
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 – Fund Performance

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 and (if any) net of capital gain tax provision 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		
	2010 year-to-date	2009 full year	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 and net of capital gain tax provision)	6.80%	89.66%	-59.35%	32.50%	23.67%	9.01%	9.10%
<i>MSCI China A</i>	-4.21%	97.00%	-61.99%	20.96%	19.72%	-2.87%	-13.25%
The Fund's non A-share and non QFII investments (gross of expenses)	5.13%	69.11%	-55.17%	28.40%	16.19%	5.27%	2.33%
<i>MSCI China</i>	5.75%	62.71%	-51.12%	23.43%	13.42%	6.29%	3.80%

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		
	2010 year-to-date	2009 full year	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)	5.07%	75.51%	-57.82%	29.48%	19.33%	5.97%	0.71%

As at 30 November 2010:

Net asset value per unit of the Fund:	HK\$9.94
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$8.46
Discount / Premium to net asset value:	14.89% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 November 2010 (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
20 December 2010

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 Mr. CONXICOEUR, Patrice Pierre Henri, Mr. EBRAHIM, Ayaz Hatim, Ms. LAM, Po Yee and Mr. STOKES, Edmund Richard. The non-executive directors of the Manager are Mr. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. HARVEY-SAMUEL, Guy Daniel, Mr. LEUNG, William Wing Cheung and Mr. PACTON, Olivier

Change Request Form 變更申請表格

To: HSBC China Dragon Fund (the "Fund")
c/o Computershare Hong Kong Investor Services Limited
17M 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17M樓

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, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or by email to hsbchinadragon.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17M樓或以電郵方式發送通知 hsbchinadragon.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。

HCDH-IR-NOV10

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 2010

Dear Unitholders,

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

The 2010 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,

Edmund STOKES

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」) 2010 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

蘇浩文

謹啟

2010 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、通函及代表委任表格。

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

2010 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 2010 to 30 September 2010.

The interim results of the Fund for the period from 1 April 2010 to 30 September 2010 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 2010 to 30 September 2010.

Investment Adviser’s Report

Review

The MSCI China Index ended the period of review marginally stronger, recovering from earlier losses. The MSCI China Index managed a gain of 3.25%, while the MSCI China A Index fell 9.60% in RMB terms.

The market was concerned about potential slowdown in China’s economic activities as policies towards the property sector remained tight and sovereign debt problems in Europe persisted. The market was disappointed by the absence of monetary policy easing in China as inflation pressure continued to rise. But towards the end of September, the market gained confidence after the release of stronger-than-expected industrial production and retail sales data. However, property stocks underperformed after the government issued a second round of property tightening measures, including the increase of minimum mortgage down-payment ratio for first homes to 30% from 20%, official suspension of mortgage lending to 3rd home buyers and the acceleration of property tax introduction.

Outlook

The Investment adviser expects performance of the Chinese equity market to improve in the fourth quarter as we may see easing of the government tightening measures and new policies will be announced, which would signal where new investment opportunities could be found.

The 12th Five-Year Plan will be officially unveiled in March 2011. This will outline the government's policy focus and economic direction. As China continues to rebalance its economy, the focus of government policy is likely to be tilted towards promoting domestic consumption. To aid this goal, Beijing will focus on wage increasing, social housing, healthcare reform, education and infrastructure.

The Investment adviser is positive on four key investment themes: 1) consumption and healthcare; 2) economic housing; 3) railway infrastructure; and 4) RMB appreciation.

Healthcare will be a major investment theme for the next 5 years. Healthcare spending in China currently is low by international standards and therefore offers huge room for expansion. To support the development of the healthcare sector, the Chinese government announced a RMB850 billion healthcare reform plan in April 2009, aiming to provide universal healthcare coverage by 2011 to China's entire population.

Social housing will play a significant role in GDP growth as the government targets to increase supply to meet demand. Last year, the government built 2 million social housing units. This year, it targets to build 5.8 million units. Housing demand remains strong in China as volume sales and prices continue to rise.

In terms of infrastructure construction, railway spending is also expected to rise significantly. Despite having the longest railway network in Asia and the third-longest in the world, China still suffers from bottlenecks as it has the highest cargo transportation volume in the world. China's Ministry of Railway targets to increase the length of railways by almost two-fold and has budgeted to spend RMB823 billion in 2010.

In the medium term, the Investment adviser expects RMB appreciation to be gradual at around 3-5% per annum. RMB appreciation is positive for various Chinese equity classes and industry sectors. For instance, a stronger RMB will benefit consumer companies that import goods for domestic consumption. RMB appreciation will also be positive for airlines that have foreign-currency-denominated debt.

Interim statement of assets and liabilities (unaudited)

As at 30 September 2010

	Note	30 September 2010 (Unaudited) HK\$	31 March 2010 (Audited) HK\$
Assets			
Investments at fair value through profit or loss	7	3,341,337,638	3,307,881,739
Amounts receivable from brokers		62,766,212	29,317,482
Dividend and other receivables	8(c)	4,955,624	3,203,192
Cash and cash equivalents	8(d)	80,403,621	165,431,204
Total assets		<u>3,489,463,095</u>	<u>3,505,833,617</u>
Liabilities			
Taxation	6	62,353,177	55,236,173
Amounts payable to brokers		29,009,205	41,686,016
Accrued expenses and other payables	8(a), (b) & (c)	4,724,697	5,466,435
Total liabilities		<u>96,087,079</u>	<u>102,388,624</u>
Net assets attributable to unitholders		<u>3,393,376,016</u>	<u>3,403,444,993</u>
Representing:			
Total equity		<u>3,393,376,016</u>	<u>3,403,444,993</u>
Number of units in issue	10	<u>361,263,000</u>	<u>371,910,000</u>
Net asset value per unit		<u>9.39</u>	<u>9.15</u>

Interim statement of comprehensive income (unaudited)
For the period ended 30 September 2010

	Note	Period from 1 April 2010 to 30 September 2010 (Unaudited) HK\$	Period from 1 April 2009 to 30 September 2009 (Unaudited) HK\$
Dividend income		49,044,213	40,990,506
Interest income on deposits	4, 8(d)	718,809	261,224
Net gains from investments	5	69,669,663	738,681,113
Net foreign exchange gain/(loss)		484,452	(22,298)
Net investment gain		<u>119,917,137</u>	<u>779,910,545</u>
Expenses			
Management fees	8(a)	(23,960,353)	(21,696,038)
Transaction costs	8(e)	(11,221,380)	(8,540,060)
Trustee's fees	8(b)	(1,706,542)	(1,556,055)
Custodian fees	8(c)	(1,020,287)	(836,363)
Auditor's remuneration		(96,905)	(134,347)
Other operating expenses		(529,197)	(913,508)
Operating expenses		<u>(38,534,664)</u>	<u>(33,676,371)</u>
Profit before taxation		81,382,473	746,234,174
Taxation	6	(10,865,481)	(13,558,738)
Increase in net assets attributable to unitholders and total comprehensive income for the period		<u>70,516,992</u>	<u>732,675,436</u>

Interim statement of changes in equity (unaudited)

For the period ended 30 September 2010

	Note	Period from 1 April 2010 to 30 September 2010 (Unaudited) HK\$	Period from 1 April 2009 to 30 September 2009 (Unaudited) HK\$
Balance at the beginning of period		3,403,444,993	2,281,953,432
Increase in net assets attributable to unitholders and total comprehensive income for the period		70,516,992	732,675,436
Repurchase of units during the period	11	(80,585,969)	—
Balance at the end of period		<u>3,393,376,016</u>	<u>3,014,628,868</u>

Interim cash flow statement (unaudited)

For the period ended 30 September 2010

		Period from 1 April 2010 to 30 September 2010 (Unaudited) HK\$	Period from 1 April 2009 to 30 September 2009 (Unaudited) HK\$
Operating activities			
Interest income received		718,809	261,224
Dividends income received		47,340,802	39,085,853
Management fees paid		(24,402,481)	(20,730,123)
Trustee's fees paid		(1,744,766)	(1,499,909)
Other operating expenses paid		(16,440,008)	(14,617,778)
Net cash generated from operating activities		<u>5,472,356</u>	<u>2,499,267</u>
Investing activities			
Payments on purchase of investments		(2,121,151,336)	(1,718,167,617)
Proceeds from sale of investments		2,111,237,366	1,721,650,227
Net cash (used in)/generated from investing activities		<u>(9,913,970)</u>	<u>3,482,610</u>
Financing activities			
Payments on repurchase of units		(80,585,969)	—

Net cash used in financing activities	(80,585,969)	—
	-----	-----
Net (decrease)/increase in cash and cash equivalents	(85,027,583)	5,981,877
Cash and cash equivalents at the beginning of the period	165,431,204	85,811,063
	-----	-----
Cash and cash equivalents at the end of the period	80,403,621	91,792,940
	=====	=====

Notes on the unaudited interim financial statements

1. Background

HSBC China Dragon Fund (“the Fund”) is a closed-ended unit trust governed by its Trust Deed dated 20 June 2007 (“the Trust Deed”), as amended. The Fund is authorised by the Hong Kong Securities and Futures Commission (“SFC”) under Section 104(1) of the Hong Kong Securities and Futures Ordinance (“HKSF”). 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 HSBC Global Asset Management (Hong Kong) Limited (“the Manager”).

Pursuant to the general meeting held on 17 November 2009, an extraordinary resolution was passed to enable the Manager during the “relevant period”, as defined below, to repurchase units, not more than 10% of the aggregate number of units in issue. The repurchase is 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 SFC.

The “relevant period” means the period from the date of the passing of this extraordinary resolution until the earlier of:

- (i) the expiration of 12 months following the passing of this extraordinary resolution; and
- (ii) the passing of an ordinary resolution by the holders of the Fund in general meeting revoking or varying the authority give to the Manager by this extraordinary resolution.

There was repurchase of units by the Manager during the period.

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 2010, except for the accounting policy changes that are expected to be reflected in the 2010 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 review report to the Manager of the Fund is included on page 2.

The financial information relating to the financial year ended 31 March 2010 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 2010 in their report dated 13 July 2010.

(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

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 dividend 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 profit or loss.

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.

(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/earning ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

Net gains from investments is included in profit or loss. 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 profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's effective interest rate.

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

(vi) Derecognition

The Fund derecognises a financial asset when the contractual rights to 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 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 profit or loss 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 profit or loss. 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 profit or loss as dividend income when declared.

In some cases, the Fund may receive or choose to receive dividends in the form of additional shares rather than cash. In such cases, the Fund recognises the dividend income for the amount of the equivalent cash dividend with the corresponding debit treated as an additional investment.

(e) Expenses

All expenses are recognised in profit or loss 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 profit or loss.

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 profit or loss.

(h) Related parties

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

- (i) the party has the ability, directly or indirectly, through one or more intermediaries, to control the Fund or exercise significant influence over the Fund in making financial and operating policy decisions, or has joint control over the Fund;
- (ii) the Fund and the party are subject to common control;
- (iii) the party is 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) 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/(loss)* are net foreign exchange gains and losses on monetary financial assets and financial liabilities other than those classified at fair value through profit or loss.

