may effect transactions by or through the agency of another person (or person connected with him) with whom it has an arrangement under which that party will from time to time provide it with or procure for it goods, services or other benefits (such as research and advisory services, portfolio analysis or computer hardware and software incidental to such goods or services) the nature of which is such that their provision is of demonstrable benefit to the unitholders as a whole and for which no direct payment is made but instead the Manager, the Investment Adviser or any of its connected persons undertake to place business with that party. For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

9. Units in issue

	As at 30 September 2009	As at 30 September 2008
Number of units in issue carried forward	<u>371,910,000</u>	<u>371,910,000</u>

The Fund is a closed-end unit trust. There was no subscription and redemption of units during the period.

10. Financial instruments and associated risks

The Fund maintains investment portfolio in a variety of listed financial instruments as dictated by its investment management strategy. The investment objective of the Fund is to achieve long-term capital growth by investing primarily in listed companies established or operating in the PRC or listed companies that are positioned to benefit from the strong economic growth potential and promising investment opportunities in the PRC, including but not limited to A Shares, B Shares, H Shares and shares issued by Red Chip Companies and other companies which carry out a significant proportion of their business activities in the PRC. The risk exposures inherent in the Fund as at 30 September 2009 are summarised below.

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. Investors should note that additional information in respect of risks associated with investment in the Fund can be found in the Fund's offering document.

During the period, the Manager invested in financial instruments which the Manager considered are commensurate with the risk level of the Fund in accordance with its investment objective.

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

(a) *Market risk*

(i) 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 of equity instruments. Price risk is managed by a diversified portfolio of investments across different industries in accordance with the investment objective of the Fund.

Price sensitivity

The impact on a 5% increase in value of the investments at 30 September 2009, with all other variables held constant, is shown below. An equal change in the opposite direction would have reduced the net assets value by an equal but opposite amount. The analysis is performed on same basis for 31 March 2009.

As at 30 September 2009

	Market exposures HK\$	Change in net assets if investment value increased by 5% HK\$
Investment assets		
Listed equity investments:		
– in Hong Kong	1,530,632,334	76,531,617
– outside Hong Kong	1,437,592,326	71,879,616
	<u>2,968,224,660</u>	<u>148,411,233</u>

As at 31 March 2009

	Market exposures HK\$	Change in net assets if investment value increased by 5% HK\$
Investment assets		
Listed equity investments:		
– in Hong Kong	1,022,131,374	51,106,569
– outside Hong Kong	1,188,857,157	59,442,858
	<u>2,210,988,531</u>	<u>110,549,427</u>

(ii) Interest rate risk

Interest rate risk arises from change in interest rates which may inversely 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 in accordance with policies and procedures in place.

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

30 September 2009

	1 year or less HK\$	Non-interest bearing HK\$	Total HK\$
Assets			
Investments	–	2,968,224,660	2,968,224,660
Dividend receivables	–	1,904,653	1,904,653
Interest and other receivables	–	2,398,558	2,398,558
Amounts due from brokers	–	3,066,508	3,066,508
Cash and cash equivalents	58,369,261	33,423,679	91,792,940
Total assets	58,369,261	3,009,018,058	3,067,387,319
Liabilities			
Taxation	–	(39,762,194)	(39,762,194)
Amounts due to brokers	–	(8,657,109)	(8,657,109)
Accrued expenses and other payables	–	(4,339,148)	(4,339,148)
Total liabilities	–	(52,758,451)	(52,758,451)
Total interest sensitivity gap	58,369,261		

31 March 2009

	1 year or less HK\$	Over 5 years HK\$	Non-interest bearing HK\$	Total HK\$
Assets				
Investments	–	2,445,127	2,210,988,531	2,213,433,658
Interest and other receivables	–	–	2,395,952	2,395,952
Amount due from brokers	–	–	73,869,889	73,869,889
Cash and cash equivalents	85,811,063	–	–	85,811,063
Total assets	85,811,063	2,445,127	2,287,254,372	2,375,510,562
Liabilities				
Taxation	–	–	(30,104,377)	(30,104,377)
Amounts due to brokers	–	–	(59,867,991)	(59,867,991)
Accrued expenses and other payables	–	–	(3,584,762)	(3,584,762)
Total liabilities	–	–	(93,557,130)	(93,557,130)
Total interest sensitivity gap	85,811,063	2,445,127		

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 rates of 50 basis points would result in an increase in the net assets attributable to unitholders and changes in net assets attributable to unitholders from operation of the Fund by \$303,839 (31 March 2009: \$410,391); 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 31 March 2009.

(iii) 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 dollars.

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

As at 30 September 2009

At 30 September 2009, had the following exposures in Hong Kong dollars ("HKD") weakened by 5% in relation to all currencies, with all other variables held constant, net assets attributable to unitholders and the change in net assets attributable to unitholders from operations would have increased by the amounts shown below. The analysis is performed on the same basis for period ended 30 September 2008.

Currencies	Net exposures	Changes in net assets if HKD weakened by 5%
Renminbi	<u>1,350,634,126</u>	<u>67,531,706</u>

As at 31 March 2009

Currencies	Net exposures	Changes in net assets if HKD weakened by 5%
Renminbi	<u>1,129,010,192</u>	<u>56,450,510</u>

As the HKD is pegged to the United States dollars (“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.

(b) 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 30 September 2009, all of the Fund’s financial assets were exposed to credit risk. These include investments and cash and cash equivalents placed with banks and Bank of Communications Co., Ltd (the “QFII Custodian”).

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

Substantially all of the assets of the Fund are held by the Trustee or the QFII Custodian. Bankruptcy or insolvency of the Trustee or the QFII Custodian may cause the Fund’s rights with respect to securities held by the Trustee or the QFII Custodian to be delayed or limited.

The majority of the cash held by the Fund is deposited with Bank of Communications Co., Ltd and The Hongkong and Shanghai Banking Corporation Limited (the “banks”). Bankruptcy or insolvency of the banks may cause the Fund’s rights with respect to the cash held by the banks to be delayed or limited. The Fund monitors the credit rating of the banks on an ongoing basis.

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

At both 30 September 2009 and 31 March 2009, there were no significant concentrations of credit risk to counterparties except to the Trustee and the QFII Custodian.

(c) 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’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 equity investments are considered to be readily realisable under normal market condition as they are all listed on stock exchanges in Hong Kong or the PRC.

As at 30 September 2009 and 31 March 2009, the Fund’s financial liabilities are due within three months except for redemptions payable which is repayable on demand.

11. Fair value information

The major methods and assumptions used in estimating the fair values of financial instruments were disclosed in note 2(c)(iv).

The carrying amounts of all the financial assets and financial liabilities at the date of statement of assets and liabilities approximated their fair values. For listed investments, the fair values were determined directly, in full or in part, by reference to published price quotations. Unlisted investments are stated at fair values estimated by the Manager. For other financial instruments, including amounts due from/to brokers, other account receivables and accounts payables, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the date of statement of assets and liabilities across the three levels of the 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 this is the significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

As at 30 September 2009

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Equity securities:				
– Listed	2,968,225	–	–	2,968,225

12. Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 30 September 2009

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the period ended 30 September 2009 and which have not been adopted in these financial statements.

Of these developments, the following relates to matters that may be relevant to the Fund's operations and financial statements:

**Effective for
accounting periods
beginning on or after**

Improvements to HKFRSs 2009

1 July 2009
or 1 January 2010

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.

Investment portfolio (unaudited)

As at 30 September 2009

<i>HSBC China Dragon Fund</i>			
<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets</i>	
Equities			
Listed investments			
The People's Republic of China			
Anhui Conch Cement Co Ltd - A Share	285,700	13,944,254	0.46
Beijing Wangfujing Department Store Co Ltd - A Share	1,132,243	41,086,475	1.36
Chengdu B-Ray Media Co Ltd - A Share	2,417,381	54,849,731	1.82
China Animal Husbandry Ind Co Ltd - A Share	1,295,600	27,896,831	0.93
China Merchants Bank Co Ltd - A Share	5,443,620	91,260,931	3.03
China Merchants Property Development Co Ltd	1,332,900	37,822,844	1.25
China Minsheng Banking Corp Ltd - A Share	3,187,000	24,381,395	0.81
Citic Securities Co Ltd - A Share	978,200	27,768,854	0.92
Faw Car Co Ltd - A Share	1,650,714	31,908,257	1.06
Fujian Dongbai (Group) Co Ltd - A Share	1,465,720	13,359,283	0.44
Gree Electric Appliances Inc - A Share	2,449,080	60,600,480	2.01
Hangzhou Steam Turbine Co - B Share	2,729,991	35,298,784	1.17
Harbin Pharm Group Co Ltd - A Share	3,285,500	60,003,159	1.99
Henan Hanwei Electronics Co Ltd - A Share	500	15,323	—
Jiangsu Hengbao Co Ltd - A Share	2,256,832	24,719,697	0.83
Kweichow Moutai Co Ltd - A Share	73,715	13,783,882	0.46
Nanfang Ventilator Co Ltd - A Share	500	12,991	—
Offshore Oil Engineering Co Ltd - A Share	2,076,462	25,265,935	0.84
Ping An Insurance Group Co - A Share	1,616,300	92,940,233	3.08
Shandong Gold Mining Co Ltd - A Share	217,932	14,599,461	0.48

HSBC China Dragon Fund

	Holdings	Market value HK\$	% of total net assets
Shanghai International Airport Co Ltd - A Share	1,959,500	29,847,941	0.99
Shanghai Pudong Development Bank Co - A Share	7,880,578	175,766,954	5.83
Shanghai Zhangjiang High-Tech Park - A Share	2,793,400	41,218,585	1.37
Shanxi Lanhua Sci-Tech Venture Co Ltd - A Share	839,942	32,872,532	1.09
Shanxi Xishan Coal & Electricity Power - A Share	677,300	24,062,570	0.80
TBEA Co Ltd Cl - A Share	1,015,457	24,481,197	0.81
Tellhow Sci-Tech Co Ltd - A Share	2,966,990	40,446,010	1.34
Tian Di Science & Technology Co Ltd	1,546,651	44,063,871	1.46
Tsingtao Brewery Co Ltd - A Share	899,765	30,107,395	1.00
Wuhan Iron & Steel Co Ltd	4,095,700	32,216,471	1.07
Yantai Wanhua Polyurethane Co Ltd - A Share	2,858,800	55,812,159	1.85
Yibin Wuliangye Co Ltd - A Share	568,600	13,495,143	0.45
Zhejiang Tianma Bearing Co Ltd - A Share	1,915,474	55,180,354	1.83
ZTE Corp - A Share	1,704,524	73,829,187	2.45
		1,364,919,169	45.28

Equities

Listed investments

Hong Kong

Aluminium Corp of China Ltd - H Share	2,700,000	22,842,000	0.76
Bank of China Ltd - H Share	27,300,000	111,111,000	3.69
China Coal Energy Co - H Share	4,200,000	42,588,000	1.41
China Construction Bank - H Share	27,137,000	167,978,030	5.57
China Cosco Holdings Co Ltd - H Share	2,500,000	23,175,000	0.77
China Dongxiang Group Co	4,958,000	25,484,120	0.85
China Life Insurance Co Ltd - H Share	2,812,000	94,905,000	3.15
China National Building Material Co Ltd - H Share	3,774,000	68,686,800	2.28
China Overseas Land & Investment Limited	2,178,801	36,473,129	1.21
China Pharmaceutical Group Ltd	3,032,000	13,158,880	0.44
China Railway Group Ltd - H Share	3,000,000	19,980,000	0.66
China Resources Cement Holdings Ltd	286,000	1,126,654	0.04
China Resources Land Ltd	1,660,000	28,153,600	0.93
China Shenhua Energy Co Ltd - H Share	2,300,000	77,740,000	2.58

HSBC China Dragon Fund

	Holdings	Market value HK\$	% of total net assets
China Shipping Container Lines Co Ltd - H Share	5,300,000	14,893,000	0.49
China Unicom Hong Kong Ltd - H Share	3,422,000	37,436,680	1.24
China Windpower Group Ltd - H Share	31,690,000	21,232,300	0.69
CNOOC Ltd	6,000,000	62,640,000	2.08
Comba Telecom Systems Holdings Ltd	9,045,600	71,188,872	2.36
Dongfeng Motor Group Co Ltd - H Share	8,000,000	65,600,000	2.18
Glorious Property Holdings Ltd	1,688,000	7,502,147	0.25
Jiangxi Copper Co Ltd - H Share	1,900,000	32,946,000	1.09
Ju Teng International Holdings Ltd	1,300,000	8,528,000	0.28
Loudong General Nice Resources China	9,489,000	10,817,460	0.36
Maanshan Iron & Steel Co Ltd - H Share	2,200,000	10,274,000	0.34
Petrochina Co Ltd - H Share	7,000,000	61,320,000	2.03
Ping An Insurance (Group) Co of China - H Share	300,000	18,465,000	0.61
Poly (Hong Kong) Investment Ltd	2,667,000	24,029,670	0.80
Sino-Ocean Land Holdings Ltd	6,370,234	44,655,340	1.48
Sinofert Holdings Ltd	5,000,000	17,100,000	0.57
Sinopec Shanghai Petrochem Co Ltd - H Shares	6,000,000	19,320,000	0.64
Sinopharm Group Co - H Shares	2,051,600	40,252,392	1.34
TCL Multimedia Technology Holdings Ltd	4,000,000	17,600,000	0.58
Tencent Holdings Ltd	500,000	62,600,000	2.08
Want Want China Holdings Ltd	4,804,000	21,906,240	0.73
Xinyi Glass Holdings Co Ltd	5,000,000	27,150,000	0.90
Zhejiang Expressway Co Ltd - H Share	4,900,000	33,124,000	1.10
Zijin Mining Group Co Ltd - H Share	4,578,000	34,747,020	1.15
ZTE Corp - H Share	780,000	31,902,000	1.06
		<u>1,530,632,334</u>	<u>50.77</u>

Equities

Listed investments

United States of America

Netease Com Inc Sponsored ADR	100,000	35,394,935	1.17
Perfect World Co Ltd ADR	100,000	37,278,222	1.24
		<u>72,673,157</u>	<u>2.41</u>

HSBC China Dragon Fund		
Holdings	Market value HK\$	% of total net assets
Total investments	2,968,224,660	98.46
Other net assets	46,404,208	1.54
Total net assets	3,014,628,868	100.00
Total cost of investments	2,659,967,085	

Statement of movements in portfolio holdings (unaudited)
For the period ended 30 September 2009

	% of total net assets	
	30 September 2009	31 March 2009
Equities	98.46	96.89
Bonds	—	0.11
Total investments	98.46	97.00
Other net assets	1.54	3.00
Total net assets attributable to unitholders	100.00	100.00

Performance table (unaudited)
For the period ended 30 September 2009

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

Year/period end

31 March 2008	HK\$3,370,192,394
30 September 2008	HK\$2,209,306,838
31 March 2009	HK\$2,281,953,432
30 September 2009	HK\$3,014,628,868

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

Year/period end

31 March 2008	HK\$9.06
30 September 2008	HK\$5.94
31 March 2009	HK\$6.14
30 September 2009	HK\$8.11

(c) Price record (Dealing NAV)

The Fund is a closed-end fund listed on The Stock Exchange of Hong Kong Limited and no unitholders may demand redemption of their units. In general, closed-end funds may trade on the exchange at a discount or at a premium to their net asset value. There is no assurance that the units will be traded at a price that is equal to the Net Asset Value. As the market price of the units may be determined by factors such as the Net Asset Value and market supply and demand for the units, there is a risk that the units will be traded at a discount to its Net Asset Value. In times of market disruption or when there is an insufficient number of buyers and/or sellers of the units, the bid/ask spread of the market price of the units may widen significantly.

Year/period	Lowest HK\$	Highest HK\$
20 June 2007 (date of inception) to 31 March 2008	8.62	13.94
1 April 2008 to 30 September 2008	5.55	10.22
1 April 2008 to 31 March 2009	4.12	10.22
1 April 2009 to 30 September 2009	6.22	9.05

Issuance of Results

The unaudited interim report of the Fund for the period from 1 April 2009 to 30 September 2009 will be despatched to Unitholders on or about 30 November 2009.

Hong Kong, 26 November, 2009

By Order of the Board
HSBC Global Asset Management (Hong Kong) Limited
as Manager of HSBC China Dragon Fund
Dr. APENBRINK, Rudolf Eduard Walter
Director of the Manager

As at the date hereof, the board of directors of the Manager is comprised as follows: The executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. CONXICOEUR, Patrice Pierre Henri, Ms. LAM, Po Yee and Mr. STOKES, Edmund Richard. The non-executive directors of the Manager are Mr. CHENG, Hoi Chuen, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FRIED, David Lawrence, Mr. LEECH, Paul Ernest, Mr. LEUNG, William Wing Cheung and Mr. McCOMBE, Mark Seumas.

IMPORTANT

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Investments involve risks. Investors are advised to consider their own investment objectives and circumstances in determining the suitability of an investment in the Fund. An investment in the Fund may not be suitable for everyone. If you are in any doubt about the contents of this document, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. Investors should note:

- The Fund's market price on the stock exchange may be different from its net asset value per unit. The Fund is a close-ended fund and no investor may demand redemption of their units.
- The Fund invests primarily in Chinese equities and is subject to the concentration and emerging market risks arising from exposures to investments in a single emerging market.
- Investing in the Fund may involve substantial market, volatility, regulatory and political risks. Investors may suffer substantial loss of their investments in the Fund.
- Investors should not invest in the Fund solely based on the information provided in this document and should read the Offering Circular of the Fund for details.

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

*a Hong Kong unit trust authorised under
section 104 of the Securities and Futures Ordinance
(Chapter 571 of the Laws of Hong Kong)*

(Stock Code: 820)

Voluntary Announcement

This is a voluntary announcement made by HSBC China Dragon Fund (the "Fund").

The following table demonstrates the performance of different asset classes of the Fund. "The Fund's A-share and other QFII investments" represents the indicative performance of the Fund's investments in China A-shares and other QFII (Qualified Foreign Institutional Investor) investments. "The Fund's non A-share and non QFII investments" represents the indicative performance of the Fund's other investments such as H-shares, red chips and B-shares. The relevant figures are gross of expenses performances calculated from internal sources and are for indicative purpose only. Returns would be lower once expenses are deducted. The performances of the indices are quoted for indicative comparison purpose only and the indices are not the benchmarks of the Fund.

	Calendar year performance ¹			Cumulative performance ²		
	2009 year-to-date	2008 full year	2007 since August 07 ³	6 months	1 year	Since August 07 ³
The Fund's A-share and other QFII investments (gross of expenses)	70.14%	-58.35%	33.53%	24.14%	102.19%	-5.37%
<i>MSCI China A</i>	80.48%	-61.99%	20.96%	25.44%	100.44%	-17.03%
The Fund's non A-share and non QFII investments (gross of expenses)	60.15%	-55.17%	28.40%	39.89%	81.79%	-7.81%
<i>MSCI China</i>	58.00%	-51.12%	23.43%	40.34%	82.53%	-4.68%

The following table demonstrates the performance of the Fund as a whole. "Net asset value of the Fund" performance figures are net of expenses performance calculated according to the net asset value per unit of the Fund.

	Calendar year performance ¹			Cumulative performance ²		
	2009 year-to-date	2008 full year	2007 since August 07 ³	6 months	1 year	Since August 07 ³
Net asset value of the Fund (net of expenses)	62.89%	-57.82%	29.48%	30.85%	88.82%	-11.04%

As at 30 October 2009:

Net asset value per unit of the Fund:	HK\$8.78
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$7.64
Discount / Premium to net asset value:	12.98% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 October 2009 (the "Reference Date"). All performance figures are total return figures in Hong Kong dollars.

Performance figures of the Fund are calculated according to the value of the respective underlying assets of the Fund or the net asset value per unit of the Fund (as the case may be), and are not calculated according to the Fund's market price on the exchange. The Fund's market price on the Stock Exchange of Hong Kong may be different from its net asset value per unit.

Investment involves risk. Past performance information presented is not indicative of future performance. Please refer to the Offering Circular of the Fund for further details including the risk factors.

Note:

1. Calendar year performance is the gain or loss of the Fund throughout a particular year.
2. Cumulative performance is the gain or loss of the Fund over certain period of time up to the Reference Date.
3. Performance figures are calculated since 1 August 2007, being the first dealing day of the month following the launch of the Fund on 20 July 2007.

The Fund is a close-ended fund and no investor may demand redemption of their units.

The listing of the Fund on the Stock Exchange of Hong Kong does not guarantee a liquid market and the Fund may be delisted. The Fund's market price on the Stock Exchange of Hong Kong may be different from its net asset value per unit. Currency movement may affect the value of investments. Investment in emerging market involves higher risks. The Fund invests part of its assets in China A-shares, which are subject to specific risks and restrictions as disclosed in the Offering Circular. The Fund differs from a typical trust and investors should read the Offering Circular for details including the risk factors. The document has not been reviewed by the Securities and Futures Commission.