(j) Units in issue

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

The Fund has one class of units in issue which is not redeemable by the unitholders. Upon termination of the Fund, the unitholders are entitled to 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 units are classified as equity in accordance with HKAS 32.

(k) Segment reporting

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

3. Changes in accounting policies

The Fund has not applied any new standard or Interpretation that is not yet effective for the current accounting period (see note 15).

4. Interest income on deposits

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

5. Net gains from investments

	Period from 1 April 2010 to 30 September 2010 HK\$	Period from 1 April 2009 to 30 September 2009 HK\$
Net gains from investments		
– Realised gains	23,183,329	115,103,903
– Unrealised gains	46,486,334	623,577,210
	69,669,663	738,681,113
	69,669,663	738,681,113

Gains and losses presented above exclude dividend income.

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 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.

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. The Fund is also exposed to deferred tax arising from the unrealised gains on A-shares at the end of the period. The Manager estimates the amount of the deferred tax to be insignificant to the Fund.

Taxation in the statement of comprehensive income represents:

	Period from 1 April 2010 to 30 September 2010 HK\$	Period from 1 April 2009 to 30 September 2009 HK\$
PRC dividend and interest income withholding tax	5,627,337	4,368,148
PRC capital gains tax	5,238,144	9,190,590
	<u>10,865,481</u>	<u>13,558,738</u>

7. Investments at fair value through profit or loss

	As at 30 September 2010 HK\$	As at 31 March 2010 HK\$
Listed equity securities		
– in Hong Kong	1,689,195,742	1,763,848,759
– outside Hong Kong	1,652,141,896	1,544,032,980
	<u>3,341,337,638</u>	<u>3,307,881,739</u>

8. 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 \$23,960,353 (for the period from 1 April 2009 to 30 September 2009: \$21,696,038) and \$4,090,035 (as at 31 March 2010: \$4,532,163) 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 \$1,706,542 (for the period from 1 April 2009 to 30 September 2009: \$1,556,055) and \$316,883 (as at 31 March 2010: \$355,107) respectively.

(c) Custodian fee and deposit placed with Custodian

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 \$1,020,287 (for the period from 1 April 2009 to 30 September 2009: \$836,363) and \$24,211 (as at 31 March 2010: \$24,884) respectively.

A minimum clearing reserves need to be held with the QFII custodian. As at 30 September 2010, the Fund had \$2,452,733 (as at 31 March 2010: \$2,403,712) deposit held with the QFII custodian.

(d) Bank balances

Bank balances are maintained with the Trustee. The bank balances held with the Trustee as at 30 September 2010 amounted to \$80,403,621 (as at 31 March 2010: \$165,431,204). During the period, interest earned on the above bank balances was \$718,809 (for the period from 1 April 2009 to 30 September 2009: \$261,224).

(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 **Period from**
1 April 2010 **1 April 2009**
to 30 September **to 30 September**
2010 **2009**
HK\$ **HK\$**

Commission paid for the period	210,304	156,303
Average rate of commission	0.11%	0.19%
	<hr/>	<hr/>
Total aggregate value of such transactions for the period	193,757,293	81,812,167
Percentage of such transactions in value to total transactions for the period	4.48%	2.47%
	<hr/>	<hr/>

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

	As at 30 September 2010	As at 30 September 2009
Number of units in issue brought forward	371,910,000	371,910,000
Units repurchased during the period	(10,647,000)	—
	<hr/>	<hr/>
Number of units in issue carried forward	361,263,000	371,910,000
	<hr/>	<hr/>

The Fund is a closed-end unit trust. Apart from repurchase of own units, it did not have subscription and redemption of units during the period.

11. Repurchase of Units

During the period, the Fund repurchased 10,647,000 of its own units at a total amount of \$80,585,969 on the Stock Exchange. The repurchased units were then cancelled and accordingly the equity of the Fund was reduced by the nominal value of these units.

12. 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 2010 are summarised below. Details of such investments held as at 30 September 2010 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 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 2010, 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 2010.

	30 September 2010			31 March 2010		
	% of total net assets	Change in equity price %	Effect on net assets attributable to the unitholders HK\$	% of total net assets	Change in equity price %	Effect on net assets attributable to the unitholders HK\$
Investment assets						
Listed equity investments:						
– in Hong Kong	49.78	5	84,459,787	51.83	5	88,192,438
– outside Hong Kong	48.69	5	82,607,094	45.36	5	77,201,649
	<u>98.47</u>		<u>167,066,881</u>	<u>97.19</u>		<u>165,394,087</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.

	30 September 2010		
	1 year or less HK\$	Non-interest bearing HK\$	Total HK\$
Assets			
Investments at fair value through profit or loss	–	3,341,337,638	3,341,337,638
Amounts receivable on sale of investments	–	62,766,212	62,766,212
Dividend and other receivables	–	4,955,624	4,955,624
Cash and cash equivalents	68,625,724	11,777,897	80,403,621
Total assets	<u>68,625,724</u>	<u>3,420,837,371</u>	<u>3,489,463,095</u>
Liabilities			
Taxation	–	(62,353,177)	(62,353,177)
Amounts payable on purchases of investments	–	(29,009,205)	(29,009,205)
Accrued expenses and other payables	–	(4,724,697)	(4,724,697)
Total liabilities	<u>–</u>	<u>(96,087,079)</u>	<u>(96,087,079)</u>
Total interest sensitivity gap	<u>68,625,724</u>		

	31 March 2010		
	1 year or less HK\$	Non-interest bearing HK\$	Total HK\$
Assets			
Investments at fair value through profit or loss	–	3,307,881,739	3,307,881,739
Amounts receivable on sales of investments	–	29,317,482	29,317,482
Dividend and other receivables	–	3,203,192	3,203,192
Cash and cash equivalents	117,155,914	48,275,290	165,431,204
Total assets	<u>117,155,914</u>	<u>3,388,677,703</u>	<u>3,505,833,617</u>
Liabilities			
Taxation	–	(55,236,173)	(55,236,173)
Amounts payable on purchases of investments	–	(41,686,016)	(41,686,016)
Accrued expenses and other payables	–	(5,466,435)	(5,466,435)
Total liabilities	<u>–</u>	<u>(102,388,624)</u>	<u>(102,388,624)</u>
Total interest sensitivity gap	<u>117,155,914</u>		

Interest rate sensitivity

Assuming all other factors unchanged, for an increase of 50 basis points in interest rates as at the date of the statement of assets and liabilities, the net assets attributable to the unitholders and changes in net assets attributable to unitholders would have increased by \$343,129 (31 March 2010: \$585,780); 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 2009.

(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 ("HKD").

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

	Assets HK\$	Liabilities HK\$	Net exposures HK\$
30 September 2010			
Renminbi	1,698,870,911	(62,469,565)	1,636,401,346
United States dollar	24,720,364	(24,211)	24,696,153
	<u>1,723,591,275</u>	<u>(62,493,776)</u>	<u>1,661,097,499</u>
31 March 2010			
Renminbi	1,651,623,773	(55,463,672)	1,596,160,101
United States dollar	35,156,225	(32,959)	35,123,266
	<u>1,686,779,998</u>	<u>(55,496,631)</u>	<u>1,631,283,367</u>

Amounts in the above table are based on the carrying value of the assets and liabilities.

Currency sensitivity

As the HKD is pegged to the United States dollars ("USD"), the Fund does not expect any significant movements in USD/HKD exchange rate. At 30 September 2010, had the HKD strengthened by 5% in relation to the above currencies except for USD, with all other variables held constant, net assets attributable to unitholders would have decreased by the amounts shown below.

	HK\$
30 September 2010	
Renminbi	<u>81,820,067</u>
31 March 2010	
Renminbi	<u>79,808,005</u>

A 5% weakening of the HKD against the above currency would have resulted in an equal but opposite effect 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 2010, all of 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 30 September 2010 and 31 March 2010, there were no significant concentrations of credit risk to counterparties except to the Trustee, the QFII Custodian and the banks.

(c) Liquidity risk

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

The Fund’s policy to manage liquidity is to have sufficient liquidity to meet its liability without incurring undue losses or risking damage to the Fund’s reputation.

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.

The Fund has one class of units in issue which is not redeemable by the unitholders. However, during the period the Manager was allowed to repurchase the units not more than 10% of the aggregate number of units in issue. All financial liabilities have contractual maturities of less than three months, except for redemptions payable which is repayable on demand. At both 31 March 2010 and 2009, there were no significant exposures to liquidity risk for the Fund.

(d) Capital Management

At 30 September 2010, the Fund had \$3,393,376,016 of capital classified as equity.

The Fund’s objective in managing the capital is to ensure a stable and strong base to maximise returns to all investors. The Manager manages the capital of the Fund in accordance with the Fund’s investment objectives and policies stated in the Trust Deed.

There were no changes in the policies and procedures during the year with respect to the Fund’s approach to its capital management.

The Fund is not subject to externally imposed capital requirements.

13. 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 amounts receivable on sale of investments, dividend and other receivables, taxation, amounts payable on purchase of investments, redemption payable, accrued expenses and other payables, the carrying amounts approximate fair values due to the immediate or short-term nature of these financial instruments.

Valuation of financial instruments

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

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

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

All investments held by the Fund are listed on stock exchanges of Hong Kong or the PRC, their fair values are based on quoted market price in active markets.

The following analyses financial instruments measured at fair value at 30 September 2010 by the level in the fair value hierarchy into which the fair value measurement is categorised.

	30 September 2010	31 March 2010
	Level 1	Level 1
	HK\$	HK\$
Listed equities	<u>3,341,337,638</u>	<u>3,307,881,739</u>

There were no significant transfers of financial instruments between fair value hierarchy levels during the period.

14. Segment information

The Manager makes the strategic resource allocation on behalf of the Fund and has determined the operating segments based on the internal reports reviewed which are used to make strategic decisions.

The Manager considers that the Fund has one single operating segment based on one single and integrated investment strategy by investing in the securities of companies listed in Hong Kong or listed elsewhere and having substantial business or operations in Hong Kong and the PRC as stipulated in the Trust Deed. There were no changes in the operating segment during the period.

The segment information provided to the Manager is the same as that disclosed in the statement of comprehensive income and statement of assets and liabilities.

The Fund is domiciled in Hong Kong. All of the Fund's income from investments is from equities listed in Hong Kong and the PRC.

15. Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 30 September 2010

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 2010 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**

HKFRS 9, *Financial instruments*

1 January 2013

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

Investment portfolio (unaudited)

As at 30 September 2010

<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			
Agricultural Bank of China - A Share	4,738,400	14,299,527	0.42
Angel Yeast Co Ltd - A Share	929,249	41,643,624	1.23
Beijing SL Pharmaceutical Co Ltd - A Share	895,122	48,768,785	1.44
Beijing Yanjing Brewery Co Ltd - A Share	925,689	24,346,785	0.72
Changchun Faway Automobile Components - A Share	703,000	25,515,250	0.75
Chengdu B-Ray Media Co Ltd - A Share	3,611,430	79,936,754	2.35
China Animal Husbandry Industry Co Ltd - A Share	511,310	15,916,944	0.47
China CNR Corp Ltd - A Share	2,413,400	14,846,422	0.44
China International Marine Containers GR Co Ltd - B Share	669,645	8,846,010	0.26
China International Travel Service Corp Ltd - A Share	871,400	25,589,081	0.75
China Merchants Bank Co Ltd - A Share	7,006,023	105,225,852	3.10
China Merchants Property Development Co Ltd - A Share	823,700	16,568,540	0.49
China Minsheng Banking Corp Ltd - A Share	8,024,400	47,407,491	1.40
Dongfang Electric Corp Ltd - A Share	1,088,000	39,387,724	1.16
Fiberhome Telecommunication Technologies Co Ltd - A Share	682,000	26,462,896	0.78
Fujian Dongbai (Group) Co Ltd - A Share	2,729,920	42,110,609	1.24
Gree Electric Appliances Inc - A Share	3,760,170	61,887,128	1.82
GRG Banking Equipment Co Ltd - A Share	1,229,200	62,048,113	1.83
Harbin Pharm Group Co Ltd - A Share	1,078,300	28,385,678	0.84
Inner Mongolia Yitai Coal Co - B Share	228,100	10,057,199	0.29
Liao Ning Oxiranchem Inc - A Share	241,500	13,292,152	0.39
Mesnac Co Ltd - A Share	2,191,317	53,437,715	1.57
Nanfang Ventilator Co Ltd - A Share	266,940	13,793,848	0.41
Ping An Insurance Group Co - A Share	1,217,000	74,682,097	2.20
Qingdao Haier Co Ltd - A Share	891,900	24,338,029	0.72
Rongxin Power Electronic Co Ltd - A Share	1,410,954	66,424,366	1.96
SAIC Motor Corp Ltd - A Share	1,683,984	32,934,758	0.97
Shandong Dong-E E-Jiao Co Ltd - A Share	1,247,106	71,333,032	2.10
Shandong Gold Mining Co Ltd	435,864	28,234,470	0.84

HSBC China Dragon Fund

	Holdings	Market value HK\$	% of total net assets
Shanghai Metersbonwe Fashion - A Share	511,384	17,082,622	0.50
Shanghai Pharmaceutical Co Ltd - A Share	1,256,600	32,583,433	0.96
Shanghai Pudong Development Bank Co - A Share	4,537,231	68,198,885	2.01
Shanxi Xishan Coal & Electricity Power - A Share	714,450	17,248,518	0.51
Shenzhen Accord Pharmaceutical Co - A Share	634,400	27,907,376	0.82
Telling Telecomm Holdings Co Ltd - A Share	1,342,000	25,560,994	0.75
Weichai Power Co Ltd - A Share	216,851	19,053,463	0.56
Wuhan Guide Infrared Co Ltd - A Share	499,800	15,941,515	0.47
Xiamen Faratronic Co Ltd - A Share	533,000	17,538,679	0.52
Yantai Changyu Pioneer Wine Co Ltd - B Share	71,200	7,048,800	0.21
Yantai Moon Co Ltd - A Share	1,562,026	35,897,985	1.06
Yantai Wanhua Polyurethane Co Ltd - A Share	2,374,338	46,822,278	1.38
Yibin Wuliangye Co Ltd Shares - A Share	1,381,000	55,012,019	1.62
Yinchuan Xinhua Department Store Co - A Share	1,191,274	49,625,139	1.46
Zhejiang Longsheng Group Co Ltd - A Share	1,226,200	15,385,217	0.45
Zhejiang Medicine Co Ltd - A Share	963,259	35,833,376	1.06
ZTE Corp - A Share	802,500	22,960,354	0.68
		<u>1,627,421,532</u>	<u>47.96</u>

Equities

Listed investments

The People's Republic of China

Hong Kong

Agricultural Bank of China - H Share	9,421,000	37,872,420	1.12
Air China Ltd - H Share	326,000	3,462,120	0.10
Angang Steel Co Ltd - H Share	386,000	4,794,120	0.14
Anhui Conch Cement Co Ltd - H Share	144,000	5,090,400	0.15
Anta Sports Products Ltd	632,000	11,287,520	0.33
Bank of China Ltd - H Share	14,388,000	58,703,040	1.73
Bank of Communications Co Ltd - H Share	2,387,850	20,010,183	0.59
BBMG Corp - H Share	4,187,000	45,554,560	1.34
Belle International Holdings Ltd	1,549,000	24,164,400	0.71
Boshiwa International Holding Ltd	54,000	403,380	0.01
Brilliance China Automotive Holdings Ltd	8,202,000	47,161,500	1.39
China Agri-Industries Holdings Ltd	617,000	6,787,000	0.20
China Coal Energy Co - H Share	2,718,000	34,844,760	1.03

HSBC China Dragon Fund

	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets</i>
China Construction Bank - H Share	19,548,000	132,926,400	3.92
China COSCO Holdings Co Ltd - H Share	958,000	8,392,080	0.25
China Eastern Airlines Corp Ltd - H Share	1,964,000	9,309,360	0.27
China Life Insurance Co Ltd - H Share	1,931,000	59,185,150	1.74
China Lilang Co Ltd	1,977,000	25,503,300	0.75
China Mengniu Dairy Co Ltd	417,000	10,008,000	0.29
China Mobile Ltd	1,485,000	117,983,250	3.48
China Oilfield Services Ltd	622,000	7,538,640	0.22
China Overseas Land & Investment Limited	1,464,801	23,964,145	0.71
China Petroleum & Chemical Corp - H Share	5,720,000	39,296,400	1.16
China Railway Construction Corp - H Share	1,472,500	15,372,900	0.45
China Railway Group Ltd - H Share	2,126,000	12,883,560	0.38
China Resources Cement Holdings Ltd	3,308,000	15,051,400	0.44
China Resources Enterprise Limited	736,000	25,796,800	0.76
China Resources Power Holdings Co Ltd	844,000	14,044,160	0.41
China Shenhua Energy Co Ltd - H Share	1,379,500	44,281,950	1.30
China Shineway Pharmaceutical Group Ltd	237,000	6,387,150	0.19
China State Construction International Holdings Ltd	3,886,000	18,147,620	0.53
China Telecom Corp Ltd - H Share	5,504,000	23,447,040	0.69
China Unicom Hong Kong Ltd	2,112,000	23,950,080	0.71
China Yurun Food Group Ltd	982,000	28,134,300	0.83
Dongfang Electric Co Ltd - H Share	277,000	10,055,100	0.30
Dongfeng Motor Group Co Ltd - H Share	1,734,000	27,535,920	0.81
Guangzhou Automobile Group Co Ltd - H Share	840,922	11,167,444	0.33
Hengan International Group Co Ltd	278,000	21,642,300	0.63
CNOOC Ltd	7,759,000	116,540,180	3.43
CSR Corp Ltd - H Share	4,441,000	32,596,940	0.96
Huabao International Holdings Ltd	2,032,000	24,709,120	0.73
Huaneng Power International Inc - H Share	1,128,000	5,425,680	0.16
Industrial and Communication Bank of China - H Share	13,961,000	80,694,580	2.39
Intime Department Store Group Co Ltd	756,000	8,013,600	0.24
Jiangxi Copper Company Ltd - H Share	997,000	19,601,020	0.58
Kunlun Energy Co Ltd	2,664,000	26,693,280	0.79
Maanshan Iron & Steel Co Ltd - H Share	1,154,000	5,596,900	0.16
PetroChina Co Ltd - H Share	4,300,000	38,829,000	1.14
PICC Property & Casualty Co Ltd - H Share	882,000	9,243,360	0.27
Ping An Insurance (Group) Co of China - H Share	896,000	71,097,600	2.10
Poly (Hong Kong) Investment Ltd	2,760,000	22,908,000	0.68
Real Gold Mining Ltd	394,500	5,404,650	0.16
Ruinian International Ltd	1,422,000	9,228,780	0.27
Sany Heavy Equipment International Holdings Co	469,000	6,425,300	0.19

HSBC China Dragon Fund

	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets</i>
Shandong Weigao GP Medical Polymer Co - H Share	264,000	5,808,000	0.17
Shanghai Industrial Holdings Ltd	620,000	24,273,000	0.72
Tencent Holdings Ltd	337,000	57,121,500	1.69
Vinda International Holdings Ltd	1,434,000	15,659,280	0.46
Want Want China Holdings Ltd	2,384,000	17,069,440	0.50
Weichai Power Co Ltd - H Share	74,000	6,068,000	0.18
Yanzhou Coal Mining Co Ltd - H Share	466,000	8,863,320	0.26
Zhaojin Mining Industry Co Ltd - H Share	391,000	9,344,900	0.28
Zhejiang Expressway Co Ltd - H Share	1,594,000	11,699,960	0.34
Zhuzhou CSR Times Electric Co Ltd - H Share	730,000	18,140,500	0.54
		<u>1,689,195,742</u>	<u>49.78</u>
United States of America			
Perfect World Co Ltd ADR	41,900	8,642,105	0.25
Sina Corp	40,900	16,078,259	0.48
		<u>24,720,364</u>	<u>0.73</u>
Total investments <i>(Total cost of investments: \$2,873,184,732)</i>		3,341,337,638	98.47
Other net assets		<u>52,038,378</u>	<u>1.53</u>
Total net assets		<u><u>3,393,376,016</u></u>	<u><u>100.00</u></u>

Statement of movements in portfolio holdings (unaudited)

For the period ended 30 September 2010

	% of total net assets	
	30 September 2010	31 March 2010
Total investments	98.47	97.19
Other net assets	<u>1.53</u>	<u>2.81</u>
Total net assets attributable to unitholders	<u><u>100.00</u></u>	<u><u>100.00</u></u>

Performance table (unaudited)
For the period ended 30 September 2010

(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
31 March 2010	HK\$3,403,444,953
30 September 2010	HK\$3,393,376,016

(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
31 March 2010	HK\$9.15
30 September 2010	HK\$9.39

(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. During the period, the Manager is allowed to repurchase the units not more than 10% of the aggregate number of units in issue.

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
1 April 2009 to 31 March 2010	6.22	9.70
1 April 2010 to 30 September 2010	7.91	9.49

Issuance of Results

The unaudited interim report of the Fund for the period from 1 April 2010 to 30 September 2010 will be despatched to Unitholders on or about 30 November 2010.

Hong Kong, 29 November, 2010

By Order of the Board
HSBC Global Asset Management (Hong Kong) Limited
as Manager of HSBC China Dragon Fund
Edmund STOKES
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 Mr. CONXICOEUR, Patrice Pierre Henri, Mr. EBRAHIM, Ayaz Hatim, Ms. LAM, Po Yee and Mr. STOKES, Edmund Richard. The non-executive directors of the Manager are Mr. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. HARVEY-SAMUEL, Guy Daniel, Mr. LEUNG, William Wing Cheung and Mr. PACTON, Olivier.