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
19 November 2009

As at the date of this announcement, the board of directors of the Manager is comprised as follows: The executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. CONXICOEUR, Patrice Pierre Henri, Ms. LAM, Po Yee and Mr. STOKES, Edmund Richard. The non-executive directors of the Manager are Mr. CHENG, Hoi Chuen, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FRIED, David Lawrence, Mr. LEECH, Paul Ernest, Mr. LEUNG, William Wing Cheung and Mr. McCOMBE, Mark Seumas.

IMPORTANT

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Investments involve risks. Investors are advised to consider their own investment objectives and circumstances in determining the suitability of an investment in the Fund. An investment in the Fund may not be suitable for everyone. If you are in any doubt about the contents of this document, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. Investors should note:

- The Fund's market price on the stock exchange may be different from its net asset value per unit. The Fund is a close-ended fund and no investor may demand redemption of their units.
- The Fund invests primarily in Chinese equities and is subject to the concentration and emerging market risks arising from exposures to investments in a single emerging market.
- Investing in the Fund may involve substantial market, volatility, regulatory and political risks. Investors may suffer substantial loss of their investments in the Fund.
- Investors should not invest in the Fund solely based on the information provided in this document and should read the Offering Circular of the Fund for details.

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

*a Hong Kong unit trust authorised under
section 104 of the Securities and Futures Ordinance
(Chapter 571 of the Laws of Hong Kong)*

(Stock Code: 820)

Announcement

POLL RESULTS OF THE GENERAL MEETING HELD ON 17 NOVEMBER 2009

Following is the voting results on a poll in respect of the resolutions proposed at the general meeting (“**General Meeting**”) of the unitholders of HSBC China Dragon Fund (the “**Fund**”) held on 17 November 2009:

EXTRAORDINARY RESOLUTION	NUMBER OF VOTES (%)	
	FOR	AGAINST
To approve amendment to the trust deed constituting the Fund to enable the Fund to repurchase units of the Fund	53,188,549 (96.49%)	1,936,500 (3.51%)
ORDINARY RESOLUTION	FOR	AGAINST
Conditional upon the passing of the extraordinary resolution, to approve the general mandate to HSBC Global Asset Management (Hong Kong) Limited as manager of the Fund in relation to the repurchase of units of the Fund	49,176,549 (89.23%)	5,936,500 (10.77%)

On the basis of the votes set out above, the resolutions were duly passed as an extraordinary resolution and as an ordinary resolution, respectively.

Notes:

- (a) For details of the resolutions, please refer to the circular to the unitholders of the Fund dated 18 September 2009.

- (b) As at the date of the General Meeting, the number of units in issue of the Fund was 371,910,000.
- (c) There were no restrictions on any unitholder casting votes on the resolutions at the General Meeting. The total number of units entitling the unitholders to attend the General Meeting and vote for or against the resolutions was 371,910,000.
- (d) Computershare Hong Kong Investor Services Limited, the unit registrar of the Fund, acted as scrutineer for the poll at the General Meeting.

General Information

The Fund is a close-ended fund and no investor may demand redemption of their units.

The listing of the Fund on the Stock Exchange of Hong Kong does not guarantee a liquid market and the Fund may be delisted. The Fund's market price on the Stock Exchange of Hong Kong may be different from its net asset value per unit. Currency movement may affect the value of investments. Investment in emerging market involves higher risks. The Fund invests part of its assets in China A-shares, which are subject to specific risks and restrictions as disclosed in the Offering Circular. The Fund differs from a typical trust and investors should read the Offering Circular for details including the risk factors.

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
17 November 2009

As at the date of this announcement, the board of directors of the Manager is comprised as follows: The executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. CONXICOEUR, Patrice Pierre Henri, Ms. LAM, Po Yee and Mr. STOKES, Edmund Richard. The non-executive directors of the Manager are Mr. CHENG, Hoi Chuen, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FRIED, David Lawrence, Mr. LEECH, Paul Ernest, Mr. LEUNG, William Wing Cheung and Mr. McCOMBE, Mark Seumas.

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

(a Hong Kong unit trust authorised under section 104 of the
Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))
(Stock Code: 820)

NOTICE OF ADJOURNED GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting (“**General Meeting**”) of the Holders of HSBC China Dragon Fund (the “**Fund**”) held on 19 October 2009 has been adjourned to 17 November 2009 at 10:00 a.m. at Level 22, HSBC Main Building, 1 Queen's Road Central, Hong Kong to consider and, if thought fit, pass with or without modifications, the following resolutions:

EXTRAORDINARY RESOLUTION

“**THAT:**

- (a) pursuant to clause 30.1 of the trust deed constituting the Fund (as may be amended from time to time) (the “**Trust Deed**”), approval be and is hereby given for clause 5.1(e) of the Trust Deed to be deleted in its entirety and replaced with the text below:

“(e) details of each redemption or repurchase of Units and the date on which any Units are cancelled pursuant to the provisions of Clause 9.”;

- (b) pursuant to clause 30.1 of the Trust Deed, approval be and is hereby given for the heading of clause 9 of the Trust Deed to be deleted in its entirety and replaced with the text below:

“9. **REDEMPTION OR REPURCHASE OF UNITS BY THE MANAGER**”;

- (c) pursuant to clause 30.1 of the Trust Deed, approval be and is hereby given for the heading of clause 9 of the Trust Deed to be amended by inserting the following new paragraph as a new sub-clause 9.7:

“9.7 Subject to the Manager being granted a general mandate from the Holders by way of an ordinary resolution at a Holders' general meeting, the Manager shall have the right to use any part of the Trust Fund to repurchase any Units listed on the SEHK. Before exercising such right the Manager shall ensure that the Trust Fund has sufficient cash to effect the proposed repurchase of the Units. Any repurchase of Units by the Manager must be effected in accordance with all applicable laws, rules, regulations, codes or guidelines issued by the Commission or any relevant governmental or regulatory authority and shall be effected only when the Manager believes that such repurchase will benefit the Trust and the Holders as a whole. All repurchased Units shall be automatically cancelled upon the Trustee receiving a notice in writing from the Manager stating the number of Units repurchased and Certificates for those Units (if any) shall be cancelled and destroyed.”;

- (d) pursuant to clause 30.1 of the Trust Deed, approval be and is hereby given for clause 10 of the Trust Deed to be deleted in its entirety and replaced with the text below:

“10. **NO REDEMPTION OR REPURCHASE OF UNITS BY HOLDERS**

No Holder shall have any right to demand the repurchase or redemption of their Units.”;

- (e) pursuant to clause 30.1 of the Trust Deed, approval be and is hereby given for clause 19.3 of the Trust Deed to be amended by inserting the following sub-paragraph as new item (a) and the subsequent original items (a) – (u) shall be relabeled (b) – (v):

“(a) all fees and expenses relating to any repurchase of Units,”;

- (f) HSBC Global Asset Management (Hong Kong) Limited, as the manager of the Fund (the “**Manager**”), any director of the Manager and HSBC Institutional Trust Services (Asia) Limited, as trustee of the Fund (the “**Trustee**”), each be and is hereby severally authorised to complete and do or cause to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager or the Trustee, as the case may be, may consider expedient or necessary or in the interest of the Fund to give effect to the matters resolved upon in paragraphs (a), (b), (c), (d) and (e) of this resolution.”

ORDINARY RESOLUTION

“CONDITIONAL UPON THE PASSING OF THE EXTRAORDINARY RESOLUTION SET OUT ABOVE, THAT:

- (a) the exercise by the Manager, during the Relevant Period (as defined in paragraph (c) below) of all powers of the Manager to purchase units (“Units”, each a “Unit”) of the Fund on The Stock Exchange of Hong Kong Limited (“Stock Exchange”), subject to and in accordance with the Trust Deed, the laws of Hong Kong, the Code on Unit Trusts and Mutual Funds and the guidelines issued by the Securities and Futures Commission of Hong Kong (“SFC”) from time to time, be and the same is hereby generally and unconditionally approved in accordance with and subject to the terms set out in the explanatory statement in the appendix to the circular to Holders of the Fund dated 18 September 2009 (a copy of which is produced to this meeting marked “A” and signed by the Chairman of this meeting for the purpose of identification);
- (b) the aggregate number of Units which may be purchased or agreed to be purchased by the Manager pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10% of the aggregate number of issued Units as at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (c) for the purposes of this resolution, “Relevant Period” means the period from the date of the passing of this resolution until the earlier of:
 - (i) the expiration of 12 months following the passing of the resolution to approve the grant of the a general and unconditional mandate to the Manager to enable it to repurchase such number of Units representing not more than 10% of the aggregate number of Units in issue; and
 - (ii) the passing of an ordinary resolution by the Holders of the Fund in general meeting revoking or varying the authority given to the Manager by this resolution.”

By order of the board of
HSBC Global Asset Management (Hong Kong) Limited
As manager of HSBC China Dragon Fund
APENBRINK, Rudolf Eduard Walter
Director of the Manager

Hong Kong, 21 October 2009

Registered Office of the Manager:

HSBC Main Building
1 Queen's Road Central
Hong Kong

Notes:

- (a) A Holder of the Fund entitled to attend and vote at the adjourned General Meeting may appoint proxy(ies) to attend and vote in his/her stead in accordance with the Trust Deed. The person appointed to act as proxy need not be a Holder of the Fund.
- (b) The register of Holders of the Fund (the “Register”) is closed from 13 October 2009 to 19 October 2009, both days inclusive, in order to ascertain entitlement to attend and vote in the General Meeting. The Register will not be closed again for the purpose of the adjourned General Meeting but the Holders entitled to attend and vote in the adjourned General Meeting will be those entitled to attend and vote in the General Meeting.
- (c) The Holders present at the adjourned General Meeting, whatever their number and the number of units of the Fund held by them, will form a quorum.
- (d) The proxy form for the General Meeting on 19 October 2009, which has been dispatched to the Holders together with the Fund's circular dated 18 September 2009, shall continue to be valid and in full force for the purpose of the adjourned General Meeting.
- (e) A Holder who had deposited a proxy form for the General Meeting is not required to deposit a fresh set of proxy form for the adjourned General Meeting unless he/she wish to alter his/her instruction(s) given previously. Where a Holder had deposited a proxy form for the General Meeting and deposits a fresh set of proxy form for the adjourned General Meeting, the original proxy form for the General Meeting shall be deemed to be revoked.
- (f) In order to be valid, the proxy form, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, if any, must be deposited at the office of the unit registrar of the Fund, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 48 hours before the time fixed for holding the General Meeting or at any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the General Meeting (or any adjournment thereof) should you so wish.
- (g) Where there are joint registered Holders of a Unit, any one of such Holders may vote at the meeting either personally or by proxy in respect of such Unit as if he/she were solely entitled thereto, but if more than one of such Holders is present at the meeting personally or by proxy, that one of such Holders so present whose name stands first on the register of Holders in respect of such Unit shall alone be entitled to vote in respect thereof.

As at the date hereof, the board of directors of the Manager is comprised as follows: The executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. CONXICOEUR, Patrice Pierre Henri, Ms. LAM, Po Yee and Mr. STOKES, Edmund Richard. The non-executive directors of the Manager are Mr. CHENG, Hoi Chuen, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FRIED, David Lawrence, Mr. LEECH, Paul Ernest, Mr. LEUNG, William Wing Cheung and Mr. MCOMBE, Mark Seumas.

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Investments involve risks. Investors are advised to consider their own investment objectives and circumstances in determining the suitability of an investment in the Fund. An investment in the Fund may not be suitable for everyone. If you are in any doubt about the contents of this document, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. Investors should note:

- The Fund's market price on the stock exchange may be different from its net asset value per unit. The Fund is a close-ended fund and no investor may demand redemption of their units.
- The Fund invests primarily in Chinese equities and is subject to the concentration and emerging market risks arising from exposures to investments in a single emerging market.
- Investing in the Fund may involve substantial market, volatility, regulatory and political risks. Investors may suffer substantial loss of their investments in the Fund.
- Investors should not invest in the Fund solely based on the information provided in this document and should read the Offering Circular of the Fund for details.

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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section 104 of the Securities and Futures Ordinance
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(Stock Code: 820)

Announcement

ADJOURNMENT OF THE GENERAL MEETING

This is an announcement made by HSBC China Dragon Fund (the "**Fund**").

Reference is made to the notice of general meeting dated 18 September 2009 in relation to the general meeting ("General Meeting") of the holders of the units of the Fund (the "**Holders**") to be held at Level 22, HSBC Main Building, 1 Queen's Road Central, Hong Kong on 19 October 2009 at 9:30 a.m. The General Meeting was adjourned because the necessary quorum was not formed. The adjourned General Meeting will be held at Level 22, HSBC Main Building, 1 Queen's Road Central, Hong Kong on **17 November 2009 at 10:00 a.m.**

Adjourned General Meeting

Reference is made to the notice of general meeting dated 18 September 2009 in relation to the General Meeting to be held at Level 22, HSBC Main Building, 1 Queen's Road Central, Hong Kong on 19 October 2009 at 9:30 a.m. The General Meeting was adjourned because the necessary quorum was not formed. The adjourned General Meeting will be held at Level 22, HSBC Main Building, 1 Queen's Road Central, Hong Kong on **17 November 2009 at 10:00 a.m.**

The Holders present at the adjourned General Meeting, whatever their number and the number of units of the Fund held by them, will form a quorum.

Proxy Form

The proxy form for the General Meeting on 19 October 2009, which has been dispatched to the Holders together with the Fund's circular dated 18 September 2009 (the "**Circular**"), shall continue to be valid and in full force for the purpose of the adjourned General Meeting.

A Holder who had deposited a proxy form for the General Meeting is not required to deposit a fresh set of proxy form for the adjourned General Meeting unless he/she wishes to alter his/her instruction(s) given previously. Where a Holder had deposited a proxy form for the General Meeting and deposits a fresh set of proxy form for the adjourned General Meeting, the original proxy form for the General Meeting shall be deemed to be revoked.

Closure of the Register of Holders

As set out in the Circular, the register of Holders (the "**Register**") is closed from 13 October 2009 to 19 October 2009, both days inclusive, in order to ascertain entitlement to attend and vote in the General Meeting. The Register will not be closed again for the purpose of the adjourned General Meeting but the Holders entitled to attend and vote in the adjourned General Meeting will be those entitled to attend and vote in the General Meeting.

General Information

The Fund is a close-ended fund and no investor may demand redemption of their units.

The listing of the Fund on the Stock Exchange of Hong Kong does not guarantee a liquid market and the Fund may be delisted. The Fund's market price on the Stock Exchange of Hong Kong may be different from its net asset value per unit. Currency movement may affect the value of investments. Investment in emerging market involves higher risks. The Fund invests part of its assets in China A-shares, which are subject to specific risks and restrictions as disclosed in the Offering Circular. The Fund differs from a typical trust and investors should read the Offering Circular for details including the risk factors.

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
19 October 2009

As at the date of this announcement, the board of directors of the Manager is comprised as follows: The executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. CONXICOEUR, Patrice Pierre Henri, Ms. LAM, Po Yee and Mr. STOKES, Edmund Richard. The non-executive directors of the Manager are Mr. CHENG, Hoi Chuen, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FRIED, David Lawrence, Mr. LEECH, Paul Ernest, Mr. LEUNG, William Wing Cheung and Mr. McCOMBE, Mark Seumas.

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Voluntary Announcement

This is a voluntary announcement made by HSBC China Dragon Fund (the "Fund").

The following table demonstrates the performance of different asset classes of the Fund. "The Fund's A-share and other QFII investments" represents the indicative performance of the Fund's investments in China A-shares and other QFII (Qualified Foreign Institutional Investor) investments. "The Fund's non A-share and non QFII investments" represents the indicative performance of the Fund's other investments such as H-shares, red chips and B-shares. The relevant figures are gross of expenses performances calculated from internal sources and are for indicative purpose only. Returns would be lower once expenses are deducted. The performances of the indices are quoted for indicative comparison purpose only and the indices are not the benchmarks of the Fund.

	Calendar year performance ¹			Cumulative performance ²		
	2009 year-to-date	2008 full year	2007 since August 07 ³	6 months	1 year	Since August 07 ³
The Fund's A-share and other QFII investments (gross of expenses)	54.84%	-58.35%	33.53%	20.00%	44.56%	-13.88%
<i>MSCI China A</i>	65.30%	-61.99%	20.96%	20.75%	37.28%	-24.01%
The Fund's non A-share and non QFII investments (gross of expenses)	49.57%	-55.17%	28.40%	46.33%	34.14%	-13.90%
<i>MSCI China</i>	48.43%	-51.12%	23.43%	46.49%	32.24%	-10.45%

The following table demonstrates the performance of the Fund as a whole. "Net asset value of the Fund" performance figures are net of expenses performance calculated according to the net asset value per unit of the Fund.

	Calendar year performance ¹			Cumulative performance ²		
	2009 year-to-date	2008 full year	2007 since August 07 ³	6 months	1 year	Since August 07 ³
Net asset value of the Fund (net of expenses)	50.46%	-57.82%	29.48%	32.08%	36.53%	-17.83%

As at 30 September 2009:

Net asset value per unit of the Fund:	HK\$8.11
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$7.00
Discount / Premium to net asset value:	13.69% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 September 2009 (the "Reference Date"). All performance figures are total return figures in Hong Kong dollars.

Performance figures of the Fund are calculated according to the value of the respective underlying assets of the Fund or the net asset value per unit of the Fund (as the case may be), and are not calculated according to the Fund's market price on the exchange. The Fund's market price on the Stock Exchange of Hong Kong may be different from its net asset value per unit.

Investment involves risk. Past performance information presented is not indicative of future performance. Please refer to the Offering Circular of the Fund for further details including the risk factors.

Note:

1. Calendar year performance is the gain or loss of the Fund throughout a particular year.
2. Cumulative performance is the gain or loss of the Fund over certain period of time up to the Reference Date.
3. Performance figures are calculated since 1 August 2007, being the first dealing day of the month following the launch of the Fund on 20 July 2007.

The Fund is a close-ended fund and no investor may demand redemption of their units.

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HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
16 October 2009

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THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

IF IN DOUBT, PLEASE SEEK PROFESSIONAL ADVICE.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.

If you have sold or transferred all of your units in **HSBC China Dragon Fund**, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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CIRCULAR TO HOLDERS IN RELATION TO (1) PROPOSED AMENDMENTS TO THE TRUST DEED (2) PROPOSED GENERAL MANDATE TO REPURCHASE UNITS AND (3) NOTICE OF THE GENERAL MEETING

IMPORTANT DATES AND TIMES

Last date and time for lodgement of transfer documents: 4:30 p.m. on 12 October 2009
Book close period: 13 October 2009 to 19 October 2009 (both days inclusive)
Last date and time for lodgement of proxy form: 9:30 a.m. on 17 October 2009
Date and time of General Meeting: 9:30 a.m. on 19 October 2009
Venue of General Meeting: Level 22, HSBC Main Building, 1 Queen's Road Central, Hong Kong

A letter to the Holders is set out on pages 4 to 7 of this circular.

A notice convening the General Meeting to be held at Level 22, HSBC Main Building, 1 Queen's Road Central, Hong Kong on 19 October 2009, at 9:30 a.m. is set out on pages 10 to 12 of this circular. Whether or not you are able to attend and vote at the General Meeting in person, please complete and return the accompanying form of proxy to the unit registrar of the Fund, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not later than 9:30 a.m. on 17 October 2009 or, should there be any adjournment of the General Meeting, not less than 48 hours before the time appointed for such adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the General Meeting (or any adjournment thereof) should you so wish.