IMPORTANT

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Investments involve risks. If you are in any doubt about the contents of this announcement, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. Investors should note that:

- The HSBC China Dragon Fund's market price on the stock exchange may be different from its net asset value per unit. The HSBC China Dragon Fund (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.
- The Fund invests part of its portfolio in China A Shares and is subject to the risks and uncertainties associated with China's tax rules and practices. In particular, in relation to the realised capital gains the Fund gains from its investments in A Shares, the Fund currently elects to withhold 10% of such gains as tax provision. Such provisions may be more than or less than the Fund's actual tax liabilities and investors may be advantaged or disadvantaged depending upon the final outcome of how such gains will be taxed and when they purchased and/or sold the units of the Fund on the stock exchange.
- Investing in the Fund involves substantial market, volatility, regulatory and political risks. The investors may suffer substantial loss in their investments in the Fund.
- Investors should not invest in the Fund solely based on the information provided in this announcement 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

HSBC Global Asset Management (Hong Kong) Limited, the Manager of HSBC China Dragon Fund (the “Fund”), announces that Halbis Capital Management (Hong Kong) Limited will cease to act as Investment Adviser in respect of the Fund with effect from 1 January 2011.

On 30 June 2010, HSBC rebranded its asset management businesses exclusively as HSBC Global Asset Management.

Accordingly, the specialist investment management businesses Halbis Capital Management (active fundamental specialist) is now being marketed globally under the HSBC Global Asset Management brand.

To complete this rebranding process, the business of the Halbis Capital Management legal entity globally will be transferred into the corresponding local HSBC Global Asset

Management entity. As a first step in this process, HSBC Global Asset Management (Hong Kong) Limited will replace Halbis Capital Management (Hong Kong) Limited to provide investment management services to the Fund with effect from 1 January 2011.

Please note the investment specialists will retain their distinctive investment management philosophies and the move to a single brand identity will not affect the investment strategies of the Fund.

From 1 January 2011, the Manager, Investment Adviser and Research Adviser for the Fund will become the entity listed in the right hand column below. Please note that Jintrust Fund Management Company Limited will continue to act as Research Adviser for the Fund after the change.

	Appointment until 31 December 2010	Appointment from 1 January 2011
the Fund	Manager : HSBC Global Asset Management (Hong Kong) Limited Investment Adviser: Halbis Capital Management (Hong Kong) Limited Research Adviser: HSBC Jintrust Fund Management Company Limited	Manager : HSBC Global Asset Management (Hong Kong) Limited Research Adviser: HSBC Jintrust Fund Management Company Limited

The Manager would like to reassure unitholders that they will not incur any additional costs associated with the implementation of these changes.

The investment objective and investment strategy of the Fund will remain unchanged.

To reflect the above-mentioned changes and other amendments, the Fund has issued a supplement dated 19 November 2010 (the "Supplement") to supplement the Offering Circular of the Fund dated 6 July 2007 as amended by the supplements dated 1 August 2007, 21 September 2007, 15 May 2008, 2 June 2008, 1 August 2008, 4 May 2009, 18 May 2009, 19 August 2009, 17 November 2009, 4 January 2010, 5 February 2010, 15 March 2010, 1 September 2010 and 30 September 2010. The Supplement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the webpage of the Fund at www.assetmanagement.hsbc.com/hk-chinadragonfund.

The Manager of the Fund accepts responsibility for the accuracy of the information in relation to the Fund contained in this announcement.

Investors who have any questions regarding the above may contact the Manager at Level 22, HSBC Main Building, 1 Queen's Road Central, Hong Kong (telephone number: (852) 2284 1118).

HSBC Global Asset Management (Hong Kong) Limited
 Manager of HSBC China Dragon Fund
 19 November 2010

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 Mr. CONXICOEUR, Patrice Pierre Henri, Mr. EBRAHIM, Ayaz Hatim, Ms. LAM, Po Yee and Mr. STOKES, Edmund Richard. The non-executive directors of the Manager are Mr. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. HARVEY-SAMUEL, Guy Daniel, Mr. LEUNG, William Wing Cheung and Mr. PACTON, Olivier

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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 – Fund Performance

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 and (if any) net of capital gain tax provision 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		
	2010 year-to-date	2009 full year	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 and net of capital gain tax provision)	4.49%	89.66%	-59.35%	32.50%	15.16%	15.67%	6.74%
<i>MSCI China A</i>	0.57%	97.00%	-61.99%	20.96%	14.82%	9.77%	-8.93%
The Fund's non A-share and non QFII investments (gross of expenses)	5.79%	69.11%	-55.17%	28.40%	8.56%	11.71%	2.97%
<i>MSCI China</i>	8.14%	62.71%	-51.12%	23.43%	10.09%	11.36%	6.15%

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		
	2010 year-to-date	2009 full year	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)	4.23%	75.51%	-57.82%	29.48%	11.04%	12.30%	-0.10%

As at 29 October 2010:

Net asset value per unit of the Fund:	HK\$9.86
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$8.53
Discount / Premium to net asset value:	13.49% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 29 October 2010 (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
17 November 2010

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 Mr. CONXICOEUR, Patrice Pierre Henri, Mr. EBRAHIM, Ayaz Hatim, Ms. LAM, Po Yee and Mr. STOKES, Edmund Richard. The non-executive directors of the Manager are Mr. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. HARVEY-SAMUEL, Guy Daniel, Mr. LEUNG, William Wing Cheung and Mr. PACTON, Olivier

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 – Fund Performance

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 and (if any) net of capital gain tax provision 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		
	2010 year-to-date	2009 full year	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 and net of capital gain tax provision)	-2.13%	89.66%	-59.35%	32.50%	0.92%	19.35%	-0.02%
<i>MSCI China A</i>	-11.45%	97.00%	-61.99%	20.96%	-6.75%	5.53%	-19.81%
The Fund's non A-share and non QFII investments (gross of expenses)	2.11%	69.11%	-55.17%	28.40%	4.78%	15.45%	-0.61%
<i>MSCI China</i>	4.23%	62.71%	-51.12%	23.43%	5.75%	14.26%	2.32%

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		
	2010 year-to-date	2009 full year	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)	-0.74%	75.51%	-57.82%	29.48%	2.51%	15.78%	-4.86%

As at 30 September 2010:

Net asset value per unit of the Fund:	HK\$9.39
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$8.20
Discount / Premium to net asset value:	12.67% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 September 2010 (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
18 October 2010

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 Mr. CONXICOEUR, Patrice Pierre Henri, Mr. EBRAHIM, Ayaz Hatim, Ms. LAM, Po Yee and Mr. STOKES, Edmund Richard. The non-executive directors of the Manager are Mr. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. HARVEY-SAMUEL, Guy Daniel, Mr. LEUNG, William Wing Cheung and Mr. PACTON, Olivier

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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)

Announcement

POLL RESULTS OF THE GENERAL MEETING HELD ON 11 OCTOBER 2010

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 11 October 2010:

ORDINARY RESOLUTION	NUMBER OF VOTES (%)	
	FOR	AGAINST
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	69,206,400 (99.99%)	10,000 (0.01%)

On the basis of the votes set out above, the resolutions were duly passed as ordinary resolutions.

Notes:

- (a) For details of the resolutions, please refer to the circular to the unitholders of the Fund dated 13 September 2010.
- (b) As at the date of the General Meeting, the number of units in issue of the Fund was 361,617,500.
- (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 361,617,500.

- (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.

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HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
11 October 2010

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 Mr. CONXICOEUR, Patrice Pierre Henri, Mr. EBRAHIM, Ayaz Hatim, Ms. LAM, Po Yee and Mr. STOKES, Edmund Richard. The non-executive directors of the Manager are Mr. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. HARVEY-SAMUEL, Guy Daniel, Mr. LEUNG, William Wing Cheung and Mr. PACTON, Olivier.

IMPORTANT

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HSBC CHINA DRAGON FUND

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(Stock Code: 820)*

Announcement – Regarding Supplement to the Offering Circular

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, 18 May 2009, 19 August 2009, 17 November 2009, 4 January 2010, 5 February 2010, 15 March 2010 and 1 September 2010) of the Fund. The Supplement (dated 30 September 2010) 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
30 September 2010

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. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. HARVEY-SAMUEL, Guy Daniel, Mr. LEUNG, William Wing Cheung and Mr. PACTON, Olivier.

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Voluntary Announcement – Fund Performance

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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		
	2010 year-to-date	2009 full year	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)	-5.45%	89.17%	-58.35%	33.53%	-1.09%	26.33%	-0.52%
<i>MSCI China A</i>	-14.10%	97.00%	-61.99%	20.96%	-7.84%	8.55%	-22.20%
The Fund's non A-share and non QFII investments (gross of expenses)	-8.85%	69.11%	-55.17%	28.40%	-1.51%	8.73%	-11.27%
<i>MSCI China</i>	-4.27%	62.71%	-51.12%	23.43%	2.40%	9.83%	-6.03%

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		
	2010 year-to-date	2009 full year	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)	-7.51%	75.51%	-57.82%	29.48%	-1.13%	15.44%	-11.35%

As at 31 August 2010:

Net asset value per unit of the Fund:	HK\$8.75
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$7.41
Discount / Premium to net asset value:	15.31% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 August 2010 (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
15 September 2010

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. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. HARVEY-SAMUEL, Guy Daniel, Mr. LEUNG, William Wing Cheung and Mr. PACTON, Olivier.

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

*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)

CIRCULAR TO HOLDERS IN RELATION TO

(1) PROPOSED RENEWAL OF GENERAL MANDATE TO REPURCHASE UNITS AND (2) NOTICE OF THE GENERAL MEETING

IMPORTANT DATES AND TIMES

Last date and time for lodgement of transfer documents: 4:30 p.m. on 4 October 2010
Book close period: 5 October 2010 to 11 October 2010 (both days inclusive)
Last date and time for lodgement of proxy form: 10:00 a.m. on 9 October 2010
Date and time of General Meeting: 10:00 a.m. on 11 October 2010
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 8 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 11 October 2010, at 10:00 a.m. is set out on pages 12 to 13 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 17M 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 10:00 a.m. on 9 October 2010 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.

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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> McCOMBE, Mark Seumas CHEANG, Wai Wan Louisa COVERDALE, John Edward FLINT, John Michael FRIED, David Lawrence HARVEY-SAMUEL, Guy Daniel LEUNG, William Wing Cheung PACTON, Olivier
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 Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen's Road East, Wanchai Hong Kong

DEFINITIONS

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

“2009 Repurchase Mandate”	a general mandate granted to the Manager on 17 November 2009 to enable the Manager to repurchase a maximum of 37,191,000 Units (representing not more than 10% of the aggregate number of Units in issue as at the date of passing the resolution approving the 2009 Repurchase Mandate) and on the terms and subject to the conditions of the 2009 Repurchase Mandate
“2010 Repurchase Mandate”	a general 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 resolution to approve the 2010 Repurchase Mandate 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
“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
“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 11 October 2010 at 10:00 a.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”	7 September 2010, 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
“Offering Circular”	the offering circular of the Fund dated 6 July 2007 and includes any amendments and supplements thereto

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
“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

McCOMBE, Mark Seumas

CHEANG, Wai Wan Louisa

COVERDALE, John Edward

FLINT, John Michael

FRIED, David Lawrence

HARVEY-SAMUEL, Guy Daniel

LEUNG, William Wing Cheung

PACTON, Olivier

13 September 2010

To the Holders

Dear Sir/Madam

CIRCULAR TO HOLDERS

IN RELATION TO

(1) PROPOSED RENEWAL OF GENERAL MANDATE TO REPURCHASE UNITS AND

(2) NOTICE OF THE GENERAL MEETING

I. INTRODUCTION

Reference is made to the announcement dated 13 September 2010 by the Manager in relation to, among other things, the 2010 Repurchase Mandate. The purposes of this circular are: (i) to provide you with further information regarding the 2010 Repurchase Mandate and the resolution to be proposed at the General Meeting; and (ii) to give you the notice of the General Meeting.