18 September 2009

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CORPORATE INFORMATION

The Fund	HSBC China Dragon Fund, a Hong Kong unit trust authorised under section 104 of the SFO
Manager	HSBC Global Asset Management (Hong Kong) Limited HSBC Main Building 1 Queen's Road Central Hong Kong
Directors of the Manager	<i>Executive Directors</i> APENBRINK, Rudolf Eduard Walter CONXICOEUR, Patrice Pierre Henri LAM, Po Yee STOKES, Edmund Richard <i>Non-executive Directors</i> CHENG, Hoi Chuen CHEANG, Wai Wan Louisa COVERDALE, John Edward FRIED, David Lawrence LEECH, Paul Ernest LEUNG, William Wing Cheung McCOMBE, Mark Seumas
Trustee	HSBC Institutional Trust Services (Asia) Limited HSBC Main Building 1 Queen's Road Central Hong Kong
Unit Registrar	Computershare Hong Kong Investor Services Limited Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

DEFINITIONS

In this circular, the following definitions apply throughout unless otherwise stated:

"Amendments"	the proposed amendments to the Trust Deed as set out in the notice of the General Meeting
"Business Day"	any day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning no. 8 or above or a "black" rainstorm warning signal is hoisted in Hong Kong at any time between the hours of 9:00 a.m. and 5:00 p.m. on weekdays) on which licensed banks are open for general business in Hong Kong
"Code"	the Code on Unit Trusts and Mutual Funds issued by the SFC, as the same may from time to time be modified, amended, revised or replaced, or supplemented either by published guidelines, policies, practice statements or other guidance issued by the SFC or, in any particular case, by specific written guidance issued by the SFC in response to a specific request by the Manager and/or the Trustee
"Connected Person"	has the meaning given to it in the Code
"Directors"	the directors of the Manager
"Explanatory Statement"	the explanatory statement set out in the appendix to this circular
"Extraordinary Resolution"	a resolution of the Holders passed at a duly convened meeting of the Holders by a majority consisting of 75% or more of the votes of those present and entitled to vote, either in person or by proxy, where the votes shall be taken by way of poll, but with a quorum of 1 or more Holders holding at least 25% of the Units in issue; provided that at an adjourned meeting the Holder or Holders present in person or by proxy shall be a quorum
"General Meeting"	the general meeting of the Holders to be held at Level 22, HSBC Main Building, 1 Queen's Road Central, Hong Kong on 19 October 2009 at 9:30a.m.
"Holder(s)"	holder(s) of Units
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Latest Practicable Date"	14 September 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

DEFINITIONS

"Ordinary Resolution"	a resolution of the Holders passed at a duly convened meeting of the Holders by a simple majority of the votes of those present, whether in person or by proxy, and entitled to vote, where the votes shall be taken by way of poll, but with a quorum of 1 or more Holders holding at least 10% of the Units in issue; provided that at an adjourned meeting the Holder or Holders present in person or by proxy shall be a quorum
"Repurchase Mandate"	a general and unconditional mandate proposed to be granted to the Manager to enable it to repurchase such number of Units representing not more than 10% of the aggregate number of Units in issue as at the date of passing the relevant resolution as set out in the notice of the General Meeting and on the terms and subject to the conditions set out in the Explanatory Statement
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Trust Deed"	the trust deed dated 20 June 2007 between the Trustee and the Manager and includes any amendments thereto
"Unit(s)"	unit(s) of the Fund

LETTER TO THE HOLDERS

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

(a Hong Kong unit trust authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

(Stock Code: 820)

Managed by
HSBC Global Asset Management (Hong Kong) Limited

Directors of the Manager:

Executive Directors

APENBRINK, Rudolf Eduard Walter

CONXICOEUR, Patrice Pierre Henri

LAM, Po Yee

STOKES, Edmund Richard

Registered office of the Manager:

HSBC Main Building

1 Queen's Road Central

Hong Kong

Non- executive Directors

CHENG, Hoi Chuen

CHEANG, Wai Wan Louisa

COVERDALE, John Edward

FRIED, David Lawrence

LEECH, Paul Ernest

LEUNG, William Wing Cheung

McCOMBE, Mark Seumas

18 September 2009

To the Holders

Dear Sir/Madam

CIRCULAR TO HOLDERS IN RELATION TO
(1) PROPOSED AMENDMENTS TO THE TRUST DEED
(2) PROPOSED GENERAL MANDATE TO REPURCHASE UNITS
AND
(3) NOTICE OF THE GENERAL MEETING

1. INTRODUCTION

Reference is made to the announcement dated 18 September 2009 by the Manager in relation to, among other things, the Amendments and the Repurchase Mandate. The purposes of this circular are (i) to provide you with information regarding the Amendments; (ii) to provide you with information regarding the Repurchase Mandate; and (iii) to give you the notice of the General Meeting.

LETTER TO THE HOLDERS

2. PROPOSED AMENDMENTS TO THE TRUST DEED

2.1 Reasons for the Amendments

The principal purpose of amending the Trust Deed is to enable the Manager to repurchase any Unit provided that the Manager is being granted a general mandate from the Holders and any such repurchase of Units is effected in accordance with all applicable laws, rules, regulations, codes or guidelines issued by the Securities and Futures Commission or any governmental or regulatory authority from time to time.

Details of the Amendments are set out in the Extraordinary Resolution in the notice of the General Meeting.

2.2 Approval Required

Clause 30.1 of the Trust Deed, save for certain limited exceptions as certified by the Trustee in writing, any modification, alteration or addition to the Trust Deed shall be made with the sanction of a Extraordinary Resolution at a meeting of Holders duly convened and held in accordance with Schedule 3 to the Trust Deed. The Manager and the Trustee shall be entitled to modify, alter or add to the Trust Deed by supplemental deed after the requisite approval of the Holders are obtained.

With respect to each of the Extraordinary Resolutions, any Holder who has a material interest in any such resolution and that interest is different from that of all other Holders shall abstain from voting in respect of such resolution. As at the date of this circular, the Manager, having made due and careful enquiries, is unaware of any Holders that are required to abstain from voting in respect of the Extraordinary Resolutions proposed at the General Meeting.

2.3 Recommendation

The Directors are of the opinion that the Amendments are each in the interests of the Fund and the Holders as a whole and accordingly recommend the Holders to vote in favour of the Extraordinary Resolutions proposed at the General Meeting.

3. GENERAL MANDATE TO REPURCHASE UNITS

3.1 Proposals by the Manager

Conditional upon the passing of the Extraordinary Resolution proposed at the General Meeting, the Manager proposes to seek the Holders' approval by way of an Ordinary Resolution at the General Meeting to grant a general mandate to the Manager to repurchase Units on the Stock Exchange subject to the terms and on the conditions set out in the Explanatory Statement.

Under the Repurchase Mandate, the number of Units that the Manager may repurchase shall not exceed 10% of the total number of Units in issue on the date of the resolution. The Fund shall comply with the other restrictions and notification requirements applicable to listed companies purchasing their own shares on a stock exchange under rule 10.06 of the Listing Rules, with necessary changes being made, as if the provisions therein were applicable to the Fund. These include, but are not limited to, the dealing restrictions, the restrictions on subsequent issues, the reporting requirements and status of purchased shares. In particular, the Manager will not repurchase any Unit on-market at a price exceeding (i) by 5% or more than the average closing market price of the Units for the 5 preceding trading days on which the Units were traded on the Stock Exchange of Hong Kong Limited; or (ii) the net asset value per unit of the Fund on the preceding trading day, whichever is lower.

The Repurchase Mandate will, if granted, remain effective until the earlier of: (i) the expiration of 12 months following the passing of the resolution to approve the grant of the Repurchase Mandate at the General Meeting held on 19 October 2009; and (ii) its revocation or variation by an ordinary resolution of the Holders at a general meeting of the Holders.

LETTER TO THE HOLDERS

3.2 Reasons for the Repurchase Mandate

The Fund has been trading at a discount to its net asset value for the past 12 months. The level of discount reached a high of 37.3% in October 2008. The average discount for the six months, three months and one month to 14 September 2009 are 17.9%, 15.7% and 13.3%, respectively. The grant of the Repurchase Mandate would enable the Manager to conduct on-market repurchase of Units if and when appropriate. Unit repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the trading price (thereby narrowing the discount to the net asset value) and/or an increase in earnings per Unit and will only be made when the Manager believes that such repurchases will benefit the Fund and the Holders as a whole.

3.3 Explanatory Statement

The Manager is required to send to the Holders an explanatory statement (at the same time as the notice of the General Meeting) setting out the terms and conditions of the Repurchase Mandate and containing all other information reasonably necessary to enable the Holders to make an informed decision on whether to vote for or against the Ordinary Resolution to approve the Repurchase Mandate. The Explanatory Statement is set out in the appendix to this circular.

3.4 Approval Required

Conditional upon the passing of the Extraordinary Resolution proposed at the General Meeting, the Manager proposes to seek the Holders' approval by way of an Ordinary Resolution at the General Meeting to grant a general mandate to the Manager to repurchase Units on-market on behalf of the Fund.

With respect to the Ordinary Resolution relating to the Repurchase Mandate, any Holder who has a material interest in such resolution and that interest is different from that of all other Holders shall abstain from voting in respect of such resolution. As at the Latest Practicable Date, the Manager is unaware of any Holders that are required to abstain from voting in respect of the ordinary resolution proposed at the General Meeting.

3.5 Recommendation

The Directors are of the opinion that the Repurchase Mandate is in the interests of the Fund and the Holders as a whole and accordingly recommend the Holders to vote in favour of the ordinary resolution with respect to the Repurchase Mandate to be proposed at the General Meeting.

4. GENERAL MEETING

4.1 Date and Venue

The General Meeting will be held at Level 22, HSBC Main Building, 1 Queen's Road Central, Hong Kong on 19 October 2009, at 9:30 a.m., for the purpose of, among other things, considering and, if thought fit, passing with or without modifications, the resolution set out in the notice of the General Meeting, which is set out on pages 10 to 12 of this circular.

4.2 Action to be taken by the Holders

You will find enclosed with this circular the notice of the General Meeting (see pages 10 to 12 of this circular) and a form of proxy for use for the General Meeting.

Pursuant to paragraphs 8 and 9 of Schedule 3 to the Trust Deed, at any meeting an Extraordinary Resolution put to a vote at the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman of the meeting or by one or more Holders present in person or by proxy and together holding or representing 5% of the total number of Units for the time being in issue. Unless a poll is so demanded, a declaration by the Chairman of the meeting that a resolution has been carried or carried unanimously or by a particular majority or lost shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution. If a poll is duly demanded it shall be taken in such manner as the Chairman of the meeting may direct and the result of a poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

LETTER TO THE HOLDERS

For the purposes of this General Meeting, the Chairman will demand a poll and the Extraordinary Resolution and the Ordinary Resolution will be decided accordingly.

Your vote is very important. Accordingly, please complete, sign and date the enclosed form of proxy. Whether or not you are able to attend and vote at the General Meeting in person, please complete and return the accompanying form of proxy to the unit registrar of the Fund, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not later than 9:30 a.m. on 17 October 2009 or, should there be any adjournment of the General Meeting, not less than 48 hours before the time appointed for such adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the General Meeting (or any adjournment thereof) should you so wish.

4.3 Closure of the Register of Holders

The Register of Holders of the Fund will be closed from 13 October 2009 to 19 October 2009, both days inclusive, during which period no transfer of Units can be effected. In order to qualify for attending and voting at the General Meeting, all unit certificates together with the completed transfer forms must be lodged with the office of the unit registrar of the Fund, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 12 October 2009.

5. GENERAL INFORMATION

Your attention is drawn to the additional information set out in the Explanatory Statement and the notice of the General Meeting. A copy of the Trust Deed is available for inspection at the office of the Manager at any time during normal business hours on a Business Day.

6. RESPONSIBILITY STATEMENT

The Manager and the Directors, collectively and individually, accept full responsibility for the accuracy of the information contained in this circular and the Explanatory Statement and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Yours faithfully
By order of the board of
HSBC Global Asset Management (Hong Kong) Limited
As manager of HSBC China Dragon Fund
APENBRINK, Rudolf Eduard Walter
Director of the Manager

This appendix serves as an explanatory statement to provide Holders with relevant information to enable you to make an informed decision whether to vote for or against the resolution to approve the grant of the Repurchase Mandate to the Manager.

Defined terms used in this Explanatory Statement have the same meanings given to them in the circular to Holders of the Fund dated 18 September 2009.

1. ISSUED UNITS

As at the Latest Practicable Date, 371,910,000 Units were in issue. Subject to the passing of the proposed resolution for the grant of the Repurchase Mandate and on the basis that no Units will be issued or repurchased prior to the date of the General Meeting, the Manager will be allowed under the Repurchase Mandate to repurchase a maximum of 37,191,000 Units, being 10% of the aggregate number of Units in issue as at the Latest Practicable Date.

2. REASONS FOR THE REPURCHASE MANDATE

The Fund has been trading at a discount to its net asset value for the past 12 months. The level of discount reached a high of 37.3% in October 2008. The average discount for the six months, three months and one month to 14 September 2009 are 17.9%, 15.7% and 13.3%, respectively. The grant of the Repurchase Mandate would enable the Manager to conduct on-market repurchase of Units if and when appropriate. Unit repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the trading price (thereby narrowing the discount to the net asset value) and/or an increase in earnings per Unit and will only be made when the Manager believes that such repurchases will benefit the Fund and the Holders as a whole.

3. FUNDING OF REPURCHASES

Any repurchase would be made out of funds which are legally available for the purpose in accordance with the Trust Deed and the laws of Hong Kong. The repurchase will be funded from the selling down of the Fund's assets (other than the A-shares which are subject to lock-up restrictions under the PRC regulations) and will not be funded from borrowings.

The Manager does not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse impact on the working capital or gearing position of the Fund (as compared with the position disclosed in its most recent published audited accounts).

4. RESTRICTIONS AND NOTIFICATION REQUIREMENTS ON REPURCHASES

The Fund shall comply with the restrictions and notification requirements applicable to listed companies purchasing their own shares on a stock exchange under rule 10.06 of the Listing Rules, with necessary changes being made, as if the provisions therein were applicable to the Fund. These include, but are not limited to, the dealing restrictions, the restrictions on subsequent issues, the reporting requirements and status of purchased shares. In particular, the Manager will not repurchase any Unit on-market at a price exceeding (i) by 5% or more than the average closing market price of the Units for the 5 preceding trading days on which the Units were traded on the Stock Exchange of Hong Kong Limited; or (ii) the net asset value per unit of the Fund on the preceding trading day, whichever is lower.

5. UNIT PRICES

The highest and lowest prices at which the Units have traded on the Stock Exchange in each of the previous 12 months prior to the Latest Practicable Date were as follows:

	Unit Price	
	Highest	Lowest
	HK\$	HK\$
September 2008	6.45	4.00
October 2008	5.06	2.51
November 2008	4.00	2.96
December 2008	4.23	3.56
January 2009	4.37	3.62
February 2009	4.37	3.80
March 2009	4.64	3.73
April 2009	5.60	4.47
May 2009	6.32	5.35
June 2009	6.72	6.20
July 2009	7.99	6.20
August 2009	7.89	6.51
September 2009 (up to the Latest Practicable Date)	7.30	6.60

6. UNITS REPURCHASED

The Fund has not purchased any Units (whether on the Stock Exchange or otherwise) at any time prior to the Latest Practicable Date.

7. STATUS OF REPURCHASED UNITS

The listing of all Units which are repurchased by the Manager shall be automatically cancelled upon purchase. The Manager will ensure that the documents of title of purchased Units are cancelled and destroyed as soon as reasonably practicable following settlement of any such purchase.

8. DIRECTORS' UNDERTAKING

The Directors have undertaken to the SFC that, so far as the same may be applicable, they will exercise the power of the Manager to make purchases of the Units pursuant to the Repurchase Mandate in accordance with the Trust Deed, the terms and conditions set out in this Explanatory Statement, the laws of Hong Kong, the Code and the guidelines issued by SFC from time to time.

9. DISCLOSURE OF INTERESTS

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, their associates, have any present intention to sell to the Fund any of the Units if the Repurchase Mandate is approved at the General Meeting.

As at the Latest Practicable Date, no Connected Person of the Manager and the Trustee has notified the Manager that he/she/it has a present intention to sell any Units nor has such Connected Person undertaken not to sell any of the Units held by him/her/it to the Fund in the event that the Repurchase Mandate is granted.

10. TRUSTEE'S CONFIRMATION AND CONSENT

The Trustee has confirmed their opinion that the proposed Repurchase Mandate complies with the requirements in the Trust Deed (as amended by the Amendments) and, subject to Holders' approval, that they do not have any objections to the proposed Repurchase Mandate. The Trustee's confirmation is being furnished for the sole purpose of complying with the requirements imposed by the SFC, and is not to be taken as a recommendation or representation by the Trustee of the merits of the proposed Repurchase Mandate or of any statements or information made or disclosed in this circular. The Trustee has not made any assessment of the merits or impact of the proposed Repurchase Mandate, other than for the purposes of fulfilling its fiduciary duties set out in the Trust Deed and the Code.

NOTICE OF THE GENERAL MEETING

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

(a Hong Kong unit trust authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))
(Stock Code: 820)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that an general meeting ("**General Meeting**") of the Holders of HSBC China Dragon Fund (the "**Fund**") will be held at Level 22, HSBC Main Building, 1 Queen's Road Central, Hong Kong on 19 October 2009 at 9:30 a.m. to consider and, if thought fit, pass with or without modifications, the following resolutions:

EXTRAORDINARY RESOLUTION

"THAT:

- (a) pursuant to clause 30.1 of the trust deed constituting the Fund (as may be amended from time to time) (the "**Trust Deed**"), approval be and is hereby given for clause 5.1(e) of the Trust Deed to be deleted in its entirety and replaced with the text below:

"(e) details of each redemption or repurchase of Units and the date on which any Units are cancelled pursuant to the provisions of Clause 9.";

- (b) pursuant to clause 30.1 of the Trust Deed, approval be and is hereby given for the heading of clause 9 of the Trust Deed to be deleted in its entirety and replaced with the text below:

"9. REDEMPTION OR REPURCHASE OF UNITS BY THE MANAGER";

- (c) pursuant to clause 30.1 of the Trust Deed, approval be and is hereby given for the heading of clause 9 of the Trust Deed to be amended by inserting the following new paragraph as a new sub-clause 9.7:

"9.7 Subject to the Manager being granted a general mandate from the Holders by way of an ordinary resolution at a Holders' general meeting, the Manager shall have the right to use any part of the Trust Fund to repurchase any Units listed on the SEHK. Before exercising such right the Manager shall ensure that the Trust Fund has sufficient cash to effect the proposed repurchase of the Units. Any repurchase of Units by the Manager must be effected in accordance with all applicable laws, rules, regulations, codes or guidelines issued by the Commission or any relevant governmental or regulatory authority and shall be effected only when the Manager believes that such repurchase will benefit the Trust and the Holders as a whole. All repurchased Units shall be automatically cancelled upon the Trustee receiving a notice in writing from the Manager stating the number of Units repurchased and Certificates for those Units (if any) shall be cancelled and destroyed.";

- (d) pursuant to clause 30.1 of the Trust Deed, approval be and is hereby given for clause 10 of the Trust Deed to be deleted in its entirety and replaced with the text below:

"10. NO REDEMPTION OR REPURCHASE OF UNITS BY HOLDERS

No Holder shall have any right to demand the repurchase or redemption of their Units.";

- (e) pursuant to clause 30.1 of the Trust Deed, approval be and is hereby given for clause 19.3 of the Trust Deed to be amended by inserting the following sub-paragraph as new item (a) and the subsequent original items (a) – (u) shall be relabeled (b) – (v):

"(a) all fees and expenses relating to any repurchase of Units,";

- (f) HSBC Global Asset Management (Hong Kong) Limited, as the manager of the Fund (the "**Manager**"), any director of the Manager and HSBC Institutional Trust Services (Asia) Limited, as trustee of the Fund (the "**Trustee**"), each be and is hereby severally authorised to complete and do or cause to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager or the Trustee, as the case may be, may consider expedient or necessary or in the interest of the Fund to give effect to the matters resolved upon in paragraphs (a), (b), (c), (d) and (e) of this resolution."

NOTICE OF THE GENERAL MEETING

ORDINARY RESOLUTION

"CONDITIONAL UPON THE PASSING OF THE EXTRAORDINARY RESOLUTION SET OUT ABOVE, THAT:

- (a) the exercise by the Manager, during the Relevant Period (as defined in paragraph (c) below) of all powers of the Manager to purchase units ("**Units**", each a "**Unit**") of the Fund on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"), subject to and in accordance with the Trust Deed, the laws of Hong Kong, the Code on Unit Trusts and Mutual Funds and the guidelines issued by the Securities and Futures Commission of Hong Kong ("**SFC**") from time to time, be and the same is hereby generally and unconditionally approved in accordance with and subject to the terms set out in the explanatory statement in the appendix to the circular to Holders of the Fund dated 18 September 2009 (a copy of which is produced to this meeting marked "A" and signed by the Chairman of this meeting for the purpose of identification);
- (b) the aggregate number of Units which may be purchased or agreed to be purchased by the Manager pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10% of the aggregate number of issued Units as at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (c) for the purposes of this resolution, "**Relevant Period**" means the period from the date of the passing of this resolution until the earlier of:
 - (i) the expiration of 12 months following the passing of the resolution to approve the grant of the a general and unconditional mandate to the Manager to enable it to repurchase such number of Units representing not more than 10% of the aggregate number of Units in issue; and
 - (ii) the passing of an ordinary resolution by the Holders of the Fund in general meeting revoking or varying the authority given to the Manager by this resolution."

By order of the board of
HSBC Global Asset Management (Hong Kong) Limited
As manager of HSBC China Dragon Fund
APENBRINK, Rudolf Eduard Walter
Director of the Manager

Hong Kong, 18 September 2009

NOTICE OF THE GENERAL MEETING

Registered Office of the Manager:

HSBC Main Building
1 Queen's Road Central
Hong Kong

Notes:

- (a) A Holder of the Fund entitled to attend and vote at the General Meeting may appoint proxy(ies) to attend and vote in his/her stead in accordance with the Trust Deed. The person appointed to act as proxy need not be a Holder of the Fund.
- (b) The register of Holders of the Fund will be closed from 13 October 2009 to 19 October 2009, both days inclusive, during which period no transfer of Units can be effected. In order to qualify for attending and voting at the General Meeting, all unit certificates together with duly completed transfer forms must be lodged with the office of the unit registrar of the Fund, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 12 October 2009.
- (c) In order to be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, if any, must be deposited at the office of the unit registrar of the Fund, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 48 hours before the time fixed for holding the General Meeting or at any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the General Meeting (or any adjournment thereof) should you so wish.
- (d) Where there are joint registered Holders of a Unit, any one of such Holders may vote at the meeting either personally or by proxy in respect of such Unit as if he/she were solely entitled thereto, but if more than one of such Holders is present at the meeting personally or by proxy, that one of such Holders so present whose name stands first on the register of Holders in respect of such Unit shall alone be entitled to vote in respect thereof.

As at the date hereof, the board of directors of the Manager is comprised as follows: The executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. CONXICOEUR, Patrice Pierre Henri, Ms. LAM, Po Yee and Mr. STOKES, Edmund Richard. The non-executive directors of the Manager are Mr. CHENG, Hoi Chuen, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FRIED, David Lawrence, Mr. LEECH, Paul Ernest, Mr. LEUNG, William Wing Cheung and Mr. McCOMBE, Mark Seumas.

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HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

(a Hong Kong unit trust authorised under section 104 of the
Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))
(Stock Code: 820)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that an general meeting (“**General Meeting**”) of the Holders of HSBC China Dragon Fund (the “**Fund**”) will be held at Level 22, HSBC Main Building, 1 Queen's Road Central, Hong Kong on 19 October 2009 at 9:30 a.m. to consider and, if thought fit, pass with or without modifications, the following resolutions:

EXTRAORDINARY RESOLUTION

“**THAT:**

- (a) pursuant to clause 30.1 of the trust deed constituting the Fund (as may be amended from time to time) (the “**Trust Deed**”), approval be and is hereby given for clause 5.1(e) of the Trust Deed to be deleted in its entirety and replaced with the text below:

“(e) details of each redemption or repurchase of Units and the date on which any Units are cancelled pursuant to the provisions of Clause 9.”;

- (b) pursuant to clause 30.1 of the Trust Deed, approval be and is hereby given for the heading of clause 9 of the Trust Deed to be deleted in its entirety and replaced with the text below:

“9. **REDEMPTION OR REPURCHASE OF UNITS BY THE MANAGER**”;

- (c) pursuant to clause 30.1 of the Trust Deed, approval be and is hereby given for the heading of clause 9 of the Trust Deed to be amended by inserting the following new paragraph as a new sub-clause 9.7:

“9.7 Subject to the Manager being granted a general mandate from the Holders by way of an ordinary resolution at a Holders' general meeting, the Manager shall have the right to use any part of the Trust Fund to repurchase any Units listed on the SEHK. Before exercising such right the Manager shall ensure that the Trust Fund has sufficient cash to effect the proposed repurchase of the Units. Any repurchase of Units by the Manager must be effected in accordance with all applicable laws, rules, regulations, codes or guidelines issued by the Commission or any relevant governmental or regulatory authority and shall be effected only when the Manager believes that such repurchase will benefit the Trust and the Holders as a whole. All repurchased Units shall be automatically cancelled upon the Trustee receiving a notice in writing from the Manager stating the number of Units repurchased and Certificates for those Units (if any) shall be cancelled and destroyed.”;

- (d) pursuant to clause 30.1 of the Trust Deed, approval be and is hereby given for clause 10 of the Trust Deed to be deleted in its entirety and replaced with the text below:

“10. **NO REDEMPTION OR REPURCHASE OF UNITS BY HOLDERS**

No Holder shall have any right to demand the repurchase or redemption of their Units.”;

- (e) pursuant to clause 30.1 of the Trust Deed, approval be and is hereby given for clause 19.3 of the Trust Deed to be amended by inserting the following sub-paragraph as new item (a) and the subsequent original items (a) – (u) shall be relabeled (b) – (v):

“(a) all fees and expenses relating to any repurchase of Units,”;

- (f) HSBC Global Asset Management (Hong Kong) Limited, as the manager of the Fund (the “**Manager**”), any director of the Manager and HSBC Institutional Trust Services (Asia) Limited, as trustee of the Fund (the “**Trustee**”), each be and is hereby severally authorised to complete and do or cause to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager or the Trustee, as the case may be, may consider expedient or necessary or in the interest of the Fund to give effect to the matters resolved upon in paragraphs (a), (b), (c), (d) and (e) of this resolution.”

ORDINARY RESOLUTION

“CONDITIONAL UPON THE PASSING OF THE EXTRAORDINARY RESOLUTION SET OUT ABOVE, THAT:

- (a) the exercise by the Manager, during the Relevant Period (as defined in paragraph (c) below) of all powers of the Manager to purchase units (“Units”, each a “Unit”) of the Fund on The Stock Exchange of Hong Kong Limited (“Stock Exchange”), subject to and in accordance with the Trust Deed, the laws of Hong Kong, the Code on Unit Trusts and Mutual Funds and the guidelines issued by the Securities and Futures Commission of Hong Kong (“SFC”) from time to time, be and the same is hereby generally and unconditionally approved in accordance with and subject to the terms set out in the explanatory statement in the appendix to the circular to Holders of the Fund dated 18 September 2009 (a copy of which is produced to this meeting marked “A” and signed by the Chairman of this meeting for the purpose of identification);
- (b) the aggregate number of Units which may be purchased or agreed to be purchased by the Manager pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10% of the aggregate number of issued Units as at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (c) for the purposes of this resolution, “Relevant Period” means the period from the date of the passing of this resolution until the earlier of:
 - (i) the expiration of 12 months following the passing of the resolution to approve the grant of the a general and unconditional mandate to the Manager to enable it to repurchase such number of Units representing not more than 10% of the aggregate number of Units in issue; and
 - (ii) the passing of an ordinary resolution by the Holders of the Fund in general meeting revoking or varying the authority given to the Manager by this resolution.”

By order of the board of
HSBC Global Asset Management (Hong Kong) Limited
As manager of HSBC China Dragon Fund
APENBRINK, Rudolf Eduard Walter
Director of the Manager

Hong Kong, 18 September 2009

Registered Office of the Manager:

HSBC Main Building
1 Queen's Road Central
Hong Kong

Notes:

- (a) A Holder of the Fund entitled to attend and vote at the General Meeting may appoint proxy(ies) to attend and vote in his/her stead in accordance with the Trust Deed. The person appointed to act as proxy need not be a Holder of the Fund.
- (b) The register of Holders of the Fund will be closed from 13 October 2009 to 19 October 2009, both days inclusive, during which period no transfer of Units can be effected. In order to qualify for attending and voting at the General Meeting, all unit certificates together with duly completed transfer forms must be lodged with the office of the unit registrar of the Fund, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 12 October 2009.
- (c) In order to be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, if any, must be deposited at the office of the unit registrar of the Fund, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 48 hours before the time fixed for holding the General Meeting or at any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the General Meeting (or any adjournment thereof) should you so wish.
- (d) Where there are joint registered Holders of a Unit, any one of such Holders may vote at the meeting either personally or by proxy in respect of such Unit as if he/she were solely entitled thereto, but if more than one of such Holders is present at the meeting personally or by proxy, that one of such Holders so present whose name stands first on the register of Holders in respect of such Unit shall alone be entitled to vote in respect thereof.

As at the date hereof, the board of directors of the Manager is comprised as follows: The executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. CONXICOEUR, Patrice Pierre Henri, Ms. LAM, Po Yee and Mr. STOKES, Edmund Richard. The non-executive directors of the Manager are Mr. CHENG, Hoi Chuen, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FRIED, David Lawrence, Mr. LEECH, Paul Ernest, Mr. LEUNG, William Wing Cheung and Mr. McCOMBE, Mark Seumas.

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

(a Hong Kong unit trust authorised under section 104 of the
Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))
(Stock Code: 820)

FORM OF PROXY FOR USE BY HOLDERS AT THE GENERAL MEETING TO BE HELD ON 19 October 2009

I/We ^(note 1) _____ (name) of _____
_____ (address) being the registered holder of ^(note 2) _____ unit(s)
of **HSBC China Dragon Fund (the “Fund”)** hereby appoint _____ (name) of
_____ (address) or failing him,

THE CHAIRMAN OF THE MEETING ^(note 3) to act as my/our proxy to attend, act and vote on my/our behalf at the general meeting of holders of the Fund to be held at Level 22, HSBC Main Building, 1 Queen’s Road Central, Hong Kong on 19 October 2009 at 9:30 a.m. and at any adjournment thereof in respect of the resolution set out in the notice of such meeting as indicated below.

PLEASE INDICATE WITH A “√” IN THE SPACE PROVIDED HOW YOU WISH YOUR VOTE(S) TO BE CAST ON A POLL. SHOULD THIS PROXY FORM BE RETURNED DULY SIGNED BUT WITHOUT A SPECIFIC DIRECTION, THE PROXY WILL VOTE OR ABSTAIN AT HIS/HER DISCRETION.

EXTRAORDINARY RESOLUTION	FOR	AGAINST
To approve amendment to the trust deed constituting the Fund to enable the Fund to repurchase units of the Fund		
ORDINARY RESOLUTION	FOR	AGAINST
Conditional upon the passing of the extraordinary resolution, to approve the general mandate to HSBC Global Asset Management (Hong Kong) Limited as manager of the Fund in relation to the repurchase of units of the Fund		

Dated this _____ day of _____ 2009

Holder’s Signature: _____

Notes:

- Full name(s) and address(es) to be inserted in BLOCK CAPITALS.
- A holder should insert the total number of units registered in his/her name(s). If no number is inserted, this form of proxy will be deemed to relate to all the units in Fund registered in the name of the holder.
- A holder entitled to attend and vote at the general meeting may appoint one or more proxies to attend and vote in his/her stead in accordance with the trust deed constituting the Fund. The person appointed to act as proxy need not be a holder. If any proxy other than the Chairman of the general meeting is preferred, a holder should insert the name and address of the proxy desired in the space provided and strike out the words “or, failing him, THE CHAIRMAN OF THE MEETING”. If more than one proxy is appointed, the appointment shall specify the number of units in respect of which each such proxy is so appointed.
- The form of proxy must be signed by the appointor or his/her attorney duly authorised in writing or, in the case of a corporation, must either be executed under its seal or under the hand of an officer or other attorney duly authorised to sign the same. If this form of proxy is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other document of authorisation, must be notarially certified.
- Where there are joint registered holders, any one of such holders may vote at the meeting either personally or by proxy in respect of such unit as if he/she were solely entitled thereto, but if more than one of such holders is present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of holders in respect of such unit shall alone be entitled to vote in respect thereof.
- The register of holders of the Fund will be closed from 13 October 2009 to 19 October 2009, both days inclusive, during which period no transfer of units can be effected. In order to qualify for attending and voting at the general meeting of the Fund, all unit certificates together with duly completed transfer forms must be lodged with the office of the unit registrar of the Fund, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 12 October 2009.
- In order to be valid, this form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited at the office of the unit registrar of the Fund, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 48 hours before the time fixed for holding the general meeting or at any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the general meeting (or any adjournment thereof) should you so wish. In the event that you attend the meeting or adjourned meeting (as the case may be) after having lodged a form of proxy, the form of proxy will be deemed to have been revoked.
- No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution.
- Pursuant to the trust deed constituting the Fund, at any meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded. For the purposes of this meeting, the Chairman will demand a poll and the Extraordinary Resolution and the Ordinary Resolution will be decided accordingly.
- On a poll every holder who is present in person or by proxy shall have one vote for every unit of which he/she is the holder. A person entitled to more than one vote need not use all his/her votes or cast them in the same way.
- ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALLED BY THE PERSON WHO SIGNS IT.**

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

(根據《證券及期貨條例》(香港法例第 571 章) 第 104 條
獲認可之香港單位信託基金)
(股份代號：820)

將於 2009 年 10 月 19 日舉行之持有人大會適用之代表委任表格

本人/吾等^(註 1) _____ (姓名)，地址： _____
_____, 為滙豐中國翔龍基金(「本基金」)單位中共 _____ 單位^(註 2)之登記持有人，
茲委任 _____，地址： _____ (如前述
人士未能出席)或大會主席^(註 3)代表本人/吾等出席本公司訂於 2009 年 10 月 19 日上午 9 時 30 分假座香港皇后大道中 1 號滙豐總
行大廈 22 樓舉行之本基金持有人大會及其任何續會，並在大會及其任何續會上代表本人/吾等以本人/吾等名義行事及就該大會
通知載明的下述有關議案投票。

請在以下欄內填上“√”號，以示閣下在表決中投贊成或反對票。如本表格交回時已簽妥但未註明任何指示，閣下的代表可自行就有
關決議酌情投票，或放棄投票。

特別決議案	贊成	反對
通過對構成本基金的信託契據作出修訂，使本基金可購回本基金的單位		
普通決議案	贊成	反對
以通過特別決議為前提條件，通過就購回本基金的單位向本基金經理人滙豐環球 投資管理(香港)有限公司授予一般授權		

日期：2009 年 _____ 月 _____ 日

持有人簽署： _____

註：

- 請填上全名及地址。
- 持有人應填上以其名義登記之單位總數。如無填上單位數目，則本代表委任表格將視為與所有以持有人名義登記之本基金單位有關。
- 根據構成本基金的信託契據，凡有權出席大會及於會上投票之持有人均可委派一名或以上代表代其出席及投票。受委任代表毋須為持有人。如欲委派大會主席以外之大士為代表，持有人應將「(如前述人士未能出席)或大會主席」字樣刪去，並在空欄內填上其所擬委派代表之姓名及地址。如委任一名以上代表，該項委任應註明委任每名代表涉及的所持單位數目。
- 本代表委任表格必須由委任人或其以書面正式授權之授權人簽署，或如持有人為公司，則代表委任表格須另行加蓋公司印鑑，或經由公司負責人或其他正式授權人士親筆簽署。如本委任表格由委任人的授權人士簽署，授權該授權人士簽署本委任表格的授權書或其他授權文件須經公證人核証。
- 倘屬任何單位之聯名登記持有人，任何一名聯名持有人均可親身或委派代表就所持單位於大會上投票，猶如單獨有投票權，惟倘超過一名聯名持有人親身或委派代表出席大會，則只有就有關單位於持有人名冊排名之人士方有權就有關單位投票。
- 本基金持有人的登記將於 2009 年 10 月 13 日至 2009 年 10 月 19 日(含首尾兩日)期間結束。在該段期間內，不得轉讓任何單位。為獲得出席本基金大會並在大會上投票的資格，所有單位證明書連同已填妥的過戶表格最遲須於 2009 年 10 月 12 日下午 4 時 30 分前遞交至本基金之單位過戶登記處香港中央證券登記有限公司(地址：香港灣仔皇后大道東 183 號合和中心 17 樓 1712-1716 室)，以便辦理登記手續。
- 本代表委任表格連同授權書或其他授權文件(如有)或經公證人簽署證明之該等授權書或授權文件副本，最遲須於大會或任何續會指定舉行時間 48 小時前交回本公司之單位過戶登記處香港中央證券登記有限公司(地址：香港灣仔皇后大道東 183 號合和中心 18 樓 1806-1807 室)，方為有效。閣下在填交本代表委任表格後，仍可依願親身出席大會(或其任何續會)並於會上投票。倘閣下在遞交代表委任表格後出席大會或其任何續會(視情況而定)，則視該代表委任表格已被撤銷。
- 任何委任代表的文書應自其載明的簽署日期起 12 個月後失效。
- 根據構成本基金的信託契據，對於在任何會議上提交給大會表決的議案，應通過舉手投票予以決定，除非(在宣布舉手投票結果之前或之時)要求以一單位一票進行表決，則屬例外。就本次大會而言，大會主席將要求以一單位一票進行表決，而特別決議案及普通決議案將據此予以決定。
- 在進行投票時，凡親自或委派代表出席的每一持有人，均可就其持有的每一單位投一票。有權投一票以上的人士無需用盡其所有表決權或以同一方式表決。
- 本代表委任表格的所有修改均須經簽署人簡簽作實。

IMPORTANT

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Securities and Futures Commission take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

Investments involve risks. Investors are advised to consider their own investment objectives and circumstances in determining the suitability of an investment in the Fund. An investment in the Fund may not be suitable for everyone. If you are in any doubt about the contents of this document, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. Investors should note:

- The Fund's market price on the stock exchange may be different from its net asset value per unit. The Fund is a close-ended fund and no investor may demand redemption of their units.
- The Fund invests primarily in Chinese equities and is subject to the concentration and emerging market risks arising from exposures to investments in a single emerging market.
- Investing in the Fund may involve substantial market, volatility, regulatory and political risks. Investors may suffer substantial loss of their investments in the Fund.
- Investors should not invest in the Fund solely based on the information provided in this document and should read the Offering Circular of the Fund for details.

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

*a Hong Kong unit trust authorised under
section 104 of the Securities and Futures Ordinance
(Chapter 571 of the Laws of Hong Kong)*

(Stock Code: 820)

Announcement

**PROPOSED AMENDMENTS TO THE TRUST DEED AND
PROPOSED GENERAL MANDATE TO REPURCHASE UNITS**

This is an announcement made by HSBC China Dragon Fund (the "**Fund**").

HSBC Global Asset Management (Hong Kong) Limited (the "**Manager**") wishes to announce that it is convening a general meeting (the "**General Meeting**") to (A) approve proposal to make certain amendments to the trust deed (the "**Trust Deed**") of the Fund to enable the Manager to repurchase units of the Fund ("**Units**"); and (B) grant a general mandate (the "**Repurchase Mandate**") to the Manager to repurchase Units on-market on behalf of the Fund.

The General Meeting is scheduled to be held at Level 22, HSBC Main Building, 1 Queen's Road Central, Hong Kong on 19 October 2009, at 9:30 a.m..

Further details are set out in a circular (the "**Circular**") to the holders of Units (the "**Holders**") expected to be dispatched on or around 18 September 2009, together with an explanatory statement and a notice of the General Meeting. The amendments to the Trust Deed and the implementation of the Repurchase Mandate are subject to approval by the Holders at the General Meeting.

The Manager of the Fund wishes to announce that it is:

- (a) seeking approval by way of extraordinary resolution from the Holders to approve proposal to make certain amendments to the Trust Deed dated 20 June 2007 as amended, restated and supplemented by a first supplemental deed dated 29 June 2007 entered into between HSBC Institutional Trust Services (Asia) Limited, as trustee of the Fund and the Manager; and
- (b) conditional upon the passing of the extraordinary resolution by the Holders as described in (a), seeking approval by way of ordinary resolution from the Holders to grant a Repurchase Mandate;

at the General Meeting scheduled to be held at Level 22, HSBC Main Building, 1 Queen's Road Central, Hong Kong on 19 October 2009, at 9:30 a.m..

The proposed amendments to the Trust Deed and the proposed Repurchase Mandate are more particularly set out below and in a Circular to the Holders to be dispatched on or around 18 September 2009, together with the notice of a General Meeting of the Holders. The Circular will also be available for reference on the website of the Fund from the date of its dispatch.

The amendments to the Trust Deed and the grant of the Repurchase Mandate are subject to approval of the relevant resolution by the Holders at the General Meeting. With respect to each of the resolutions to be proposed at the General Meeting, any Holder who has a material interest in such resolution and that interest is different from that of all other Holders, shall abstain from voting in respect of such resolution. As at the date of this announcement, the Manager is unaware of any Holders that are required to abstain from voting in respect of the proposed resolutions specifically mentioned in this announcement.

Proposed Amendments to the Trust Deed

The principal purpose of amending the Trust Deed is to enable the Manager to repurchase any Unit provided that the Manager is being granted a general mandate from the Holders and any such repurchase of Units is effected in accordance with all applicable laws, rules, regulations, codes or guidelines issued by the Securities and Futures Commission or any governmental or regulatory authority from time to time.

Further details of the amendment to the Trust Deed are set out in the Circular.

Proposed General Mandate to Repurchase Units

The Manager proposes to seek the Holders' approval to grant the Repurchase Mandate to the Manager to repurchase Units on-market on behalf of the Fund.