LETTER TO THE HOLDERS

II. PROPOSED RENEWAL OF GENERAL MANDATE TO REPURCHASE UNITS

1. Lapse of 2009 Repurchase Mandate

On 17 November 2009, the Holders approved, by way of ordinary resolution, the 2009 Repurchase Mandate. Pursuant to the conditions of the 2009 Repurchase Mandate, the maximum number of Units the Manager can repurchase under the 2009 Repurchase Mandate was 37,191,000 Units.

As at the Latest Practicable Date, the aggregate total number of Units the Manager has repurchased under the 2009 Repurchase Mandate is 7,688,500 Units. Details of exercise of the 2009 Repurchase Mandate as follows:

Date of exercise	Units being repurchased by the Manager	Purchase price per Unit (HK\$)	
		Highest	Lowest
19 April 2010	49,000	7.80	7.73
20 April 2010	26,000	7.81	7.75
21 April 2010	104,500	8.00	7.86
22 April 2010	42,000	7.93	7.86
23 April 2010	41,000	7.90	7.87
26 April 2010	136,500	8.00	7.80
27 April 2010	76,500	7.95	7.91
28 April 2010	89,500	7.89	7.81
29 April 2010	68,500	7.88	7.84
30 April 2010	106,000	7.98	7.86
3 May 2010	90,000	7.86	7.83
4 May 2010	62,000	7.90	7.83
6 May 2010	79,000	7.57	7.49
7 May 2010	242,000	7.55	7.40
10 May 2010	99,000	7.59	7.50
11 May 2010	81,000	7.75	7.60
12 May 2010	309,000	7.64	7.48
13 May 2010	117,000	7.62	7.54
14 May 2010	112,000	7.63	7.55
17 May 2010	140,000	7.52	7.39
18 May 2010	486,000	7.42	7.36
19 May 2010	173,500	7.38	7.32
20 May 2010	381,500	7.36	7.10
24 May 2010	320,500	7.37	7.30
25 May 2010	131,500	7.30	7.12
26 May 2010	95,500	7.21	7.03
27 May 2010	293,000	7.25	7.13
28 May 2010	63,500	7.42	7.34
31 May 2010	41,500	7.43	7.36
1 June 2010	59,000	7.39	7.29
2 June 2010	79,500	7.29	7.19
3 June 2010	60,000	7.40	7.32
4 June 2010	28,000	7.38	7.30
7 June 2010	246,000	7.30	7.20
8 June 2010	46,000	7.21	7.20
9 June 2010	143,500	7.24	7.20
10 June 2010	58,500	7.32	7.23
11 June 2010	64,000	7.35	7.31
14 June 2010	39,500	7.38	7.34
15 June 2010	122,000	7.37	7.30
17 June 2010	242,500	7.36	7.30
18 June 2010	500,000	7.32	7.28

LETTER TO THE HOLDERS

Date of exercise	Units being repurchased by the Manager	Purchase price per Unit (HK\$)	
		Highest	Lowest
21 June 2010	477,000	7.44	7.30
22 June 2010	101,500	7.44	7.38
23 June 2010	55,000	7.44	7.38
24 June 2010	61,500	7.42	7.40
25 June 2010	194,500	7.37	7.29
28 June 2010	65,500	7.37	7.34
29 June 2010	89,000	7.30	7.21
30 June 2010	92,500	7.16	7.12
2 July 2010	30,000	7.20	7.10
5 July 2010	72,000	7.20	7.20
6 July 2010	68,500	7.26	7.24
7 July 2010	16,500	7.25	7.23
8 July 2010	98,500	7.35	7.25
9 July 2010	270,500	7.38	7.30
6 September 2010	174,500	7.65	7.60
7 September 2010	76,000	7.72	7.65

Under the conditions of the 2009 Repurchase Mandate, such mandate will lapse on the earlier date of: (i) the expiration of 12 months following the passing of the resolution to approve the 2009 Repurchase Mandate; and (ii) the passing of an ordinary resolution by the Holders in general meeting revoking or varying the authority given to the Manager by the resolution approving the 2009 Repurchase Mandate. In accordance with the aforesaid conditions, assuming there is no ordinary resolution passed by the Holders in general meeting varying the authority given to the Manager in respect of the 2009 Repurchase Mandate, the 2009 Repurchase Mandate will lapse on 18 November 2010.

2. Proposed 2010 Repurchase Mandate

The Manager wishes to convene the General Meeting to seek approvals of the Holders by way of ordinary resolution at the General Meeting to approve the 2010 Repurchase Mandate subject to the terms and on the conditions set out in the Explanatory Statement.

As at the Latest Practicable Date, 364,221,500 Units were in issue. Subject to the passing of the proposed resolution for the 2010 Repurchase Mandate, the Manager will be granted a general mandate to repurchase a maximum of 10% of the number of Units in issue as at the date of the resolution approving the 2010 Repurchase Mandate. 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 repurchased Units. 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; or (ii) the net asset value per Unit on the preceding trading day, whichever is lower.

The 2010 Repurchase Mandate will, if granted, be effective during the period (the “**Relevant Period**”) from the date of the resolution approving of the 2010 Repurchase Mandate until the earlier of: (i) the expiration of 12 months following the passing of the resolution approving the 2010 Repurchase Mandate; and (ii) its revocation or variation by an ordinary resolution of the Holders at a general meeting of the Holders.

LETTER TO THE HOLDERS

Reasons for the 2010 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 15.68% on 3 September 2010. The average discount for the six months, three months and one month to 6 September 2010 are 12.55%, 12.55% and 14.26% respectively. The Manager believes that the approval of the 2010 Repurchase Mandate by the Holders would enable the Manager to conduct on-market repurchase of Units if and when appropriate during the Relevant Period.

Unit repurchase 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.

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 2010 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 2010 Repurchase Mandate. The Explanatory Statement is set out in the appendix to this circular.

Approval Required

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.

Any Holder who has a material interest in respect of the Ordinary Resolution relating to the 2010 Repurchase Mandate and that interest is different from that of all other Holders shall abstain from voting in respect of the Ordinary 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.

If there are no new Units issued or no Units repurchased from the Latest Practicable Date till the date of the General Meeting, the maximum number of Units the Manager can repurchase under the 2010 Repurchase Mandate will be 36,422,150 Units.

Recommendation

The Directors are of the opinion that the 2010 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 2010 Repurchase Mandate to be proposed at the General Meeting.

III. GENERAL MEETING

1. Date and Venue

The General Meeting will be held at Level 22, HSBC Main Building, 1 Queen's Road Central, Hong Kong on 11 October 2010, at 10:00 a.m., for the purpose of, considering and, if thought fit, passing with or without modifications, the Ordinary Resolution as set out in the notice of the General Meeting, which is set out on pages 12 to 13 of this circular.

2. Action to be taken by the Holders

You will find enclosed with this circular the notice of the General Meeting (see pages 12 to 13 of this circular) and a form of proxy for use for the General Meeting.

LETTER TO THE HOLDERS

Pursuant to paragraphs 8 and 9 of Schedule 3 to the Trust Deed, at any meeting 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.

For the purposes of the General Meeting, the Chairman will demand a poll 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 17M 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 10:00 a.m. on 9 October 2010 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.

The implementation of the 2010 Repurchase Mandate is subject to approval by the Holders at the General Meeting.

3. Closure of the Register of Holders

The Register of Holders of the Fund will be closed from 5 October 2010 to 11 October 2010, 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 4 October 2010.

IV. 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.

V. 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 2010 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 13 September 2010.

1. ISSUED UNITS

As at the Latest Practicable Date, 364,221,500 Units were in issue. Subject to the passing of the proposed resolution for the 2010 Repurchase Mandate, the Manager will be granted a general mandate to repurchase a maximum of 10% of the number of Units in issue as at the date of the resolution approving the 2010 Repurchase Mandate. If there are no new Units issued or no Units repurchased from the Latest Practicable Date till the date of the General Meeting, the maximum number of Units the Manager can repurchase under the 2010 Repurchase Mandate will be 36,422,150 Units.

2. REASONS FOR THE 2010 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 15.68% on 3 September 2010. The average discount for the six months, three months and one month to 6 September 2010 are 12.55%, 12.55% and 14.26% respectively.

The Manager believes that the 2010 Repurchase Mandate is in the interest of the Fund and the Holders as a whole. The approval of the 2010 Repurchase Mandate by the Holders would enable the Manager to conduct on-market repurchase of Units if and when appropriate during the Relevant Period.

Unit repurchase 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 and will not be funded from borrowings.

The Manager does not propose to exercise the 2010 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 repurchased Units. 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; or (ii) the net asset value per Unit 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 (HK\$)	
	Highest	Lowest
September 2009	7.44	6.60
October 2009	7.88	6.75
November 2009	8.50	7.38
December 2009	8.45	7.70
January 2010	8.44	7.51
February 2010	7.75	7.25
March 2010	8.08	7.30
April 2010	8.15	7.73
May 2010	7.90	7.03
June 2010	7.45	7.12
July 2010	7.73	7.10
August 2010	7.74	7.30
September 2010 (up to the Latest Practicable Date)	7.74	7.42

6. UNITS REPURCHASED

As at the Latest Practicable Date, the aggregate total number of Units the Manager has repurchased under the 2009 Repurchase Mandate is 7,688,500 Units. Details of exercise of the 2009 Repurchase Mandate as follows:

Date of exercise	Units being repurchased by the Manager	Purchase price per Unit (HK\$)	
		Highest	Lowest
19 April 2010	49,000	7.80	7.73
20 April 2010	26,000	7.81	7.75
21 April 2010	104,500	8.00	7.86
22 April 2010	42,000	7.93	7.86
23 April 2010	41,000	7.90	7.87
26 April 2010	136,500	8.00	7.80
27 April 2010	76,500	7.95	7.91
28 April 2010	89,500	7.89	7.81
29 April 2010	68,500	7.88	7.84
30 April 2010	106,000	7.98	7.86
3 May 2010	90,000	7.86	7.83
4 May 2010	62,000	7.90	7.83
6 May 2010	79,000	7.57	7.49
7 May 2010	242,000	7.55	7.40
10 May 2010	99,000	7.59	7.50
11 May 2010	81,000	7.75	7.60
12 May 2010	309,000	7.64	7.48
13 May 2010	117,000	7.62	7.54
14 May 2010	112,000	7.63	7.55
17 May 2010	140,000	7.52	7.39
18 May 2010	486,000	7.42	7.36
19 May 2010	173,500	7.38	7.32
20 May 2010	381,500	7.36	7.10
24 May 2010	320,500	7.37	7.30
25 May 2010	131,500	7.30	7.12
26 May 2010	95,500	7.21	7.03
27 May 2010	293,000	7.25	7.13
28 May 2010	63,500	7.42	7.34
31 May 2010	41,500	7.43	7.36
1 June 2010	59,000	7.39	7.29
2 June 2010	79,500	7.29	7.19
3 June 2010	60,000	7.40	7.32

Date of exercise	Units being repurchased by the Manager	Purchase price per Unit (HK\$)	
		Highest	Lowest
4 June 2010	28,000	7.38	7.30
7 June 2010	246,000	7.30	7.20
8 June 2010	46,000	7.21	7.20
9 June 2010	143,500	7.24	7.20
10 June 2010	58,500	7.32	7.23
11 June 2010	64,000	7.35	7.31
14 June 2010	39,500	7.38	7.34
15 June 2010	122,000	7.37	7.30
17 June 2010	242,500	7.36	7.30
18 June 2010	500,000	7.32	7.28
21 June 2010	477,000	7.44	7.30
22 June 2010	101,500	7.44	7.38
23 June 2010	55,000	7.44	7.38
24 June 2010	61,500	7.42	7.40
25 June 2010	194,500	7.37	7.29
28 June 2010	65,500	7.37	7.34
29 June 2010	89,000	7.30	7.21
30 June 2010	92,500	7.16	7.12
2 July 2010	30,000	7.20	7.10
5 July 2010	72,000	7.20	7.20
6 July 2010	68,500	7.26	7.24
7 July 2010	16,500	7.25	7.23
8 July 2010	98,500	7.35	7.25
9 July 2010	270,500	7.38	7.30
6 September 2010	174,500	7.65	7.60
7 September 2010	76,000	7.72	7.65

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 2010 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 2010 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 2010 Repurchase Mandate is granted.