The Repurchase Mandate will, if granted, remain effective until the earlier of:

- (a) the expiration of 12 months following the passing of the resolution to approve the grant of the Repurchase Mandate at the General Meeting held on 19 October 2009; and
- (b) its revocation or variation by an ordinary resolution of the Holders at a general meeting of the Holders.

As at the latest practicable date on 14 September 2009, 371,910,000 Units were in issue. Subject to the passing of the proposed resolution for the grant of the Repurchase Mandate, the Manager will be allowed to repurchase 10% of the number of Units issued as at the date of the resolution granting the Repurchase Mandate. On the basis that no Units will be issued or repurchased prior to the date of the General Meeting, the Manager will be allowed under the Repurchase Mandate to repurchase a maximum of 37,191,000 Units.

The Manager believes that it is in the best interests of the Fund and the Holders as a whole to seek the Repurchase Mandate from the Holders. The Fund has been trading at a discount to its net asset value for the past 12 months. The level of discount reached a high of 37.3% in October 2008. The average discount for the six months, three months and one month to 14 September 2009 are 17.9%, 15.7% and 13.3%, respectively. The grant of the Repurchase Mandate would enable the Manager to conduct on-market repurchase of Units if and when appropriate. Unit repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the trading price (thereby narrowing the

discount to the net asset value) and/or an increase in earnings per Unit and will only be made when the Manager believes that such repurchases will benefit the Fund and the Holders as a whole.

The Fund shall comply with the restrictions and notification requirements applicable to listed companies purchasing their own shares on a stock exchange under rule 10.06 of the Listing Rules, with necessary changes being made, as if the provisions therein were applicable to the Fund. These include, but are not limited to, the dealing restrictions, the restrictions on subsequent issues, the reporting requirements and status of purchased shares. In particular, the Manager will not repurchase any Unit on-market at a price exceeding (a) by 5% or more than the average closing market price of the Units for the 5 preceding trading days on which the Units were traded on the Stock Exchange of Hong Kong Limited; or (b) the net asset value per unit of the Fund on the preceding trading day, whichever is lower.

For the purposes of any repurchases, the Manager will only use funds legally available for such purposes in accordance with the Trust Deed, the guidelines issued by the Securities and Futures Commission from time to time and the laws of Hong Kong. The repurchases will be funded from the selling down of the Fund's assets (other than the A-shares which are subject to lock-up restrictions under the PRC regulations) and will not be funded from borrowings.

Further details of the Repurchase Mandate are set out in the Circular.

General Information

The Fund is a close-ended fund and no investor may demand redemption of their units.

The listing of the Fund on the Stock Exchange of Hong Kong does not guarantee a liquid market and the Fund may be delisted. The Fund's market price on the Stock Exchange of Hong Kong may be different from its net asset value per unit. Currency movement may affect the value of investments. Investment in emerging market involves higher risks. The Fund invests part of its assets in China A-shares, which are subject to specific risks and restrictions as disclosed in the Offering Circular. The Fund differs from a typical trust and investors should read the Offering Circular for details including the risk factors.

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
18 September 2009

As at the date of this announcement, the board of directors of the Manager is comprised as follows: The executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. CONXICOEUR, Patrice Pierre Henri, Ms. LAM, Po Yee and Mr. STOKES, Edmund Richard. The non-executive directors of the Manager are Mr. CHENG, Hoi Chuen, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FRIED, David Lawrence, Mr. LEECH, Paul Ernest, Mr. LEUNG, William Wing Cheung and Mr. McCOMBE, Mark Seumas.

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

(a Hong Kong unit trust authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))
(Stock Code: 820)

18 September 2009

Dear Unitholder(s),

Letter to new Unitholders - Election of Means of Receipt and Language of Corporate Communications

For the purpose of environmental protection and cost saving, HSBC China Dragon Fund (the "Fund") proposes to provide you with the choice to receive future Corporate Communications¹ either (i) in printed form, in either (a) the English language version only, (b) the Chinese language version only, or (c) both the English and Chinese language versions; or (ii) by electronic means through the Fund's website at www.assetmanagement.hsbc.com/hk-chinadragonfund.

The purpose of this letter is to ascertain your choice of language and means of receipt of the Fund's future Corporate Communications.

Please mark the appropriate box in the attached Reply Form, sign and return it to the registrar of the Fund, Computershare Hong Kong Investor Services Limited of Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (the "Registrar") on or before 16 October 2009. You may also send email with a scanned copy of the Reply Form to hsbcchinadragon.ecom@computershare.com.hk.

If we do not receive your reply on or before 16 October 2009, we will send the printed Chinese language version of future Corporate Communications to all Hong Kong Unitholders who are natural persons with a Chinese name and using a Hong Kong address (based on the address appearing in the register of Unitholders of the Fund maintained by the Registrar) and the printed English language version to all other Unitholders.

If you choose electronic means, we will send you a notification of the publication of the relevant Corporate Communication on the Fund's website on the day such Corporate Communication is sent to the Unitholders.

After you have made your election, you may change your choice of language and/or means of receipt at any time, free of charge, by completing and returning to the Registrar the change request form, a copy of which will be sent to you together with future Corporate Communications or can be obtained from the Registrar. You may also send email with a scanned copy of the form to hsbcchinadragon.ecom@computershare.com.hk.

Both the printed English and Chinese language versions of the Corporate Communications will be available from the Registrar on request, or on the Fund's website at www.assetmanagement.hsbc.com/hk-chinadragonfund for five (5) years from the date of first publication and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk.

Should you have any queries relating to this letter, please call the enquiry hotline at (852) 2862 8688 during business hours (9:00 a.m. to 6:00 p.m., Mondays to Fridays).

Yours faithfully,
Dr. APENBRINK, Rudolf Eduard Walter
Director
For and on Behalf of
HSBC Global Asset Management (Hong Kong) Limited
as manager of HSBC China Dragon Fund

Encl.

¹ Corporate Communications refer to any documents issued or to be issued by the Fund for the information or action of the Unitholders, including but not limited to annual report, interim report, notice of meeting, listing document, circular and proxy form.

Reply Form 回條

To: HSBC China Dragon Fund (the “Fund”)

c/o Computershare Hong Kong Investor Services Limited
Rooms 1806-1807, 18th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai Hong Kong

致：滙豐中國翔龍基金（「本基金」）

經香港中央證券登記有限公司
香港灣仔皇后大道東183號
合和中心18樓1806-1807室

I/We would like to receive the Corporate Communications of the Fund as indicated below:

本人/我們希望以下列方式收取本基金之公司通訊：

(Please mark **ONLY ONE (X)** of the following boxes)

(請從下列選擇中，僅在其中一個空格內劃上「X」號)

- ☐ read the **Website version** of all future Corporate Communications published on the Fund's website in place of receiving printed copies; **OR**
瀏覽在本基金網站發表之公司通訊網上版本，以代替印刷本；或
- ☐ to receive the **printed English version** of all future Corporate Communications ONLY; **OR**
僅收取本公司通訊之英文印刷本；或
- ☐ to receive the **printed China version** of all future Corporate Communications ONLY; **OR**
僅收取本公司通訊之中文印刷本；或
- ☐ to receive **both printed English and Chinese versions** of all future Corporate Communications.
同時收取本公司通訊之英文及中文印刷本。

Signature

簽名 _____

Contact telephone number:

聯絡電話號碼 _____

Date:

日期 _____

Notes:

附註：

- Please complete all the details clearly.
請 閣下清楚填妥所有資料。
- If the Fund does not receive this Reply Form by 16 October 2009, all future Corporate Communications will be sent out in the manner specified in the Fund's letter dated 18 September 2009.
倘若本基金於2009年10月16日仍未收到 閣下的回條，本基金將按2009年9月18日之本基金函件內所述之方式把公司通訊寄予閣下。
- By selection to read the Website Version of the Corporate Communications published on the Fund's website in place of receiving printed copies, you have expressly consented to waive the right to receive the Corporate Communications in printed form, including the right to receive notice of meeting by post or delivery at your address pursuant to the trust deed constituting the Fund.
在選擇瀏覽在本基金網站發表之公司通訊網上版本以代替收取印刷本後，閣下已明示同意放棄收取公司通訊印刷本的權利，包括根據成立本基金的信託契據以郵寄或送遞予閣下之地址的方式收取大會通告之權利。
- If your units are held in joint names, the Unitholder whose name stands first on the register of members of the Fund in respect of the joint holding should sign on this Reply Form in order to be valid.
如屬聯名基金單位持有人，則本回條須由該名於基金單位持有人名冊上就聯名持有基金單位其姓名位列首位的基金單位持有人簽署，方為有效。
- The above instruction will apply to all future Corporate Communications to be sent to Unitholders of the Fund until you notify otherwise by reasonable notice in writing or using email at hsbcchinadragon.ecom@computershare.com.hk to the Fund's Registrar, Computershare Hong Kong Investor Services Limited, Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
上述指示適用於將來寄發予本基金單位持有人之所有公司通訊，直至閣下發出合理書面通知或以電郵方式到 hsbcchinadragon.ecom@computershare.com.hk 予本基金之過戶登記處香港中央證券登記有限公司地址為香港灣仔皇后大道東183號合和中心18樓1806-1807室另作選擇為止。
- All Future Corporate Communications in both printed English and Chinese versions will be available for inspection from the Fund's Registrar upon request.
本基金之過戶登記處將備有所有公司通訊之英、中文印刷本以供索閱。
- The unitholders are entitled to change the choice of means of receipt or language of the Fund's Corporate Communications at any time by reasonable notice in writing or using email at hsbcchinadragon.ecom@computershare.com.hk to the Fund's Registrar.
基金單位持有人有權隨時發出合理書面通知或以電郵方式到 hsbcchinadragon.ecom@computershare.com.hk 本基金之過戶登記處，要求更改收取公司通訊之語言版本及方式。

閣下寄回此回條時，請將郵寄標籤剪貼於信封上。

如在本港投寄毋須貼上郵票。

Please cut the mailing label and stick this on the envelope to return the Reply Form to us.

No postage stamp necessary if posted in Hong Kong.

郵寄標籤 MAILING LABEL

香港中央證券登記有限公司
Computershare Hong Kong Investor Services Limited
簡便回郵號碼 Freepost No. 37
香港 Hong Kong

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

(a Hong Kong unit trust authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))
(根據《證券及期貨條例》(香港法例第 571 章) 第 104 條獲認可之香港單位信託基金)
(Stock Code 股份代號 : 820)

18 September 2009

Dear Unitholders,

Letter to Existing Unitholders – Election of Means of Receipt and Language of Corporate Communications

The Circular and the Notice of the General Meeting (the “Document”) of HSBC China Dragon Fund (the “Fund”) has been prepared in English and Chinese. Copies prepared in the language different from those you have received are available from Computershare Hong Kong Investor Services Limited (the Fund’s Registrar) on request, or on the Fund’s website at www.assetmanagement.hsbc.com/hk-chinadragonfund for five (5) years from the date of first publication and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk.

You may at any time change your choice of language or means of receipt, free of charge, by completing the attached Change Request Form and returning it to the Fund’s Registrar. You may also send email with a scanned copy of this form to hsbcchinadragon.ecom@computershare.com.hk.

Should you have any queries relating to this letter, please call the enquiry hotline at (852) 2862 8688 during business hours (9:00 a.m. to 6:00 p.m., Mondays to Fridays).

Yours faithfully,

Dr. APENBRINK, Rudolf Eduard Walter

Director

For and on behalf of

HSBC Global Asset Management (Hong Kong) Limited
as manager of HSBC China Dragon Fund

各位單位持有人：

致現有單位持有人之函件 — 選擇收取公司通訊的方式及語文

滙豐中國翔龍基金（「本基金」）通函及持有人大會通告（「該文件」）備有英文及中文版。香港中央證券登記有限公司（本基金之過戶登記處）在收到閣下的要求後，可提供閣下所收到的版本以外另一種語言編製的版本。有關文件亦將由首次刊載日期起計五（5）年內刊載於本基金網站 www.assetmanagement.hsbc.com/hk-chinadragonfund 內，並於香港交易及結算所有限公司網站 www.hkexnews.hk 登載。

如閣下欲更改已選擇的語言版本及收取方式，可隨時填寫隨附的更改指示表格，費用全免，然後把表格寄交本基金的過戶登記處。你亦可把已填妥之變更申請表的掃描副本電郵到 hsbcchinadragon.ecom@computershare.com.hk。

若閣下對本函件有任何疑問，請於星期一至星期五早上九時至下午六時致電查詢熱線 (852) 2862 8688。

代表

滙豐環球投資管理（香港）有限公司

作為滙豐中國翔龍基金之經理人

董事

區邦彥博士

謹啟

2009 年 9 月 18 日

“Corporate Communications” refer to any documents issued or to be issued by the Fund for the information or action of the Unitholders, including but not limited to annual report, interim report, notice of meeting, listing document, circular and proxy form. 「公司通訊」指本基金發出或將予發出以供基金單位持有人參照或採取行動的任何文件，包括但不限於年報、中期報告、會議通告、上市文件、通函及委派代表書。

Change Request Form 變更申請表格

To: HSBC China Dragon Fund ("the Fund")
c/o Computershare Hong Kong Investor Services Limited
Rooms 1806-1807, 18th Floor,
Hopewell Centre, 183 Queen's Road East,
Wanchai, Hong Kong

致：滙豐中國翔龍基金(「本基金」)
經香港中央證券登記有限公司
香港灣仔皇后大道東183號
合和中心18樓1806-1807室

I/We have already received a printed copy of the Current Corporate Communications in Chinese/English or have chosen to read the Current Corporate Communications posted on the Fund's website:

本人/我們已收取本次公司通訊文件之英文/中文印刷本或已選擇瀏覽本基金網站所登載之本次公司通訊文件：

Part A – I/We would like to receive another printed version of the Current Corporate Communications of the Fund as indicated below:

甲部 本人/我們現在希望以下列方式收取 貴基金本次公司通訊文件之另一語言印刷本：

(Please mark **ONLY ONE (X)** of the following boxes 請從下列選擇中，僅在其中一個空格內劃上「X」號)

- ☐ I/We would like to receive a **printed copy in English** now.
本人/我們現在希望收取一份英文印刷本。
- ☐ I/We would like to receive a **printed copy in Chinese** now.
本人/我們現在希望收取一份中文印刷本。
- ☐ I/We would like to receive **both the printed English and Chinese copies** now.
本人/我們現在希望收取英文和中文各一份印刷本。

Part B – I/We would like to change the choice of language and means of receipt of future Corporate Communications of the Fund as indicated below:

乙部 本人/我們現在希望更改以下列方式收取 貴基金日後公司通訊文件之語言版本及收取途徑：

(Please mark **ONLY ONE (X)** of the following boxes 請從下列選擇中，僅在其中一個空格內劃上「X」號)

- ☐ read the **Website version** of all future Corporate Communications published on the Fund's website in place of receiving printed copies; **OR**
瀏覽在本基金網站發表之公司通訊網上版本，以代替印刷本；或
- ☐ to receive the printed **English version** of all future Corporate Communications **ONLY**; **OR**
僅收取本公司通訊之英文印刷本；或
- ☐ to receive the printed **Chinese version** of all future Corporate Communications **ONLY**; **OR**
僅收取本公司通訊之中文印刷本；或
- ☐ to receive both printed **English and Chinese versions** of all future Corporate Communications.
同時收取本公司通訊之英文及中文印刷本。

Name(s) of Unitholders[#]
基金單位持有人姓名[#]

Date
日期

(Please use **ENGLISH BLOCK LETTERS** 請用英文正楷填寫)

Address[#]
地址[#]

(Please use **ENGLISH BLOCK LETTERS** 請用英文正楷填寫)

Contact telephone number
聯絡電話號碼

Signature(s)
簽名

[#] You are required to fill in the details if you download this Change Request Form from the Fund's Website. 假如你從基金網站下載本變更申請表，請必須填上有關資料。

Notes / 附註：

- Please complete all your details clearly.
請 閣下清楚填妥所有資料。
- By selection to read the Website Version of the Corporate Communications published on the Fund's website in place of receiving printed copies, you have expressly consented to waive the right to receive the Corporate Communications in printed form, including the right to receive notice of meeting by post or delivery at your address pursuant to the trust deed constituting the Fund.
在選擇瀏覽在本基金網站發表之公司通訊網上版本以代替收取印刷本後，閣下已明示同意放棄收取公司通訊印刷本的權利，包括根據成立本基金的信託契據以郵寄或送遞予閣下之地址的方式收取大會通告之權利。
- If your units are held in joint names, the Unitholder whose name stands first on the register of members of the Fund in respect of the joint holding should sign on this Change Request Form in order to be valid.
如屬聯名基金單位持有人，則本變更申請表須由該名於基金單位持有人名冊上就聯名持有基金單位其姓名位列首位的基金單位持有人簽署，方為有效。
- The above instruction will apply to all future Corporate Communications to be sent to Unitholders of the Fund until you notify otherwise by reasonable notice in writing to the Fund's Registrar, Computershare Hong Kong Investor Services Limited, Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or by email to hsbcchinadragon.ecom@computershare.com.hk.
上述指示適用於將來寄發予本基金單位持有人之所有公司通訊，直至閣下發出合理書面通知予本基金之過戶登記處香港中央證券登記有限公司地址為香港灣仔皇后大道東183號合和中心18樓1806-1807室或以電郵方式發送通知hsbcchinadragon.ecom@computershare.com.hk另作選擇為止。
- All Future Corporate Communications in both printed English and Chinese versions will be available for inspection from the Fund's Registrar upon request.
本基金之過戶登記處將備有所有公司通訊之英、中文印刷本以供索閱。
- The unitholders are entitled to change the choice of means of receipt or language of the Fund's Corporate Communications at any time by reasonable notice in writing to the Fund's Registrar.
基金單位持有人有權隨時發出合理書面通知本基金之過戶登記處，要求更改收取公司通訊之語言版本及方式。
- Any form with more than one box marked (X), with no box marked (X), with no signature or otherwise incorrectly completed will be void.
如在本表格作出超過一項選擇、或未有作出選擇、或未有簽署、或在其他方面填寫不正確，則本表格將會作廢。
- For the avoidance of doubt, we do not accept any special instructions written on this Request Form.
為免存疑，任何在本申請表格上的額外手寫指示，本公司將不予處理。

閣下寄回此變更申請表格時，請將郵寄
標籤剪貼於信封上。

如在本港投寄毋須貼上郵票。

Please cut the mailing label and stick this on
the envelope to return this Change Request Form to us.
No postage stamp necessary if posted in Hong Kong.

郵寄標籤 MAILING LABEL

香港中央證券登記有限公司
Computershare Hong Kong Investor Services Limited
簡便回郵號碼 Freepost No. 37
香港 Hong Kong

IMPORTANT

The Securities and Futures Commission of Hong Kong, Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

Investments involve risks. Investors are advised to consider their own investment objectives and circumstances in determining the suitability of an investment in the Fund. An investment in the Fund may not be suitable for everyone. If you are in any doubt about the contents of this document, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. Investors should note:

- The Fund's market price on the stock exchange may be different from its net asset value per unit. The Fund is a close-ended fund and no investor may demand redemption of their units.
- The Fund invests primarily in Chinese equities and is subject to the concentration and emerging market risks arising from exposures to investments in a single emerging market.
- Investing in the Fund may involve substantial market, volatility, regulatory and political risks. Investors may suffer substantial loss of their investments in the Fund.
- Investors should not invest in the Fund solely based on the information provided in this document and should read the Offering Circular of the Fund for details.

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

*a Hong Kong unit trust authorised under
section 104 of the Securities and Futures Ordinance
(Chapter 571 of the Laws of Hong Kong)*

(Stock Code: 820)

Voluntary Announcement

This is a voluntary announcement made by HSBC China Dragon Fund (the "Fund").

The following table demonstrates the performance of different asset classes of the Fund. "The Fund's A-share and other QFII investments" represents the indicative performance of the Fund's investments in China A-shares and other QFII (Qualified Foreign Institutional Investor) investments. "The Fund's non A-share and non QFII investments" represents the indicative performance of the Fund's other investments such as H-shares, red chips and B-shares. The relevant figures are gross of expenses performances calculated from internal sources and are for indicative purpose only. Returns would be lower once expenses are deducted. The performances of the indices are quoted for indicative comparison purpose only and the indices are not the benchmarks of the Fund.

	Calendar year performance ¹			Cumulative performance ²		
	2009 year-to-date	2008 full year	2007 since August 07 ³	6 months	1 year	Since August 07 ³
The Fund's A-share and other QFII investments (gross of expenses)	41.58%	-58.35%	33.53%	24.81%	20.58%	-21.26%
<i>MSCI China A</i>	55.90%	-61.99%	20.96%	32.83%	20.23%	-28.33%
The Fund's non A-share and non QFII investments (gross of expenses)	41.77%	-55.17%	28.40%	58.83%	0.24%	-18.39%
<i>MSCI China</i>	41.81%	-51.12%	23.43%	59.63%	0.06%	-14.44%

The following table demonstrates the performance of the Fund as a whole. "Net asset value of the Fund" performance figures are net of expenses performance calculated according to the net asset value per unit of the Fund.

	Calendar year performance ¹			Cumulative performance ²		
	2009 year-to-date	2008 full year	2007 since August 07 ³	6 months	1 year	Since August 07 ³
Net asset value of the Fund (net of expenses)	40.63%	-57.82%	29.48%	40.63%	6.31%	-23.20%

As at 31 August 2009:

Net asset value per unit of the Fund:	HK\$7.58
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$6.71
Discount / Premium to net asset value:	11.48% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 August 2009 (the "Reference Date"). All performance figures are total return figures in Hong Kong dollars.

Performance figures of the Fund are calculated according to the value of the respective underlying assets of the Fund or the net asset value per unit of the Fund (as the case may be), and are not calculated according to the Fund's market price on the exchange. The Fund's market price on the Stock Exchange of Hong Kong may be different from its net asset value per unit.

Investment involves risk. Past performance information presented is not indicative of future performance. Please refer to the Offering Circular of the Fund for further details including the risk factors.

Note:

1. Calendar year performance is the gain or loss of the Fund throughout a particular year.
2. Cumulative performance is the gain or loss of the Fund over certain period of time up to the Reference Date.
3. Performance figures are calculated since 1 August 2007, being the first dealing day of the month following the launch of the Fund on 20 July 2007.

The Fund is a close-ended fund and no investor may demand redemption of their units.

The listing of the Fund on the Stock Exchange of Hong Kong does not guarantee a liquid market and the Fund may be delisted. The Fund's market price on the Stock Exchange of Hong Kong may be different from its net asset value per unit. Currency movement may affect the value of investments. Investment in emerging market involves higher risks. The Fund invests part of its assets in China A-shares, which are subject to specific risks and restrictions as disclosed in the Offering Circular. The Fund differs from a typical trust and investors should read the Offering Circular for details including the risk factors. The document has not been reviewed by the Securities and Futures Commission.

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
16 September 2009

As at the date of this announcement, the board of directors of the Manager is comprised as follows: The executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. CONXICOEUR, Patrice Pierre Henri, Ms. LAM, Po Yee and Mr. STOKES, Edmund Richard. The non-executive directors of the Manager are Mr. CHENG, Hoi Chuen, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FRIED, David Lawrence, Mr. LEECH, Paul Ernest, Mr. LEUNG, William Wing Cheung and Mr. McCOMBE, Mark Seumas.

IMPORTANT

The Securities and Futures Commission of Hong Kong, Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

Investments involve risks. Investors are advised to consider their own investment objectives and circumstances in determining the suitability of an investment in the Fund. An investment in the Fund may not be suitable for everyone. If you are in any doubt about the contents of this document, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. Investors should note:

- The Fund's market price on the stock exchange may be different from its net asset value per unit. The Fund is a close-ended fund and no investor may demand redemption of their units.
- The Fund invests primarily in Chinese equities and is subject to the concentration and emerging market risks arising from exposures to investments in a single emerging market.
- Investing in the Fund may involve substantial market, volatility, regulatory and political risks. Investors may suffer substantial loss of their investments in the Fund.
- Investors should not invest in the Fund solely based on the information provided in this document and should read the Offering Circular of the Fund for details.

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

*a Hong Kong unit trust authorised under
section 104 of the Securities and Futures Ordinance
(Chapter 571 of the Laws of Hong Kong)*

(Stock Code: 820)

Voluntary Announcement

This is a voluntary announcement made by HSBC China Dragon Fund (the "Fund").

The following table demonstrates the performance of different asset classes of the Fund. "The Fund's A-share and other QFII investments" represents the indicative performance of the Fund's investments in China A-shares and other QFII (Qualified Foreign Institutional Investor) investments. "The Fund's non A-share and non QFII investments" represents the indicative performance of the Fund's other investments such as H-shares, red chips and B-shares. The relevant figures are gross of expenses performances calculated from internal sources and are for indicative purpose only. Returns would be lower once expenses are deducted. The performances of the indices are quoted for indicative comparison purpose only and the indices are not the benchmarks of the Fund.

	Calendar year performance ¹			Cumulative performance ²		
	2009 year-to-date	2008 full year	2007 since August 07 ³	6 months	1 year	Since August 07 ³
The Fund's A-share and other QFII investments (gross of expenses)	79.75%	-58.35%	33.53%	66.19%	30.23%	-0.03%
<i>MSCI China A</i>	102.38%	-61.99%	20.96%	82.35%	30.97%	-6.96%
The Fund's non A-share and non QFII investments (gross of expenses)	54.89%	-55.17%	28.40%	71.00%	-1.66%	-10.84%
<i>MSCI China</i>	52.52%	-51.12%	23.43%	66.24%	-1.15%	-7.98%

The following table demonstrates the performance of the Fund as a whole. "Net asset value of the Fund" performance figures are net of expenses performance calculated according to the net asset value per unit of the Fund.

	Calendar year performance ¹			Cumulative performance ²		
	2009 year-to-date	2008 full year	2007 since August 07 ³	6 months	1 year	Since August 07 ³
Net asset value of the Fund (net of expenses)	65.12%	-57.82%	29.48%	67.92%	9.34%	-9.83%

As at 31 July 2009:

Net asset value per unit of the Fund:	HK\$8.90
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$7.60
Discount / Premium to net asset value:	14.6% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 July 2009 (the "Reference Date"). All performance figures are total return figures in Hong Kong dollars.

Performance figures of the Fund are calculated according to the value of the respective underlying assets of the Fund or the net asset value per unit of the Fund (as the case may be), and are not calculated according to the Fund's market price on the exchange. The Fund's market price on the Stock Exchange of Hong Kong may be different from its net asset value per unit.

Investment involves risk. Past performance information presented is not indicative of future performance. Please refer to the Offering Circular of the Fund for further details including the risk factors.

Note:

1. Calendar year performance is the gain or loss of the Fund throughout a particular year.
2. Cumulative performance is the gain or loss of the Fund over certain period of time up to the Reference Date.
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The listing of the Fund on the Stock Exchange of Hong Kong does not guarantee a liquid market and the Fund may be delisted. The Fund's market price on the Stock Exchange of Hong Kong may be different from its net asset value per unit. Currency movement may affect the value of investments. Investment in emerging market involves higher risks. The Fund invests part of its assets in China A-shares, which are subject to specific risks and restrictions as disclosed in the Offering Circular. The Fund differs from a typical trust and investors should read the Offering Circular for details including the risk factors. The document has not been reviewed by the Securities and Futures Commission.

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
19 August 2009

As at the date of this announcement, the board of directors of the Manager is comprised as follows: The executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. CONXICOEUR, Patrice Pierre Henri, Ms. LAM, Po Yee and Mr. STOKES, Edmund Richard. The non-executive directors of the Manager are Mr. CHENG, Hoi Chuen, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FRIED, David Lawrence, Mr. LEECH, Paul Ernest, Mr. LEUNG, William Wing Cheung and Mr. McCOMBE, Mark Seumas.

IMPORTANT

The Securities and Futures Commission of Hong Kong, Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Announcement.

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

*a Hong Kong unit trust authorised under
section 104 of the Securities and Futures Ordinance
(Chapter 571 of the Laws of Hong Kong)*

(Stock Code: 820)

Announcement

HSBC Global Asset Management (Hong Kong) Limited, the Manager of the Fund, has issued a supplement (the "Supplement") to the Offering Circular (dated 6 July 2007 and amended and supplemented by supplements dated 1 August 2007, 21 September 2007, 15 May 2008, 2 June 2008, 1 August 2008, 4 May 2009 and 18 May 2009) of the Fund. The Supplement (dated 19 August 2009) is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Fund at www.assetmanagement.hsbc.com/hk-chinadragonfund.

Investors who have any questions regarding the above may contact the Manager at telephone: +852 2284 1118.

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
19 August 2009

As at the date of this announcement, the board of directors of the Manager is comprised as follows: The executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. CONXICOEUR, Patrice Pierre Henri, Ms. LAM, Po Yee and Mr. STOKES, Edmund Richard. The non-executive directors of the Manager are Mr. CHENG, Hoi Chuen, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FRIED, David Lawrence, Mr. LEECH, Paul Ernest, Mr. LEUNG, William Wing Cheung and Mr. McCOMBE, Mark Seumas.

HSBC CHINA DRAGON FUND
滙豐中國翔龍基金

(a Hong Kong unit trust authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) (根據《證券及期貨條例》(香港法例第 571 章) 第 104 條獲認可之香港單位信託基金)
(Stock Code 股份代號: 820)

31 July 2009

Dear Unitholders,

Letter to Existing Unitholders – Election of Means of Receipt and Language of Corporate Communications

The 2009 Annual Report (the “Document”) of HSBC China Dragon Fund (the “Fund”) has been prepared in English and Chinese. Copies prepared in the language different from those you have received are available from Computershare Hong Kong Investor Services Limited (the Fund’s Registrar) on request, or on the Fund’s website at www.assetmanagement.hsbc.com/hk-chinadragonfund for five (5) years from the date of first publication and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk.

You may at any time change your choice of language or means of receipt, free of charge, by completing the attached Change Request Form and returning it to the Fund’s Registrar. You may also send email with a scanned copy of this form to hsbcchinadragon.ecom@computershare.com.hk.

Should you have any queries relating to this letter, please call the enquiry hotline at (852) 2862 8688 during business hours (9:00 a.m. to 6:00 p.m., Mondays to Fridays).

Yours faithfully,

Dr. APENBRINK, Rudolf Eduard Walter
Director

For and on behalf of

HSBC Global Asset Management (Hong Kong) Limited
as manager of HSBC China Dragon Fund

各位單位持有人：

致現有單位持有人之函件 — 選擇收取公司通訊的方式及語文

滙豐中國翔龍基金（「本基金」）2009 年年報（「該文件」）備有英文及中文版。香港中央證券登記有限公司（本基金之過戶登記處）在收到閣下的要求後，可提供閣下所收到的版本以外另一種語言編製的版本。有關文件亦將由首次刊載日期起計五(5)年內刊載於本基金網站 www.assetmanagement.hsbc.com/hk-chinadragonfund 內，並於香港交易及結算所有限公司網站 www.hkexnews.hk 登載。

如閣下欲更改已選擇的語言版本及收取方式，可隨時填寫隨附的更改指示表格，費用全免，然後把表格寄交本基金之過戶登記處。你亦可把已填妥之變更申請表的掃描副本電郵到 hsbcchinadragon.ecom@computershare.com.hk。

若閣下對本函件有任何疑問，請於星期一至星期五早上九時至下午六時致電查詢熱線(852) 2862 8688。

代表

滙豐環球投資管理（香港）有限公司
作為滙豐中國翔龍基金之經理人

董事

區邦彥博士

謹啓

二零零九年七月三十一日

“Corporate Communications” refer to any documents issued or to be issued by the Fund for the information or action of the Unitholders, including but not limited to annual report, interim report, notice of meeting, listing document, circular and proxy form. 「公司通訊」指本基金發出或將予發出以供基金單位持有人參照或採取行動的任何文件，包括但不限於年報、中期報告、會議通告、上市文件、通函及委派代表書。

Change Request Form 變更申請表

To: HSBC China Dragon Fund (the "Fund")
c/o Computershare Hong Kong Investor Services Limited
Rooms 1806-1807, 18th Floor,
Hopewell Centre, 183 Queen's Road East,
Wanchai, Hong Kong

致：滙豐中國翔龍基金（「本基金」）
經香港中央證券登記有限公司
香港灣仔皇后大道東 183 號
合和中心 18 樓 1806-1807 室

I/We have already received a printed copy of the Current Corporate Communications in Chinese / English or have chosen to read the Current Corporate Communications posted on the Fund's website:

本人／我們已收取本次公司通訊文件之英文/中文印刷本或已選擇瀏覽本基金網站所登載之本次公司通訊文件：

Part A - I/We would like to receive another printed version of the Current Corporate Communications of the Fund as indicated below:

甲 部 本人／我們現在希望以下列方式收取 貴基金本次公司通訊文件之另一語言印刷本：

(Please mark **ONLY ONE (X)** of the following boxes 請從下列選擇中，僅在其中一個空格內劃上「X」號)

☐

I/We would like to receive a **printed copy in English** now.

本人／我們現在希望收取一份**英文印刷本**。

☐

I/We would like to receive a **printed copy in Chinese** now.

本人／我們現在希望收取一份**中文印刷本**。

☐

I/We would like to receive **both the printed English and Chinese copies** now.

本人／我們現在希望收取**英文和中文各一份印刷本**。

Part B - I/We would like to change the choice of language and means of receipt of future Corporate Communications of the Fund as indicated below:

乙 部 本人／我們現在希望更改以下列方式收取 貴基金日後公司通訊文件之語言版本及收取途徑：

(Please mark **ONLY ONE (X)** of the following boxes 請從下列選擇中，僅在其中一個空格內劃上「X」號)

☐

read the **Website version** of all future Corporate Communications published on the Fund's website in place of receiving printed copies; **OR**

瀏覽在本基金網站發表之公司通訊**網上版本**，以代替印刷本；**或**

☐

to receive the printed **English version** of all future Corporate Communications **ONLY**; **OR**

僅收取本公司通訊之**英文印刷本**；**或**

☐

to receive the printed **Chinese version** of all future Corporate Communications **ONLY**; **OR**

僅收取本公司通訊之**中文印刷本**；**或**

☐

to receive both printed **English and Chinese versions** of all future Corporate Communications.

同時收取本公司通訊之**英文及中文印刷本**。

Name(s) of Unitholders[#]

基金單位持有人姓名[#]

Date

日期

(Please use **ENGLISH BLOCK LETTERS** 請用英文正楷填寫)

Address[#]

地址[#]

(Please use **ENGLISH BLOCK LETTERS** 請用英文正楷填寫)

Contact telephone number

聯絡電話號碼

Signature(s)

簽名

[#] You are required to fill in the details if you download this Change Request Form from the Fund's Website. 假如你從基金網站下載本變更申請表，請必須填上有關資料。

Notes / 附註：

- Please complete all your details clearly.
請 閣下清楚填妥所有資料。
- By selection to read the Website Version of the Corporate Communications published on the Fund's website in place of receiving printed copies, you have expressly consented to waive the right to receive the Corporate Communications in printed form, including the right to receive notice of meeting by post or delivery at your address pursuant to the trust deed constituting the Fund.
在選擇瀏覽在本基金網站發表之公司通訊網上版本以代替收取印刷本後，閣下已明示同意放棄收取公司通訊印刷本的權利，包括根據成立本基金的信託契據以郵寄或送遞予閣下之地址的方式收取大會通告之權利。
- If your units are held in joint names, the Unitholder whose name stands first on the register of members of the Fund in respect of the joint holding should sign on this Change Request Form in order to be valid.
如屬聯名基金單位持有人，則本變更申請表須由該名於基金單位持有人名冊上就聯名持有基金單位其姓名位列首位的基金單位持有人簽署，方為有效。
- The above instruction will apply to all future Corporate Communications to be sent to Unitholders of the Fund until you notify otherwise by reasonable notice in writing to the Fund's Registrar, Computershare Hong Kong Investor Services Limited, Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or by email to hshcchinadragon.ecom@computershare.com.hk.
上述指示適用於將來寄發予本基金單位持有人之所有公司通訊，直至閣下發出合理書面通知予本基金之過戶登記處香港中央證券登記有限公司地址為香港灣仔皇后大道東 183 號合和中心 18 樓 1806-1807 室或以電郵方式發送通知 hshcchinadragon.ecom@computershare.com.hk 另作選擇為止。
- All Future Corporate Communications in both printed English and Chinese versions will be available for inspection from the Fund's Registrar upon request.
本基金之過戶登記處將備有所有公司通訊之英、中文印刷本以供索閱。
- The unitholders are entitled to change the choice of means of receipt or language of the Fund's Corporate Communications at any time by reasonable notice in writing to the Fund's Registrar.
基金單位持有人有權隨時發出合理書面通知知本基金之過戶登記處，要求更改收取公司通訊之語言版本及方式。
- Any form with more than one box marked (X), with no box marked (X), with no signature or otherwise incorrectly completed will be void.
如在本表格作出超過一項選擇、或未有作出選擇、或未有簽署、或在其他方面填寫不正確，則本表格將會作廢。
- For the avoidance of doubt, we do not accept any special instructions written on this Request Form.
為免存疑，任何在本申請表格上的額外手寫指示，本公司將不予處理。

閣下寄回此申請表格時，請將郵寄標籤剪貼於信封上。

如在本港投寄毋須貼上郵票。

Please cut the mailing label and stick this on the envelope to return this Request Form to us.

No postage stamp necessary if posted in Hong Kong.



郵寄標籤 Mailing Label

香港中央證券登記有限公司
Computershare Hong Kong Investor Services Limited
簡便回郵號碼 Freepost No. 37
香港 Hong Kong

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

(a Hong Kong unit trust authorised under section 104 of the Securities and Futures Ordinance
(Chapter 571 of the Laws of Hong Kong))
(stock code: 820)

Managed by
HSBC Global Asset Management (Hong Kong) Limited

2009 ANNUAL RESULTS ANNOUNCEMENT

HSBC China Dragon Fund (the “Fund”) is a unit trust constituted by the Trust Deed dated 20 June 2007 (as amended) governed by the laws of Hong Kong. The Manager of the Fund is HSBC Global Asset Management (Hong Kong) Limited.

The board of directors of the Manager is pleased to announce the annual results of the Fund for the period from 1 April 2008 to 31 March 2009.

The annual results of the Fund for the period from 1 April 2008 to 31 March 2009 have been reviewed by the Fund’s Manager and Trustee. This final results announcement of the Fund is based on the audited annual report of the Fund for the period from 1 April 2008 to 31 March 2009.

Investment Advisor’s Report

Review

China shares moved higher in April 2008 on strong 2007 earnings results and as inflation eased. CPI inflation fell to 8.3% in March 2008 from the peak of 8.7% in February 2008. However, China shares fell again in May and June amid rising oil prices and a worsening global inflation outlook. Concerns over the economic losses from the earthquake in Sichuan on 12 May 2008 placed further uncertainties on the market. On 24 May 2008, the Chinese government announced the long-awaited telecom sector restructuring plan; 3G mobile networks are expected to be rolled out nationwide upon completion of the restructuring. China shares recovered in July 2008 as inflation eased further and on anticipation of credit relaxation in 2H08. Fears the global credit crisis may worsen triggered a sell-off from August to October 2008 despite the successful completion of the Beijing Olympics. The Chinese government announced several supportive measures to stabilize the domestic stock market, including a 50% reduction in stamp duty on stock transactions, authorizing of the sovereign fund to directly purchase stocks of China’s three largest banks in the A-share market and encouraging state-owned enterprises to buy back their own shares, which uplifted the A-share market. The announcement of the RMB4 trillion stimulus package in November 2008 boosted market sentiment and triggered a rally in November and December 2008. The package will mainly invest into railway infrastructure, post-quake reconstruction, public housing, rural development, healthcare and education over two years

from 2009 to 2010. China domestic A shares rose in 1Q 2009 as new bank lending exceeded RMB4.56 trillion. At the National People's Congress in March 2009, Premier Wen stated that China is prepared to roll out additional stimulus if necessary to reach the 8% GDP growth target for 2009. This statement boosted market sentiment. For 1Q 2009, GDP grew by 6.1% yoy. The main driver was the government-led investment. Fixed asset investment grew by 28.6% yoy in 1Q 2009, financed by the massive bank lending. Retail sales remained strong as it grew by 15.0% yoy, although exports fell 20% yoy in 1Q 2009.

Market outlook

Recent improvements in domestic economic activities and the rebound of the Purchasing Manager's Index for five consecutive months to 53.5 in May 2009 are encouraging signs that domestic demand and new-goods orders are gradually recovering from 4Q 2009 low levels. More infrastructure projects related to the government stimulus package are likely to commence in 2Q 2009, which would support the high rate of growth in fixed asset investment. We expect the government to introduce additional policies to stimulate domestic consumption over the coming months in order to achieve the 8% GDP targeted. However, China's stock markets may remain volatile as more non-tradable A shares will be released this year and global economic conditions remain uncertain.