10. TRUSTEE'S CONFIRMATION AND CONSENT

The Trustee has confirmed their opinion that the proposed 2010 Repurchase Mandate complies with the requirements in the Trust Deed and, subject to the passing of the Ordinary Resolution by the unitholders, that they do not have any objections to the proposed 2010 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 2010 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 2010 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 11 October 2010 at 10:00 a.m. to consider and, if thought fit, pass with or without modifications, the following resolutions:

ORDINARY RESOLUTION

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 13 September 2010 (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 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, 13 September 2010

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 5 October 2010 to 11 October 2010, 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 4 October 2010.
- (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 17M 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 Latest Practicable Date, 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. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. HARVEY-SAMUEL, Guy Daniel, Mr. LEUNG, William Wing Cheung and Mr. PACTON, Olivier.

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 11 OCTOBER 2010

I/We ^(note 1) _____ (name) of _____
_____ (address) being a 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 11 October 2010 at 10:00 a.m. and at any adjournment thereof in respect of the resolution set out in the notice of such meeting as indicated below. All capitalized terms used in this form of proxy shall have the same meanings as defined in the circular to the unitholders of the Fund dated 13 September 2010.

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.

ORDINARY RESOLUTION	FOR	AGAINST
To approve the 2010 Repurchase 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 _____ 2010

Holder's Signature: _____

Notes:

1. Full name(s) and address(es) to be inserted in BLOCK CAPITALS.
2. 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 registered in the name of the Holder.
3. 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. 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.
4. 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.
5. 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.
6. The Register of Holders of the Fund will be closed from 5 October 2010 to 11 October 2010, 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 4 October 2010.
7. 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 17M 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.
8. 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.
9. Pursuant to the Trust Deed 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 Ordinary Resolution will be decided accordingly.
10. 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.
11. 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2010年10月11日舉行之持有人大會適用之代表委任表格

本人／吾等^(#1) _____ (姓名)，地址：_____，
為滙豐中國翔龍基金(「本基金」)單位中共 _____ 單位^(#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^(#3)代表本人／吾等出席本基金訂於2010年10月11日上午10時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。本代表委任表格中所有方括號內的詞語均具有於2010年9月13日發給「本基金」單位持有人的通
函中所界定的相同涵義。

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。

普通決議案	贊成	反對
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2010年「購回授權」		

日期：2010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「單位」有關。
- 根據「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」主席以外之人士為代表，「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證。
- 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」排首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2010年10月5日至2010年10月11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「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2010年10月4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17M樓)，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「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「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。

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)

13 September 2010

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

2010年9月13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
17M 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17M樓

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, 17M 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17M樓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

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and The Securities and Futures Commission of Hong Kong 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 HSBC China Dragon Fund (the "**Fund**"). An investment in the Fund may not be suitable for everyone. If you are in any doubt about the content of this announcement, 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 of Hong Kong Limited may be different from its net asset value per unit of the Fund ("**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 investment in the Fund.
- Investors should not invest in the Fund solely based on the information provided in this announcement and should read the offering circular of the Fund (as amended) (the "**Offering Circular**") 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 RENEWAL OF GENERAL MANDATE TO REPURCHASE UNITS

This is an announcement made by the Fund.

HSBC Global Asset Management (Hong Kong) Limited (the "**Manager**") wishes to announce that it is convening a general meeting (the "**General Meeting**") of the unitholders of the Fund (the "**Holder**s") to seek approvals of the Holders to grant a general mandate to the Manager to repurchase Units on-market on behalf of the Fund (the "**2010 Repurchase Mandate**").

The General Meeting is scheduled to be held at Level 22, HSBC Main Building, 1 Queen's Road Central, Hong Kong at 10:00 a.m. on 11 October 2010.

Further details of the 2010 Repurchase Mandate and the General Meeting shall be set out in the circular (the "**Circular**") to be despatched to the Holders on or around 13 September 2010, together with an explanatory statement and a notice of the General Meeting. The implementation of the 2010 Repurchase Mandate is subject to approval by the Holders by way of ordinary resolution at the General Meeting.

I. PROPOSED RENEWAL OF GENERAL MANDATE TO REPURCHASE UNITS

1. Lapse of 2009 Repurchase Mandate

On 17 November 2009, the Holders approved, by way of ordinary resolution, a repurchase mandate (the "**2009 Repurchase Mandate**") to grant the Manager all powers to repurchase Units on-market on behalf of the Fund, subject to the conditions of the 2009 Repurchase Mandate.

There were 371,910,000 Units in issue as at the date of the resolution approving the 2009 Repurchase Mandate. Pursuant to the conditions of the 2009 Repurchase Mandate, the maximum number of Units the Manager can repurchase under the 2009 Repurchase Mandate was 37,191,000 Units.

As at 7 September 2010 (being the latest practicable date as set out in the Circular), the aggregate total number of Units the Manager has repurchased under the 2009 Repurchase Mandate is 7,688,500 Units. Details of exercise of the 2009 Repurchase Mandate as follows:

Date of exercise	Units being repurchased by the Manager	Purchase price per Unit (HK\$)	
		Highest	Lowest
19 April 2010	49,000	7.80	7.73
20 April 2010	26,000	7.81	7.75
21 April 2010	104,500	8.00	7.86
22 April 2010	42,000	7.93	7.86
23 April 2010	41,000	7.90	7.87
26 April 2010	136,500	8.00	7.80
27 April 2010	76,500	7.95	7.91
28 April 2010	89,500	7.89	7.81
29 April 2010	68,500	7.88	7.84
30 April 2010	106,000	7.98	7.86
3 May 2010	90,000	7.86	7.83
4 May 2010	62,000	7.90	7.83
6 May 2010	79,000	7.57	7.49
7 May 2010	242,000	7.55	7.40
10 May 2010	99,000	7.59	7.50
11 May 2010	81,000	7.75	7.60
12 May 2010	309,000	7.64	7.48
13 May 2010	117,000	7.62	7.54
14 May 2010	112,000	7.63	7.55
17 May 2010	140,000	7.52	7.39
18 May 2010	486,000	7.42	7.36
19 May 2010	173,500	7.38	7.32
20 May 2010	381,500	7.36	7.10
24 May 2010	320,500	7.37	7.30
25 May 2010	131,500	7.30	7.12
26 May 2010	95,500	7.21	7.03
27 May 2010	293,000	7.25	7.13
28 May 2010	63,500	7.42	7.34
31 May 2010	41,500	7.43	7.36
1 June 2010	59,000	7.39	7.29

Date of exercise	Units being repurchased by the Manager	Purchase price per Unit (HK\$)	
		Highest	Lowest
2 June 2010	79,500	7.29	7.19
3 June 2010	60,000	7.40	7.32
4 June 2010	28,000	7.38	7.30
7 June 2010	246,000	7.30	7.20
8 June 2010	46,000	7.21	7.20
9 June 2010	143,500	7.24	7.20
10 June 2010	58,500	7.32	7.23
11 June 2010	64,000	7.35	7.31
14 June 2010	39,500	7.38	7.34
15 June 2010	122,000	7.37	7.30
17 June 2010	242,500	7.36	7.30
18 June 2010	500,000	7.32	7.28
21 June 2010	477,000	7.44	7.30
22 June 2010	101,500	7.44	7.38
23 June 2010	55,000	7.44	7.38
24 June 2010	61,500	7.42	7.40
25 June 2010	194,500	7.37	7.29
28 June 2010	65,500	7.37	7.34
29 June 2010	89,000	7.30	7.21
30 June 2010	92,500	7.16	7.12
2 July 2010	30,000	7.20	7.10
5 July 2010	72,000	7.20	7.20
6 July 2010	68,500	7.26	7.24
7 July 2010	16,500	7.25	7.23
8 July 2010	98,500	7.35	7.25
9 July 2010	270,500	7.38	7.30
6 September 2010	174,500	7.65	7.60
7 September 2010	76,000	7.72	7.65

Under the conditions of the 2009 Repurchase Mandate, such mandate will lapse on the earlier date of: (i) the expiration of 12 months following the passing of the resolution to approve the 2009 Repurchase Mandate; and (ii) the passing of an ordinary resolution by the Holders in general meeting revoking or varying the authority given to the Manager by the resolution approving the 2009 Repurchase Mandate. In accordance with the aforesaid conditions, assuming there is no ordinary resolution passed by the Holders in general meeting varying the authority given to the Manager in respect of the 2009 Repurchase Mandate, the 2009 Repurchase Mandate will lapse on 18 November 2010.

2. Proposed 2010 Repurchase Mandate

The Manager wishes to convene the General Meeting to seek approvals of the Holders by way of ordinary resolution at the General Meeting to approve the 2010 Repurchase Mandate.

The 2010 Repurchase Mandate will, if granted, be effective during the period (the "**Relevant Period**") from the date of the resolution approving of the 2010 Repurchase Mandate until the earlier of: (i) the expiration of 12 months following the passing of the resolution approving the 2010 Repurchase Mandate; and (ii) its revocation or variation by an ordinary resolution of the Holders at a general meeting of the Holders.

As at 7 September 2010 (being the latest practicable date as set out in the Circular), 364,221,500 Units were in issue. Subject to the passing of the proposed resolution for the 2010 Repurchase Mandate, the Manager will be granted a general mandate to repurchase a maximum of 10% of the number of Units in issue as at the date of the resolution approving the 2010 Repurchase Mandate. If there are no new Units issued or no Units repurchased from 7 September 2010 (being the latest practicable date as set out in the Circular) till the date of the General Meeting, the maximum number of Units the Manager can repurchase under the 2010 Repurchase Mandate will be 36,422,150 Units.