Statement of assets and liabilities

As at 31 March 2009

	Note	2009 HK\$	2008 HK\$
Assets			
Investments	7	2,213,433,658	3,228,821,569
Interest and other receivables		76,265,841	2,420,309
Cash and cash equivalents	8(d)	85,811,063	169,925,839
Total assets		<u>2,375,510,562</u>	<u>3,401,167,717</u>
Liabilities			
Taxation	6	30,104,377	24,554,349
Amounts payable on purchases of investments		59,867,991	715,846
Accrued expenses and other payables		3,584,762	5,705,128
Total liabilities (excluding net assets attributable to unitholders)		<u>93,557,130</u>	<u>30,975,323</u>
Net assets attributable to unitholders		<u>2,281,953,432</u>	<u>3,370,192,394</u>
Number of units in issue	10	<u>371,910,000</u>	<u>371,910,000</u>
Net asset value per unit		<u>6.14</u>	<u>9.06</u>

Income statement

For the year ended 31 March 2009

	Note	Year ended 31 March 2009 HK\$	Period from 20 June 2007 (date of inception) to 31 March 2008 HK\$
Dividend income		41,391,830	5,813,643
Interest income on deposits	3	1,069,251	8,963,725
Gains on investments	4	735,091,699	692,352,817
Losses on investments	4	(1,800,135,158)	(802,587,490)
Net foreign exchange gain		789,962	392,564
Other income		29	—

Net investment loss	(1,021,792,387)	(95,064,741)
	-----	-----

Expenses

Management fee	8(a)	(37,846,166)	(44,779,670)
Transaction costs		(17,818,968)	(51,037,753)
Trustee's fee	8(b)	(2,740,308)	(3,156,109)
Custodian fee	8(c)	(1,588,183)	(1,703,654)
Auditors' remuneration		(272,850)	(260,000)
Preliminary expenses	5	—	(128,385,708)
Other operating expenses		(1,157,480)	(1,344,265)
		-----	-----

Operating expenses	(61,423,955)	(230,667,159)
	-----	-----

Loss attributable to unitholders before taxation	(1,083,216,342)	(325,731,900)
---------------------------------------------------------	-----------------	---------------

Taxation	6	(5,022,620)	(23,175,706)
		-----	-----

Loss attributable to unitholders after taxation	(1,088,238,962)	(348,907,606)	
		=====	=====

Statement of changes in net assets attributable to unitholders
For the year ended 31 March 2009

	Year ended 31 March 2009 HK\$	Period from 20 June 2007 (date of inception) to 31 March 2008 HK\$
Subscriptions received from units issued	—	3,719,100,000
Loss attributable to unitholders after taxation	(1,088,238,962)	(348,907,606)
	-----	-----
	(1,088,238,962)	3,370,192,394
Net assets attributable to unitholders, beginning of year/period	3,370,192,394	—
	-----	-----
Net assets attributable to unitholders, end of year/period	2,281,953,432	3,370,192,394
	=====	=====

Cash flow statement

For the year ended 31 March 2009

	Year ended 31 March 2009 HK\$	Period from 20 June 2007 (date of inception) to 31 March 2008 HK\$
Operating activities		
Interest received	1,144,374	8,888,602
Dividend income received	41,391,830	5,813,643
Management fees paid	(39,538,242)	(40,272,950)
Trustee's fees paid	(2,872,544)	(2,783,534)
Transaction costs paid	(17,818,968)	(51,037,753)
Preliminary expenses paid	—	(128,385,708)
Other operating expenses paid	(2,416,190)	(2,482,086)
Net cash used in operating activities	(20,109,740)	(210,259,786)
Investing activities		
Other income received	29	—
QFII custodian deposit placed	(50,766)	(2,345,186)
Proceeds from sales of investments	3,135,047,675	3,770,576,212
Purchases of investments	(3,199,420,968)	(7,108,916,608)
Net cash used in investing activities	(64,424,030)	(3,340,685,582)
Financing activities		
Proceeds from issue of units	—	3,719,100,000
Net cash generated from financing activities	—	3,719,100,000
Net (decrease)/increase in cash and cash equivalents	(84,533,770)	168,154,632
Cash and cash equivalents at the beginning of the year/period	169,925,839	—
Effect of foreign exchange rates changes	418,994	1,771,207
Cash and cash equivalents at the end of the year/period	85,811,063	169,925,839

Notes on the financial statements

For the year ended 31 March 2009

1 Background

HSBC China Dragon Fund (“the Fund”) is a closed-end unit trust governed by its Trust Deed dated 20 June 2007 (“the Trust Deed”), as amended. The Fund is authorized by the Hong Kong Securities and Futures Commission (“the SFC”) under Section 104 of the Hong Kong Securities and Futures Ordinance. The Fund is also listed on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) (a subsidiary of the Hong Kong Exchanges and Clearing Limited). The period fixed for the duration of the Fund is eighty years after the date of inception.

The investment objective of the Fund is to achieve long-term capital growth by investing primarily in listed companies established or operating in the People’s Republic of China (PRC) or listed companies that are positioned to benefit from the strong economic growth potential and promising investment opportunities in the PRC, including but not limited to A Shares, B Shares, H Shares and shares issued by Red Chip Companies and other companies which carry out a significant proportion of their business activities in the PRC.

Under the prevailing regulations in the PRC, foreign investors can invest in the PRC A-Share market through institutions that have obtained qualified foreign institutional investor (QFII) status in the PRC. The Fund itself is not a QFII, but may invest directly in A Shares via the US\$200 million QFII investment quota obtained by the Manager.

2 Significant accounting policies

(a) *Statement of compliance*

The financial statements of the Fund 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 Hong Kong Securities and Futures Commission. A summary of the significant accounting policies adopted by the Fund is set out below.

The HKICPA has issued a number of new Interpretations and amendment to HKFRSs that are first effective for the current accounting period of the Fund. However, none of these developments are relevant to the Fund’s operations.

The Fund has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 13).

(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 units of the Fund are issued in Hong Kong dollars.

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

The preparation of 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 and 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 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 12.

(c) Financial instruments

(i) Classification

All of the Fund's investments are classified as financial assets 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.

Financial assets that are classified as receivables include interest receivables and other receivables.

Financial liabilities that are not at fair value through profit or loss include amounts payable on purchases of investments, accrued expenses 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 and financial liabilities 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 financial 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 the income statement.

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

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

Upon termination of the Fund, the unitholder is entitled to a share of all net cash proceeds derived from the sale or realisation of the assets of the Fund less any liabilities, in accordance with their proportionate interest in the Fund at the date of termination. The unitholders' funds are therefore classified as a financial liability other than equity in accordance with HKAS 32. It is shown on the statement of assets and liabilities as the "net assets attributable to unitholders".

(iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices 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/ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

Gains and losses on investments are included in the income statement. Realised gains and losses include net gains or losses on contracts which have been settled or for which offsetting contracts have been entered into.

(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 the income statement 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 the income statement.

(vi) Derecognition

The Fund derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership have been transferred.

Assets held for trading that are sold are derecognised and corresponding receivables from the brokers are recognised as of the date the Fund commit to sell the assets.

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

The Fund use the weighted average method to determine realised gains and losses to be recognised in the income statement on derecognition.

(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 set off the recognised amounts and the transactions are intended to be settled on a net basis, or simultaneously, e.g. through a market clearing mechanism.

(viii) Cash and cash equivalents

Cash and cash equivalents comprise 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.

(d) 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 the income statement as follows:

Interest income

Interest income is recognised in the income statement as it accrues, using the effective interest method. Interest income on bank deposits is disclosed separately on the face of the income statement. Interest income on debt securities is included in gain on investments.

Dividend income

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend. Dividends from other investments are recognised in the income statement 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.

(e) Preliminary expenses

Preliminary expenses of the Fund are charged to the income statement as incurred.

(f) Expenses

All expenses are recognised in the income statement on an accruals basis.

(g) Taxation

Taxation comprises current tax and deferred tax. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the date of statement of assets and liabilities.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

(h) Translation of foreign currency

Foreign currency transactions during the year are translated into Hong Kong dollars at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the foreign exchange rates ruling at the date of statement of assets and liabilities. Exchange gains and losses are recognised in the income statement.

(i) 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 an associate of the Fund;
- (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.

(j) Subscriptions

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

(k) 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 at fair value through profit or loss.

3 Interest income

The Fund earned all its interest income from cash and cash equivalents.

4 Gains and losses on investments

	Year ended 31 March 2009 HK\$	Period from 20 June 2007 (date of inception) to 31 March 2008 HK\$
Realised gains	183,632,139	601,010,413
Unrealised gains	551,459,560	91,342,404
	<hr/>	<hr/>
Total gains on investments	735,091,699	692,352,817
	<hr/>	<hr/>
Realised losses	(1,426,040,600)	(247,120,846)
Unrealised losses	(374,094,558)	(555,466,644)
	<hr/>	<hr/>

Total losses on investments	(1,800,135,158)	(802,587,490)
	<u>-----</u>	<u>-----</u>
Net losses on investments	(1,065,043,459)	(110,234,673)
	<u>-----</u>	<u>-----</u>

Gains and losses presented above exclude dividend income.

5 Preliminary expenses

The preliminary establishment expenses of the Fund, including the Stock Exchange initial listing fees, legal and other professional fees, underwriting commission, the SFC application fee, the SFC authorisation fee and printing and other expenses relating to the Global Offering and establishment of the Fund, which amounted to \$128 million, were borne by the Fund and were written off immediately on the first Valuation Day of the Fund.

6 Taxation

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.

Under current tax law in the PRC, as a foreign company which does not have an establishment in the PRC, the Fund is subject to PRC withholding tax at the rate of 10% in respect of its receipt of PRC-sourced income, including capital gains, dividend income and interest income.

Pursuant to Article 13 of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (“PRC-HK DTA”), the taxing right in respect of gains derived by a Hong Kong tax resident from the alienation of shares of a PRC company, in which the assets of the PRC company comprised less than 50% of immovable property within three years prior to the transfer and the Hong Kong tax resident directly or indirectly holds less than 25% interest in the PRC company within a year prior to the transfer, are allocated to Hong Kong.

The PRC-HK DTA provides withholding tax rate for interest income derived from deposit with the custodians in the PRC to be reduced to 7%.

The Offering Circular of the Fund gives the Manager the right to provide for withholding tax on such gains or income and withhold the tax for the account of the Fund. In the absence of any precedent on the actual tax treatment of such gains to holders of QFII quota, but on the basis of the available information, the Manager has determined that it is appropriate to provide for realised gains on A-shares at the rate of 10% in the financial statements.

7 Investments

	2009 HK\$	2008 HK\$
Listed equity securities		
– in Hong Kong	1,022,131,374	1,644,646,984
– outside Hong Kong	1,188,857,157	1,584,174,585
	<hr/>	<hr/>
	2,210,988,531	3,228,821,569
Listed debt securities		
– Bonds	2,445,127	–
	<hr/>	<hr/>
	2,213,433,658	3,228,821,569
	<hr/>	<hr/>

8 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) Management fee

The fee payable to the Manager is calculated at the rate of 1.5% per annum of the net asset value of the Fund payable monthly in arrears. Any fees payable to the Investment Adviser should be borne by the Manager. The management fee charged by the Fund in respect of the year and payable at the end of the year amounted to \$37,846,166 (period ended 31 March 2008: \$44,779,670) and \$2,814,644 (2008: \$4,506,720) respectively.

The Fund has invested directly in A Shares via the US\$200 million QFII investment quota obtained by the Manager.

(b) Trustee's fee

The fee payable to the Trustee is calculated at the rate of 0.125% per annum for the first \$390 million of the net asset value, and 0.1% per annum thereafter. The trustee fee is accrued daily and payable in arrears on a monthly basis. The trustee fee charged by the Fund in respect of the year and payable at the end of the year amounted to \$2,740,308 (period ended 31 March 2008: \$3,156,109) and \$240,339 (2008: \$372,575) respectively.

(c) Custodian fee

The custodian fee is calculated at the rate of 0.1% per annum of the net asset value of the assets held by the QFII custodian as determined by the QFII custodian (based on the actual number of calendar days in a year). The custodian fee charged by the Fund in respect of the year and payable at the end of the year amounted to \$1,588,183 (period ended 31 March 2008: \$1,703,654) and \$31,362 (2008: \$61,884) respectively.

(d) Bank balances

Bank balances are maintained with the Trustee. The bank balances held with the Trustee as at 31 March 2009 amounted to \$85,811,063 (2008: \$169,925,839). During the year, interest earned on the above bank balances was \$1,069,251 (period ended 31 March 2008: \$8,963,725).

(e) In its purchases and sales of investments, the Fund utilises the brokerage services of The Hongkong and Shanghai Banking Corporation Limited. Details of transactions effected through this company are as follows:

	For the year ended 31 March 2009 HK\$	Period from 20 June 2007 (date of inception) to 31 March 2008 HK\$
Commission paid for the year/period	226,355	569,452
Average rate of commission	0.20%	0.13%
Total aggregate value of such transactions for the year/period	113,177,338	452,844,440
Percentage of such transactions in value to total transactions for the year/period	<u>1.78%</u>	<u>4.09%</u>

9 Soft dollar practices

The Manager, the Investment Adviser or any of its connected persons may effect transactions by or through the agency of another person (or person connected with him) with whom it has an arrangement under which that party will from time to time provide it with or procure for it goods, services or other benefits (such as research and advisory services, portfolio analysis or computer hardware and software incidental to such goods or services) the nature of which is such that their provision is of demonstrable benefit to the unitholders as a whole and for which no direct payment is made but instead the Manager, the Investment Adviser or any of its connected persons undertake to place business with that party. For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

10 Units in issue

	For the year ended 31 March 2009	Period from 20 June 2007 (date of inception) to 31 March 2008
Number of units in issue brought forward	371,910,000	—
Units issued during the year/period	<u>—</u>	<u>371,910,000</u>

Number of units in issue carried forward	371,910,000	371,910,000
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The Fund is a closed-end unit trust. There was no redemption of units during the year.

11 Financial instruments and associated risks

The Fund maintains investment portfolio in a variety of listed financial instruments as dictated by its investment management strategy. The investment objective of the Fund is to achieve long-term capital growth by investing primarily in listed companies established or operating in the PRC or listed companies that are positioned to benefit from the strong economic growth potential and promising investment opportunities in the PRC, including but not limited to A Shares, B Shares, H Shares and shares issued by Red Chip Companies and other companies which carry out a significant proportion of their business activities in the PRC. The risk exposures inherent in the Fund as at 31 March 2009 are summarised below. Details of such investments held as at 31 March 2009 are shown in the investment portfolio.

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. Investors should note that additional information in respect of risks associated with investment in the Fund can be found in the Fund's offering document.

During the year, the Manager invested in financial instruments which the Manager considered are commensurate with the risk level of the Fund in accordance with its investment objective.

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) *Market risk*

(i) *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 of equity instruments. Price risk is managed by investments across different industries in accordance with the investment objective of the Fund.

Price sensitivity

The impact on a 5% increase in value of the investments at 31 March 2009, with all other variables held constant, is shown below. An equal change in the opposite direction would have reduced the net assets value by an equal but opposite amount. The analysis is performed on the same basis for 2008.

	2009			2008		
	% of total assets	Change in equity price %	Effect on net assets attributable to the unitholders HK\$	% of total assets	Change in equity price %	Effect on net assets attributable to the unitholders HK\$
Investment assets						
Listed equity investments:						
– in Hong Kong	43.03	5	51,106,569	48.36	5	82,232,349
– outside Hong Kong	50.04	5	59,442,858	46.57	5	79,208,729
	<u>93.07</u>		<u>110,549,427</u>	<u>94.93</u>		<u>161,441,078</u>

(ii) Interest rate risk

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

The following table indicates the expected next repricing dates (or maturity dates whichever are earlier) for interest bearing assets and liabilities at the date of statement of assets and liabilities.

	2009			
	1 year or less HK\$	Over 5 years HK\$	Non-interest bearing HK\$	Total HK\$
Assets				
Investments	–	2,445,127	2,210,988,531	2,213,433,658
Interest and other receivables	–	–	2,395,952	2,395,952
Amount receivable on sale of investments	–	–	73,869,889	73,869,889
Cash and cash equivalents	85,811,063	–	–	85,811,063
Total assets	<u>85,811,063</u>	<u>2,445,127</u>	<u>2,287,254,372</u>	<u>2,375,510,562</u>
Liabilities				
Taxation	–	–	(30,104,377)	(30,104,377)
Amounts payable on purchases of investments	–	–	(59,867,991)	(59,867,991)
Accrued expenses and other payables	–	–	(3,584,762)	(3,584,762)
Total liabilities	<u>–</u>	<u>–</u>	<u>(93,557,130)</u>	<u>(93,557,130)</u>

Total interest sensitivity gap	<u>85,811,063</u>	<u>2,445,127</u>
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	2008		
	1 year or less HK\$	Non-interest bearing HK\$	Total HK\$
Assets			
Investments	–	3,228,821,569	3,228,821,569
Interest and other receivables	75,123	2,345,186	2,420,309
Cash and cash equivalents	<u>91,602,582</u>	<u>78,323,257</u>	<u>169,925,839</u>
Total assets	<u>3,309,490,012</u>	<u>3,309,490,012</u>	<u>3,401,167,717</u>
Liabilities			
Taxation	–	(24,554,349)	(24,554,349)
Amounts payable on purchases of investments	–	(715,846)	(715,846)
Accrued expenses and other payables	<u>–</u>	<u>(5,705,128)</u>	<u>(5,705,128)</u>
Total liabilities	<u>–</u>	<u>(30,975,323)</u>	<u>(30,975,323)</u>
Total interest sensitivity gap	<u>91,677,705</u>		

Interest rate sensitivity

Assuming all other factors unchanged, an increase of 50 basis point in interest rates as at the date of statement of assets and liabilities, the net assets attributable to the unitholders and changes in net assets attributable to unitholders from operation of the Fund would have increased by \$410,391 (2008: \$458,013); an equal change in the opposite direction would have reduced the net asset attributable to unitholders by an equal amount. The analysis is performed on the same basis for 2008.

(iii) Currency risk

The Fund may invest in financial investments 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 dollars.

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 exposure on an ongoing basis.

At the date of statement of assets and liabilities the Fund had the following exposure:

	Assets HK\$	Liabilities HK\$	Net exposure HK\$
31 March 2009			
Renminbi	1,159,341,335	(30,331,143)	1,129,010,192
United States dollar	<u>14,509,224</u>	<u>(31,362)</u>	<u>14,477,862</u>
	<u>1,173,850,559</u>	<u>(30,362,505)</u>	<u>1,143,488,054</u>

31 March 2008

Renminbi	<u>1,550,836,171</u>	<u>(24,776,308)</u>	<u>1,526,059,863</u>
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Amounts in the above table are based on the carrying value of the assets and liabilities.

Currency sensitivity

At 31 March 2009, had the HKD strengthened by 5% in relation to the above currencies, with all other variables held constant, net assets attributable to unitholders would have decreased by the amounts shown below.

	HK\$
31 March 2009	
Renminbi	<u>56,450,510</u>
Total	<u>56,450,510</u>
31 March 2008	
Renminbi	<u>76,302,993</u>
Total	<u>76,302,993</u>

A 5% weakening of the HKD against the above currencies would have resulted in an equal but opposite effect on the above financial statement on the basis that all other variables remain constant.

(b) 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 March 2009, all the Fund's financial assets were exposed to credit risk.

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

Substantially all of the assets of the Fund are held by the Trustee or Bank of Communications Co., Ltd (the "QFII Custodian"). Bankruptcy or insolvency of the Trustee or the QFII Custodian may cause the Fund's rights with respect to securities held by the Trustee or the QFII Custodian to be delayed or limited.

The majority of the cash held by the Fund is deposited with Bank of Communications Co., Ltd and The Hongkong and Shanghai Banking Corporation Limited (the "banks"). Bankruptcy or insolvency of the banks may cause the Fund's rights with respect to the cash held by the banks to be delayed or limited. The Fund monitors the credit rating of the banks on an ongoing basis.

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

At both 31 March 2009 and 2008, there were no significant concentrations of credit risk to counterparties except to the Trustee and the QFII Custodian.

(c) *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'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 equity investments are considered to be readily realisable under normal condition as they are all listed on stock exchanges in Hong Kong or the PRC.

As at 31 March 2009 and 2008, the Fund's financial liabilities are due within three months.

12 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 receivable, amounts receivable from sale of investments, provision for tax, deferred tax liabilities, amounts payable on purchase of investments, accrued expenses and other payables, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

The carrying amounts of all the Fund's financial assets and financial liabilities at the date of statement of assets and liabilities approximated their fair values as at 31 March 2009 and 2008.

(a) Estimation of fair values

The major methods and assumptions used in estimating the fair values of financial instruments were disclosed in note 2(c)(iv) of the significant accounting policies section.

At 31 March 2009, the carrying amounts of equity investments which fair values were determined directly by reference to published price quotations amounted to \$2,210,988,531 (2008: \$3,228,821,569). There is no equity investments for which fair values were determined using valuation techniques.

Quoted market prices are readily available for all the Fund's financial instruments.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement (e.g. interest rates, volatility, estimated cash flows, etc.) and therefore, cannot be determined with precision.

(b) Fair value

All financial instruments are stated at fair value or carried at amounts not materially different from their fair values as at 31 March 2009 and 2008.

13 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting year ended 31 March 2009

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2009 and which have not been adopted in these financial statements.

The Fund is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application.

So far it has concluded that the adoption of them is unlikely to result in a restatement of the Fund's results of operations and financial position.

In addition, the following developments are expected to result in amended disclosures in the financial statements, including restatement of comparative amounts in the first period of adoption:

	Effective for accounting periods beginning on or after
HKAS 1 (revised 2007) <i>Presentation of Financial Statements</i>	1 January 2009
Amendments to HKAS 32 <i>Financial instruments: Presentation</i>	1 January 2009

Investment portfolio

As at 31 March 2009

<i>HSBC China Dragon Fund</i>			
	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
Equities			
<i>Listed investments</i>			
<i>The People's Republic of China</i>			
Beijing Tiantan Biological Prod Corp	1,692,440	33,926,577	1.49
Beijing Wangfujing Department Store Co Ltd	1,199,351	28,325,662	1.24
Chengdu B-Ray Media Co Ltd	2,726,581	45,073,411	1.97
China Merchants Bank Co Ltd	3,504,500	63,337,203	2.78
China Railway Construction Corp	4,134,100	44,014,023	1.93
China Shenhua Energy Co Ltd	1,816,110	42,624,274	1.87
China Shipping Development Co Ltd	601,500	8,006,602	0.35
China Vanke Co Ltd	5,672,200	53,186,516	2.33
Faw Car Co Ltd	2,129,701	29,604,219	1.30
Gree Electric Appliances Inc	1,213,441	35,785,205	1.57
Hangzhou Steam Turbine Co	2,729,991	21,839,928	0.96
Harbin Pharm Group Co Ltd	4,156,700	57,922,202	2.54
Huangshan Tourism Development	1,949,015	35,423,641	1.55
Offshore Oil Engineering Co Ltd	1,751,108	32,660,538	1.43
Ping An Insurance Group Co	1,353,600	59,900,906	2.61
Qingdao Mesnac Co Ltd	1,608,300	31,036,384	1.36
Shandong Gold Mining Co Ltd	523,716	47,646,528	2.09
Shanghai International Airport Co Ltd	1,959,500	31,592,890	1.38
Shanghai Pudong Development Bank Co	5,628,984	139,835,322	6.13
TBEA Co Ltd	865,071	27,836,116	1.22
Tian Di Science & Technology Co Ltd	2,076,351	40,304,081	1.77
Tsingtao Brewery Co Ltd	1,323,265	30,892,117	1.35
Xinjiang Ba Yi Iron & Steel Co Ltd	5,079,008	48,660,896	2.13
Yantai Changyu Pioneer Wine Co Ltd	631,280	17,802,096	0.78
Yantai Wanhua Polythurene Co Ltd	2,858,800	51,699,811	2.27
Zhejiang Tianma Bearing Co Ltd	1,109,337	82,045,615	3.60
ZTE Corp	832,688	33,365,170	1.46
		1,174,347,933	51.46

HSBC China Dragon Fund

	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
Equities			
<i>Listed investments</i>			
<i>Hong Kong</i>			
Bank of China Ltd	30,000,000	77,100,000	3.38
Beijing Enterprises Holdings Ltd	1,000,000	32,250,000	1.41
Catic International Holdings Ltd	50,992,000	6,679,952	0.29
China Agri-Industries Holdings Ltd	3,632,000	13,402,080	0.59
China Bluechemical Ltd	8,100,000	34,182,000	1.50
China Coal Energy Co	4,200,000	23,898,000	1.05
China Communications Construction Co Ltd	4,900,000	41,650,000	1.82
China Communication Services Corp Ltd	2,854,000	13,214,020	0.58
China Construction Bank	14,137,000	62,061,430	2.72
China Everbright Ltd	2,000,000	24,080,000	1.06
China Insurance International Holdings Co Ltd	1,066,000	13,282,360	0.58
China Life Insurance Co Ltd	3,312,000	84,952,800	3.72
China Mobile Ltd	1,124,500	76,016,200	3.33
China Overseas Land & Investment Limited	2,178,801	26,581,372	1.16
China Petroleum & Chemical Corp	13,500,000	66,825,000	2.93
China Shenhua Energy Co Ltd	800,000	13,952,000	0.61
China South Locomotive & Rolling	3,000,000	10,530,000	0.46
China Unicom Hong Kong Ltd	3,422,000	28,334,160	1.24
China Yurun Food Group Limited	2,000,000	19,760,000	0.87
CNOOC Ltd	6,000,000	46,200,000	2.02
Comba Telecom Systems Holdings Ltd	274,000	745,280	0.03
Dongfeng Motor Group Limited	8,000,000	31,920,000	1.40
Industrial and Commercial Bank of China	13,700,000	54,937,000	2.41
Jiangsu Expressway Co Ltd	2,300,000	11,960,000	0.52
Lonking Holdings Ltd	8,000,000	37,680,000	1.65
Ping An Insurance (Group) Co Of China	300,000	13,905,000	0.61
Sino-Ocean Land Holdings Ltd	6,300,000	31,941,000	1.40
Tencent Holdings Ltd	500,000	28,725,000	1.26
Want Want China Holdings Ltd	4,804,000	17,006,160	0.75
Xinyi Glass Holdings Co Ltd	5,000,000	17,150,000	0.75
Zhejiang Expressway Co Ltd	3,000,000	17,010,000	0.75
Zijin Mining Group Co Ltd	4,578,000	25,270,560	1.11
ZTE Corp	600,000	18,930,000	0.83
		<u>1,022,131,374</u>	<u>44.79</u>

HSBC China Dragon Fund		
	Holdings	% of total net assets attributable to unitholders
Equities		
<i>Listed investments</i>		
<i>USA</i>		
Netease Communication Inc Sponsored ADR	69,727	14,509,224
		0.64
Total equities		2,210,988,531
		96.89
Bond		
Listed investment		
Guangxi Liugong Step Cpn CB 18 April 2014	1,574,000	2,445,127
		0.11
Total investments		
(Total cost of investments: \$2,528,753,293)		2,213,433,658
		97.00
Other net assets		68,519,774
		3.00
Total net assets attributable to unitholders		2,281,953,432
		100.00

Statement of movements in portfolio holdings

For the year ended 31 March 2009

	% of total net assets attributable to unitholders	
	31 March 2009	31 March 2008
Equities	96.89	95.81
Bonds	0.11	—
Total investments	97.00	95.81
Other net assets	3.00	4.19
Total net assets attributable to unitholders	100.00	100.00

Performance table

For the year ended 31 March 2009

(a) Total net asset value

Year/period end

31 March 2009	HK\$2,281,953,432
31 March 2008	HK\$3,370,192,394

(b) Total net asset value per unit

Year/period end

31 March 2009	HK\$6.14
31 March 2008	HK\$9.06

(c) Price record

The Fund is a closed-end fund listed on The Stock Exchange of Hong Kong Limited and no unitholders may demand redemption of their units. In general, closed-end funds may trade on the exchange at a discount or at a premium to their net asset value. There is no assurance that the units will be traded at a price that is equal to the Net Asset Value. As the market price of the units may be determined by factors such as the Net Asset Value and market supply and demand for the units, there is a risk that the units will be traded at a discount to its Net Asset Value. In times of market disruption or when there is an insufficient number of buyers and/or sellers of the units, the bid/ask spread of the market price of the units may widen significantly.

Year	Net asset value per unit	
	Lowest HK\$	Highest HK\$
2009	4.12	10.22
20 June 2007 (date of inception) to 31 March 2008	8.62	13.94

Issuance of Results

The audited annual report of the Fund for the period from 1 April 2008 to 31 March 2009 will be despatched to Unitholders on or about 31 July 2009.

Hong Kong, 24 July, 2009

By Order of the Board
HSBC Global Asset Management (Hong Kong) Limited
as Manager of HSBC China Dragon Fund
Dr. APENBRINK, Rudolf Eduard Walter
Director of the Manager

As at the date of this announcement, the board of directors of the Manager is comprised as follows: The executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. CONXICOEUR, Patrice Pierre Henri, Ms. LAM, Po Yee and Mr. STOKES, Edmund Richard. The non-executive directors of the Manager are Mr. CHENG, Hoi Chuen, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FRIED, David Lawrence, Mr. LEECH, Paul Ernest, Mr. LEUNG, William Wing Cheung, Mr. McCOMBE, Mark Seumas and Ms YUEN, Jeanie.

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Investments involve risks. Investors are advised to consider their own investment objectives and circumstances in determining the suitability of an investment in the Fund. An investment in the Fund may not be suitable for everyone. If you are in any doubt about the contents of this document, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. Investors should note:

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HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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section 104 of the Securities and Futures Ordinance
(Chapter 571 of the Laws of Hong Kong)*

(Stock Code: 820)

Voluntary Announcement

This is a voluntary announcement made by HSBC China Dragon Fund (the "Fund").

The following table demonstrates the performance of different asset classes of the Fund. "The Fund's A-share and other QFII investments" represents the indicative performance of the Fund's investments in China A-shares and other QFII (Qualified Foreign Institutional Investor) investments. "The Fund's non A-share and non QFII investments" represents the indicative performance of the Fund's other investments such as H-shares, red chips and B-shares. The relevant figures are gross of expenses performances calculated from internal sources and are for indicative purpose only. Returns would be lower once expenses are deducted. The performances of the indices are quoted for indicative comparison purpose only and the indices are not the benchmarks of the Fund.

	Calendar year performance ¹			Cumulative performance ²		
	2009 year-to-date	2008 full year	2007 since August 07 ³	6 months	1 year	Since August 07 ³
The Fund's A-share and other QFII investments (gross of expenses)	59.55%	-58.35%	33.53%	59.55%	18.39%	-11.26%
<i>MSCI China A</i>	72.59%	-61.99%	20.96%	72.59%	14.51%	-20.66%
The Fund's non A-share and non QFII investments (gross of expenses)	39.34%	-55.17%	28.40%	39.34%	-10.84%	-19.79%
<i>MSCI China</i>	37.62%	-51.12%	23.43%	37.62%	-8.70%	-16.98%

The following table demonstrates the performance of the Fund as a whole. "Net asset value of the Fund" performance figures are net of expenses performance calculated according to the net asset value per unit of the Fund.

	Calendar year performance ¹			Cumulative performance ²		
	2009 year-to-date	2008 full year	2007 since August 07 ³	6 months	1 year	Since August 07 ³
Net asset value of the Fund (net of expenses)	47.86%	-57.82%	29.48%	47.86%	1.40%	-19.25%

As at 30 June 2009:

Net asset value per unit of the Fund:	HK\$7.97
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$6.55
Discount / Premium to net asset value:	17.8% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 June 2009 (the "Reference Date"). All performance figures are total return figures in Hong Kong dollars.

Performance figures of the Fund are calculated according to the value of the respective underlying assets of the Fund or the net asset value per unit of the Fund (as the case may be), and are not calculated according to the Fund's market price on the exchange. The Fund's market price on the Stock Exchange of Hong Kong may be different from its net asset value per unit.

Investment involves risk. Past performance information presented is not indicative of future performance. Please refer to the Offering Circular of the Fund for further details including the risk factors.

Note:

1. Calendar year performance is the gain or loss of the Fund throughout a particular year.
2. Cumulative performance is the gain or loss of the Fund over certain period of time up to the Reference Date.
3. Performance figures are calculated since 1 August 2007, being the first dealing day of the month following the launch of the Fund on 20 July 2007.

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HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
20 July 2009

As at the date of this announcement, the board of directors of the Manager is comprised as follows: The executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. CONXICOEUR, Patrice Pierre Henri, Ms. LAM, Po Yee and Mr. STOKES, Edmund Richard. The non-executive directors of the Manager are Mr. CHENG, Hoi Chuen, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FRIED, David Lawrence, Mr. LEECH, Paul Ernest, Mr. LEUNG, William Wing Cheung, Mr. McCOMBE, Mark Seumas and Ms YUEN, Jeanie.

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HSBC CHINA DRAGON FUND

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(Stock Code: 820)

Voluntary Announcement

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The following table demonstrates the performance of different asset classes of the Fund. "The Fund's A-share and other QFII investments" represents the indicative performance of the Fund's investments in China A-shares and other QFII (Qualified Foreign Institutional Investor) investments. "The Fund's non A-share and non QFII investments" represents the indicative performance of the Fund's other investments such as H-shares, red chips and B-shares. The relevant figures are gross of expenses performances calculated from internal sources and are for indicative purpose only. Returns would be lower once expenses are deducted. The performances of the indices are quoted for indicative comparison purpose only and the indices are not the benchmarks of the Fund.

	Calendar year performance ¹			Cumulative performance ²		
	2009 year-to-date	2008 full year	2007 since August 07 ³	6 months	1 year	Since August 07 ³
The Fund's A-share and other QFII investments (gross of expenses)	43.64%	-58.35%	33.53%	57.45%	-14.37%	-20.11%
<i>MSCI China A</i>	51.23%	-61.99%	20.96%	51.19%	-20.80%	-30.48%
The Fund's non A-share and non QFII investments (gross of expenses)	34.02%	-55.17%	28.40%	47.68%	-25.02%	-22.85%
<i>MSCI China</i>	32.20%	-51.12%	23.43%	46.08%	-23.01%	-20.25%

The following table demonstrates the performance of the Fund as a whole. "Net asset value of the Fund" performance figures are net of expenses performance calculated according to the net asset value per unit of the Fund.

	Calendar year performance ¹			Cumulative performance ²		
	2009 year-to-date	2008 full year	2007 since August 07 ³	6 months	1 year	Since August 07 ³
Net asset value of the Fund (net of expenses)	38.03%	-57.82%	29.48%	51.21%	-22.01%	-24.62%

As at 29 May 2009:

Net asset value per unit of the Fund:	HK\$7.44
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$6.31
Discount / Premium to net asset value:	15.2% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 29 May 2009 (the "Reference Date"). All performance figures are total return figures in Hong Kong dollars.

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HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
24 June 2009

As at the date of this announcement, the board of directors of the Manager is comprised as follows: The executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. CONXICOEUR, Patrice Pierre Henri, Ms. LAM, Po Yee and Mr. STOKES, Edmund Richard. The non-executive directors of the Manager are Mr. CHENG, Hoi Chuen, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FRIED, David Lawrence, Mr. LEECH, Paul Ernest, Mr. LEUNG, William Wing Cheung, Mr. McCOMBE, Mark Seumas and Ms YUEN, Jeanie.

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Voluntary Announcement

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The following table demonstrates the performance of different asset classes of the Fund. "The Fund's A-share and other QFII investments" represents the indicative performance of the Fund's investments in China A-shares and other QFII (Qualified Foreign Institutional Investor) investments. "The Fund's non A-share and non QFII investments" represents the indicative performance of the Fund's other investments such as H-shares, red chips and B-shares. The relevant figures are gross of expenses performances calculated from internal sources and are for indicative purpose only. Returns would be lower once expenses are deducted. The performances of the indices are quoted for indicative comparison purpose only and the indices are not the benchmarks of the Fund.

	Calendar year performance ¹			Cumulative performance ²		
	2009 year-to-date	2008 full year	2007 since August 07 ³	6 months	1 year	Since August 07 ³
The Fund's A-share and other QFII investments (gross of expenses)	37.05%	-58.35%	33.53%	62.87%	-23.21%	-23.78%
<i>MSCI China A</i>	43.88%	-61.99%	20.96%	59.79%	-30.41%	-33.86%
The Fund's non A-share and non QFII investments (gross of expenses)	14.48%	-55.17%	28.40%	29.95%	-37.02%	-34.10%
<i>MSCI China</i>	12.58%	-51.12%	23.43%	30.06%	-37.61%	-32.08%

The following table demonstrates the performance of the Fund as a whole. "Net asset value of the Fund" performance figures are net of expenses performance calculated according to the net asset value per unit of the Fund.

	Calendar year performance ¹			Cumulative performance ²		
	2009 year-to-date	2008 full year	2007 since August 07 ³	6 months	1 year	Since August 07 ³
Net asset value of the Fund (net of expenses)	24.49%	-57.82%	29.48%	44.30%	-32.36%	-32.02%

As at 30 April 2009:

Net asset value per unit of the Fund:	HK\$6.71
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$5.35
Discount / Premium to net asset value:	20.3% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 April 2009 (the "Reference Date"). All performance figures are total return figures in Hong Kong dollars.

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HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
20 May 2009

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(Stock Code: 820)

Announcement

HSBC Global Asset Management (Hong Kong) Limited, the Manager of the Fund, has issued a supplement (the "Supplement") to the Offering Circular (dated 6 July 2007 and amended and supplemented by supplements dated 1 August 2007, 21 September 2007, 15 May 2008, 2 June 2008, 1 August 2008 and 4 May 2009) of the Fund. The Supplement (dated 18 May 2009) is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Fund at www.assetmanagement.hsbc.com/hk-chinadragonfund.

Investors who have any questions regarding the above may contact the Manager at telephone: +852 2284 1118.

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
18 May 2009

As at the date of this announcement, the board of directors of the Manager is comprised as follows: The executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. CONXICOEUR, Patrice Pierre Henri, Ms. LAM, Po Yee and Mr. STOKES, Edmund Richard. The non-executive directors of the Manager are Mr. CHENG, Hoi Chuen, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FRIED, David Lawrence, Mr. LEECH, Paul Ernest, Mr. LEUNG, William Wing Cheung, Mr. McCOMBE, Mark Seumas and Ms YUEN, Jeanie.

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Investors who have any questions regarding the above may contact the Manager at telephone: +852 2284 1118.

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
4 May 2009

As at the date of this announcement, the board of directors of the Manager is comprised as follows: The executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. CONXICOEUR, Patrice Pierre Henri, Ms. LAM, Po Yee and Mr. STOKES, Edmund Richard. The non-executive directors of the Manager are Mr. CHENG, Hoi Chuen, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. ENGEL, Conrado, Mr. FRIED, David Lawrence, Mr. LEECH, Paul Ernest, Mr. LEUNG, William Wing Cheung, Mr. McCOMBE, Mark Seumas and Ms YUEN, Jeanie.

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	Calendar year performance ¹			Cumulative performance ²		
	2009 year-to-date	2008 full year	2007 since August 07 ³	6 months	1 year	Since August 07 ³
The Fund's A-share and other QFII investments (gross of expenses)	29.03%	-58.35%	33.53%	20.46%	-25.23%	-28.24%
<i>MSCI China A</i>	36.89%	-61.99%	20.96%	13.69%	-31.18%	-37.07%
The Fund's non A-share and non QFII investments (gross of expenses)	2.22%	-55.17%	28.40%	-8.33%	-35.72%	-41.16%
<i>MSCI China</i>	1.33%	-51.12%	23.43%	-9.72%	-34.98%	-38.87%

The following table demonstrates the performance of the Fund as a whole. "Net asset value of the Fund" performance figures are net of expenses performance calculated according to the net asset value per unit of the Fund.

	Calendar year performance ¹			Cumulative performance ²		
	2009 year-to-date	2008 full year	2007 since August 07 ³	6 months	1 year	Since August 07 ³
Net asset value of the Fund (net of expenses)	13.91%	-57.82%	29.48%	3.37%	-31.24%	-37.79%

As at 31 March 2009:

Net asset value per unit of the Fund:	HK\$6.14
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$4.40
Discount / Premium to net asset value:	28.3% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 March 2009 (the "Reference Date"). All performance figures are total return figures in Hong Kong dollars.

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3. Performance figures are calculated since 1 August 2007, being the first dealing day of the month following the launch of the Fund on 20 July 2007.

The Fund is a close-ended fund and no investor may demand redemption of their units.

The listing of the Fund on the Stock Exchange of Hong Kong does not guarantee a liquid market and the Fund may be delisted. The Fund's market price on the Stock Exchange of Hong Kong may be different from its net asset value per unit. Currency movement may affect the value of investments. Investment in emerging market involves higher risks. The Fund invests part of its assets in China A-shares, which are subject to specific risks and restrictions as disclosed in the Offering Circular. The Fund differs from a typical trust and investors should read the Offering Circular for details including the risk factors. The document has not been reviewed by the Securities and Futures Commission.

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
8 April 2009

As at the date of this announcement, the board of directors of the Manager is comprised as follows: The executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. CONXICOEUR, Patrice Pierre Henri, Ms. LAM, Po Yee and Mr. STOKES, Edmund Richard. The non-executive directors of the Manager are Mr. CHENG, Hoi Chuen, Mr. AMANDINI, Peter James, Ms. CHEANG, Wai Wan Louisa, Mr. ENGEL, Conrado, Mr. FRIED, David Lawrence, Mr. LEECH, Paul Ernest, Ms. LEUNG, Margaret Ko May Yee, Mr. LEUNG, William Wing Cheung and Mr. McCOMBE, Mark Seumas.