3. Rationale for the 2010 Repurchase Mandate

The Manager believes that the 2010 Repurchase Mandate is in the interest of the Fund and the Holders as a whole. 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 15.68% on 3 September 2010. The average discount for the six months, three months and one month to 6 September 2010 are 12.55%, 12.55% and 14.26% respectively. The Manager believes that the approval of the 2010 Repurchase Mandate by the Holders would enable the Manager to conduct on-market repurchase of Units if and when appropriate during the Relevant Period.

Unit repurchase 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.

II. GENERAL MEETING

The Manager proposed to convene the General Meeting on 11 October 2010, where an ordinary resolution will be proposed for the Holders to consider and, if thought fit, approve the 2010 Repurchase Mandate.

The implementation of the 2010 Repurchase Mandate is subject to approval by the Holders at the General Meeting.

III. COMPLIANCE OF RULES AND TRUST DEED

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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, 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 repurchased Units. 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 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 constituting the Fund dated 20 June 2007 entered into between HSBC Global Asset Management (Hong Kong) Limited and HSBC Institutional Trust Services (Asia) Limited, the guidelines issued by the Securities and Futures Commission of Hong Kong from time to time and the laws of Hong Kong Special Administrative Region. The repurchases will be funded from the selling down of the Fund's assets and will not be funded from borrowings.

IV. FURTHER DETAILS

Further details of the 2010 Repurchase Mandate and the General Meeting shall be set out in the Circular to be despatched to the Holders on or around 13 September 2010, together with an explanatory statement and a notice of the General Meeting.

V. 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 Limited 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 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
13 September 2010

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. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. HARVEY-SAMUEL, Guy Daniel, Mr. LEUNG, William Wing Cheung and Mr. PACTON, Olivier.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and The Securities and Futures Commission of Hong Kong 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)*

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 11 October 2010 at 10:00 a.m. to consider and, if thought fit, pass with or without modifications, the following resolutions:

ORDINARY RESOLUTION

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 13 September 2010 (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 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

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 5 October 2010 to 11 October 2010, 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 4 October 2010.
- (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 17M 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.

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. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. HARVEY-SAMUEL, Guy Daniel, Mr. LEUNG, William Wing Cheung and Mr. PACTON, Olivier.

IMPORTANT

The Stock Exchange of Hong Kong Limited, Hong Kong Securities Clearing Company Limited and the Hong Kong 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.

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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Announcement – Regarding Supplement to the Offering Circular

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, 18 May 2009, 19 August 2009, 17 November 2009, 4 January 2010, 5 February 2010 and 15 March 2010) of the Fund. The Supplement (dated 1 September 2010) 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
1 September 2010

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. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. HARVEY-SAMUEL, Guy Daniel, Mr. LEUNG, William Wing Cheung and Mr. PACTON, Olivier.

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 – Fund Performance

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		
	2010 year-to-date	2009 full year	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)	-9.85%	89.17%	-58.35%	33.53%	-2.41%	-5.12%	-5.15%
<i>MSCI China A</i>	-16.51%	97.00%	-61.99%	20.96%	-7.99%	-18.73%	-24.39%
The Fund's non A-share and non QFII investments (gross of expenses)	-7.52%	69.11%	-55.17%	28.40%	2.33%	0.97%	-9.97%
<i>MSCI China</i>	-1.73%	62.71%	-51.12%	23.43%	7.40%	4.83%	-3.53%

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		
	2010 year-to-date	2009 full year	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)	-8.88%	75.51%	-57.82%	29.48%	0.12%	-3.15%	-12.66%

As at 30 July 2010:

Net asset value per unit of the Fund:	HK\$8.62
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$7.59
Discount / Premium to net asset value:	11.95% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 July 2010 (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
17 August 2010

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. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. LEECH, Paul Ernest, Mr. LEUNG, William Wing Cheung and Mr. PACTON, Olivier.

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)

23 July 2010

Dear Unitholders,

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

The 2010 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」)2010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

2010年7月23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
17M 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17M樓

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, 17M 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17M樓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

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(Stock Code: 820)

Voluntary Announcement – Fund Performance

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		
	2010 year-to-date	2009 full year	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)	-17.67%	89.17%	-58.35%	33.53%	-17.67%	-2.39%	-13.38%
<i>MSCI China A</i>	-25.78%	97.00%	-61.99%	20.96%	-25.78%	-15.28%	-32.78%
The Fund's non A-share and non QFII investments (gross of expenses)	-10.30%	69.11%	-55.17%	28.40%	-10.30%	8.87%	-12.67%
<i>MSCI China</i>	-5.58%	62.71%	-51.12%	23.43%	-5.58%	11.64%	-7.31%

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		
	2010 year-to-date	2009 full year	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)	-14.16%	75.51%	-57.82%	29.48%	-14.16%	1.88%	-17.73%

As at 30 June 2010:

Net asset value per unit of the Fund:	HK\$8.12
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$7.16
Discount / Premium to net asset value:	11.82% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 June 2010 (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 July 2010

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. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. LEECH, Paul Ernest, Mr. LEUNG, William Wing Cheung and Mr. PACTON, Olivier.

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

2010 ANNUAL RESULTS ANNOUNCEMENT

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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 2009 to 31 March 2010.

The annual results of the Fund for the period from 1 April 2009 to 31 March 2010 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 2009 to 31 March 2010.

Investment adviser’s report

Review

From 2nd quarter of 2009 to 1st quarter of 2010, the H-share and MSCI China index rebounded by 53.6% and 54.5% respectively from their low points on stronger-than-expected economic data flow. The pick-up in economic activities in China and additional measures to stimulate consumption and boost investment all helped to drive the strong rebound in China’s economy. For 1st quarter of 2010, China’s GDP rose 11.9% from a year earlier, the fastest pace in almost three years.

Strong economic data is adding to inflation pressure, which rose 2.4% in March 2010, although this is still below the government’s target of 3%. To begin the process of normalizing the record stimulus measures, China raised the bank reserve requirement ratio twice so far in 2010 to curb liquidity and reduce the risk of a hard landing. China targets a 22% reduction in new loans from

a record of US\$1.4 trillion last year. China has effectively moved from managing recovery to managing growth. The government has stated that it will use flexible and targeted measures to ensure stable and sustainable economic growth. To reduce the potential of overheating in certain areas, the government has reduced support measures, such as the reduction in the preferential mortgage rate to cool the rapid rise in property prices.

In March, the annual session of the National People's Congress concluded with the announcement that the Central Government's fixed asset investment growth will slow this year while spending on healthcare, agriculture, social security and public housing will increase. This forms part of government initiatives to achieve more balanced development and balanced income distribution to narrow the wage gap in China in order to boost consumption.

Market outlook

The Manager remains positive on the China market from a medium to long-term perspective as she expects the rise in consumption and private investment, as well as the strong rebound in the export sector, can drive GDP growth.

While recent concerns on inflation and credit tightening have caused market jitters, government policy is likely to remain supportive for equities. The recent tightening was aimed at reducing excess liquidity, and reflects the government's confidence that the economy has adequately recovered and is on a strong growth trajectory.

The case for investing in China remains strong as supported by its undemanding valuation. Continuous government stimulus to encourage domestic consumption, and the recovery in private and export sectors will contribute to long-term economic growth in China.

Statement of assets and liabilities

As at 31 March 2010

	Note	2010 HK\$	2009 HK\$
Assets			
Investments at fair value through profit or loss	7, 12	3,307,881,739	2,213,433,658
Amounts receivable on sale of investments		29,317,482	73,869,889
Dividend and other receivables		3,203,192	2,395,952
Cash and cash equivalents	8(d)	165,431,204	85,811,063
Total assets		<u>3,505,833,617</u>	<u>2,375,510,562</u>
Liabilities			
Taxation	6	55,236,173	30,104,377
Amounts payable on purchases of investments		41,686,016	59,867,991
Accrued expenses and other payables	8(a), (b) & (c)	5,466,435	3,584,762
Total liabilities		<u>102,388,624</u>	<u>93,557,130</u>
Net assets attributable to unitholders		<u>3,403,444,993</u>	<u>2,281,953,432</u>
Representing:			
Total equity		<u>3,403,444,993</u>	<u>2,281,953,432</u>
Number of units in issue	10	<u>371,910,000</u>	<u>371,910,000</u>
Net asset value per unit		<u>9.15</u>	<u>6.14</u>

Statement of comprehensive income

For the year ended 31 March 2010

	Note	2010 HK\$	2009 HK\$
Dividend income		44,118,283	41,391,830
Interest income on deposits	4, 8(d)	674,088	1,069,251
Net gains/(losses) from investments	5	1,183,373,551	(1,065,043,459)
Net foreign exchange gain		6,775	789,962
Other income		27	29

Net investment gain/(loss)		1,228,172,724	(1,021,792,387)
		-----	-----
Expenses			
Management fees	8(a)	(46,834,474)	(37,846,166)
Transaction costs	8(e)	(23,501,050)	(17,818,968)
Trustee's fees	8(b)	(3,340,698)	(2,740,308)
Custodian fees	8(c)	(1,842,072)	(1,588,183)
Auditor's remuneration		(400,450)	(272,850)
Other operating expenses		(1,806,186)	(1,157,480)
		-----	-----
Operating expenses		(77,724,930)	(61,423,955)
		-----	-----
Profit/(loss) before taxation		1,150,447,794	(1,083,216,342)
Taxation	6	(28,956,233)	(5,022,620)
		-----	-----
Increase/(decrease) in net assets attributable to unitholders and total comprehensive income for the year		<u>1,121,491,561</u>	<u>(1,088,238,962)</u>

Statement of changes in equity

For the year ended 31 March 2010

	2010	2009
	HK\$	HK\$
Balance at the beginning of the year	2,281,953,432	3,370,192,394
Increase/(decrease) in net assets attributable to unitholders and total comprehensive income for the year	<u>1,121,491,561</u>	<u>(1,088,238,962)</u>
Balance at the end of the year	<u>3,403,444,993</u>	<u>2,281,953,432</u>

Cash flow statement

For the year ended 31 March 2010

	2010	2009
	HK\$	HK\$
Operating activities		
Interest income received	674,088	1,144,374
Dividend income received	43,318,803	41,391,830
Management fees paid	(45,116,955)	(39,538,242)
Trustee's fees paid	(3,225,930)	(2,872,544)

Transaction costs paid	(23,501,050)	(17,818,968)
Other operating expenses paid	<u>(8,205,884)</u>	<u>(2,416,190)</u>
Net cash used in operating activities	<u><u>(36,056,928)</u></u>	<u><u>(20,109,740)</u></u>
Investing activities		
Other income received	27	29
QFII custodian deposit placed	(7,760)	(50,766)
Proceeds from sales of investments	4,656,755,444	3,135,047,675
Payments for purchases of investments	<u>(4,541,459,541)</u>	<u>(3,199,420,968)</u>
Net cash generated from/(used in) investing activities	<u><u>115,288,170</u></u>	<u><u>(64,424,030)</u></u>
Net increase/(decrease) in cash and cash equivalents	79,231,242	(84,533,770)
Cash and cash equivalents at the beginning of the year	85,811,063	169,925,839
Effect of foreign exchange rates changes	<u>388,899</u>	<u>418,994</u>
Cash and cash equivalents at the end of the year	<u><u>165,431,204</u></u>	<u><u>85,811,063</u></u>

Notes to the financial statements

For the year ended 31 March 2010

1 Background

HSBC China Dragon Fund (“the Fund”) is a closed-ended 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(1) of the Hong Kong Securities and Futures Ordinance (“HKSF”). 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 HSBC Global Asset Management (Hong Kong) Limited (“the Manager”).

Pursuant to the general meeting held on 17 November 2009, an extraordinary resolution was passed to enable the Manager during the relevant period, as defined below, to repurchase units, not more than 10% of the aggregate number of units in issue. The repurchase is 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 SFC.

The relevant period means the period from the date of the passing of this extraordinary resolution until the earlier of:

- (i) the expiration of 12 months following the passing of this extraordinary resolution; and
- (ii) the passing of an ordinary resolution by the holders of the Fund in general meeting revoking or varying the authority give to the Manager by this extraordinary resolution.

There were no repurchase of units by the Manager during the period from the date of passing the extraordinary resolution to the year end date.

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 SFC. A summary of the significant accounting policies adopted by the Fund is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Fund. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Fund for the current and prior accounting periods reflected in these financial statements.

(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

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 dividend 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 profit or loss.

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.

(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.

Net gain/(loss) from investments is included in profit or loss. 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 profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's effective interest rate.

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

(vi) Derecognition

The Fund derecognises a financial asset when the contractual rights to 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 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 profit or loss as follows:

Interest income

Interest income is recognised in profit or loss as it accrues, using the effective interest 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 net gain/(loss) from 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 profit or loss as dividend income when declared.

In some cases, the Fund may receive or choose to receive dividends in the form of additional shares rather than cash. In such cases, the Fund recognises the dividend income for the amount of the equivalent cash dividends with the corresponding debit treated as an additional investment.

(e) Expenses

All expenses are recognised in profit or loss 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 profit or loss.

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 the 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.

(g) 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 the statement of assets and liabilities. Exchange gains and losses are recognised in profit or loss.

(h) Related parties

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

- (i) the party has the ability, directly or indirectly, through one or more intermediaries, to control the Fund or exercise significant influence over the Fund in making financial and operating policy decisions, or has joint control over the Fund;
- (ii) the Fund and the party are subject to common control;
- (iii) the party is 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) 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 gain on monetary financial assets and financial liabilities other than those classified at fair value through profit or loss.

(j) Units in issue

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

The Fund has one class of units in issue which is not redeemable by the unitholders. Upon termination of the Fund, the unitholders are entitled to 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 units are classified as equity in accordance with HKAS 32.

(k) Segment reporting

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

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, the following developments are relevant to the Fund's financial statements:

- HKAS 1 (revised 2007), *Presentation of financial statements*
- Amendments to HKFRS 7, *Financial instruments: Disclosures – Improving disclosures about financial instruments*
- HKFRS 8, *Operating segments*

The impact of these developments is as follows:

- As a result of the adoption of HKAS 1 (revised 2007), all transactions with equity owners have been presented in the statement of changes in equity, whereas all other items of income and expense are presented in the statement of comprehensive income.

The application of the revised standard did not have any impact on the Fund's financial statements as the Fund has no components of other comprehensive income other than profit or loss for the period.

- The Fund has applied amendments to HKFRS 7, which require enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments.

The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorised as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfer between Level 1 and Level 2 of the fair

value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including the reasons therefore, are required to be disclosed for each class of financial instruments.

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. Revised disclosures in respect of fair values of financial instruments are included in note 12.

- HKFRS 8 replaces HKAS 14 and expands the scope to include entities that file, or are in the process of filing, their financial statements with securities commissions or other regulatory organisations for the purposes of issuing any class of instruments in the public market. The standard is applicable to the financial statements as the Fund is authorised by the SFC under Section 104(1) of HKSFO to issue units to the public in Hong Kong and are required to file these financial statements with the SFC.

The standard requires segment disclosure to be based on the way that the Fund's chief operating decision maker in assessing segment performance and making decisions about operating matters. The chief operating decision maker has been identified as the Manager, who considers that the Fund has only one operating segment (see note 13).

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

4 Interest income on deposits

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

5 Net gains/(losses) from investments

	2010	2009
	HK\$	HK\$
Net gains/(losses) from investments		
– Realised gains/(losses)	435,539,578	(1,242,408,461)
– Unrealised gains	747,833,973	177,365,002
	1,183,373,551	(1,065,043,459)

Gains and losses presented above exclude dividend income.

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 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.

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 and corporate bonds in the financial statements.

Taxation in the statement of comprehensive income represents:

	2010 HK\$	2009 HK\$
PRC dividend and interest income withholding tax	4,400,383	1,407,950
PRC capital gains tax	24,555,850	3,614,670
	<u>28,956,233</u>	<u>5,022,620</u>

7 Investments at fair value through profit or loss

	2010 HK\$	2009 HK\$
Listed equity securities		
– in Hong Kong	1,763,848,759	1,022,131,374
– outside Hong Kong	1,544,032,980	1,188,857,157
	<u>3,307,881,739</u>	<u>2,210,988,531</u>
Listed debt securities		
– bonds	–	2,445,127
	<u>3,307,881,739</u>	<u>2,213,433,658</u>

8 Related party 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 fees

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 \$46,834,474 (2009: \$37,846,166) and \$4,532,163 (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 fees

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 \$3,340,698 (2009: \$2,740,308) and \$355,107 (2009: \$240,339) respectively.

(c) Custodian fees

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 \$1,842,072 (2009: \$1,588,183) and \$24,884 (2009: \$31,362) respectively.

(d) Bank balances

Bank balances are maintained with the Trustee. The bank balances held with the Trustee as at 31 March 2010 amounted to \$165,431,204 (2009: \$85,811,063). During the year, interest earned on the above bank balances was \$674,088 (2009: \$1,069,251).

(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:

	2010	2009
	HK\$	HK\$
Commission paid for the year	397,798	226,355
Average rate of commission	0.21%	0.20%
Total aggregate value of such transactions for the year	185,024,245	113,177,338
Percentage of such transactions in value to total transactions for the year	<u>2.03%</u>	<u>1.78%</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

	2010	2009
Number of units in issue brought forward and carried forward	<u>371,910,000</u>	<u>371,910,000</u>

The Fund is a closed-ended unit trust. There was no subscription and 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 2010 are summarised below. Details of such investments held as at 31 March 2010 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 2010, with all other variables held constant, is shown below. An equal change in the opposite direction would have reduced the net assets attributable to unitholders by an equal but opposite amount. The analysis is performed on the same basis for 2009.

	2010			2009		
	% of total net assets	Change in equity price %	Effect on net assets attributable to the unitholders HK\$	% of total net assets	Change in equity price %	Effect on net assets attributable to the unitholders HK\$
Investment assets						
Listed equity investments:						
– in Hong Kong	51.83	5	88,192,438	44.79	5	51,106,569
– outside Hong Kong	45.36	5	77,201,649	52.21	5	59,442,858
	<u>97.19</u>		<u>165,394,087</u>	<u>97.00</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 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.

	2010			
	1 year or less HK\$	Over 5 years HK\$	Non-interest bearing HK\$	Total HK\$
Assets				
Investments at fair value through profit or loss	–	–	3,307,881,739	3,307,881,739
Amount receivable on sale of investments	–	–	29,317,482	29,317,482
Dividend and other receivables	–	–	3,203,192	3,203,192
Cash and cash equivalents	117,155,914	–	48,275,290	165,431,204
Total assets	<u>117,155,914</u>	<u>–</u>	<u>3,388,677,703</u>	<u>3,505,833,617</u>
Liabilities				
Taxation	–	–	(55,236,173)	(55,236,173)
Amounts payable on purchases of investments	–	–	(41,686,016)	(41,686,016)
Accrued expenses and other payables	–	–	(5,466,435)	(5,466,435)
Total liabilities	<u>–</u>	<u>–</u>	<u>(102,388,624)</u>	<u>(102,388,624)</u>
Total interest sensitivity gap	<u>117,155,914</u>	<u>–</u>		
	2009			
	1 year or less HK\$	Over 5 years HK\$	Non-interest bearing HK\$	Total HK\$
Assets				
Investments at fair value through profit or loss	–	2,445,127	2,210,988,531	2,213,433,658
Amount receivable on sales of investments	–	–	73,869,889	73,869,889
Dividend and other receivables	–	–	2,395,952	2,395,952
Cash and cash equivalents	27,078,418	–	58,732,645	85,811,063
Total assets	<u>27,078,418</u>	<u>2,445,127</u>	<u>2,345,987,017</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	–	–	(93,557,130)	(93,557,130)
Total interest sensitivity gap	27,078,418	2,445,127		

Interest rate sensitivity

Assuming all other factors unchanged, an increase of 50 basis points in interest rates as at the date of the statement of assets and liabilities, the net assets attributable to the unitholders and changes in net assets attributable to unitholders would have increased by \$585,780 (2009: \$147,618); 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 2009.

(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 (“HKD”).

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

	Assets HK\$	Liabilities HK\$	Net exposures HK\$
31 March 2010			
Renminbi	1,651,623,773	(55,463,672)	1,596,160,101
United States dollar	35,156,225	(32,959)	35,123,266
	1,686,779,998	(55,496,631)	1,631,283,367
31 March 2009			
Renminbi	1,159,341,335	(30,331,143)	1,129,010,192
United States dollar	14,509,224	(31,362)	14,477,862
	1,173,850,559	(30,362,505)	1,143,488,054

Amounts in the above table are based on the carrying value of the assets and liabilities.

Currency sensitivity

As the HKD is pegged to the United States dollars (“USD”), the Fund does not expect any significant movements in USD/HKD exchange rate. At 31 March 2010, had the HKD strengthened by 5% in relation to the above currencies except for USD, with all other variables held constant, net assets attributable to unitholders would have decreased by the amounts shown in the following page.

	HK\$
31 March 2010	
Renminbi	79,808,005
Total	<u>79,808,005</u>
31 March 2009	
Renminbi	56,450,510
Total	<u>56,450,510</u>

A 5% weakening of the HKD against the above currencies would have resulted in an equal but opposite effect 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 2010, 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 the statement of assets and liabilities.

At both 31 March 2010 and 2009, there were no significant concentrations of credit risk to counterparties except to the Trustee, the QFII Custodian and the banks.

(c) Liquidity risk

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

The Fund's policy to manage liquidity is to have sufficient liquidity to meet its liability without incurring undue losses or risking damage to the Fund's reputation.

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.

The Fund has one class of units in issue which is not redeemable by the unitholders. All financial liabilities are repayable on demand or have contractual maturities of less than three months. At both 31 March 2010 and 2009, there were no significant exposures to liquidity risk for the Fund.

(d) Capital Management

At 31 March 2010, the Fund had \$3,403,444,993 of capital classified as equity.

The Fund's objective in managing the capital is to ensure a stable and strong base to maximise returns to all investors. The Manager manages the capital of the Fund in accordance with the Fund's investment objectives and policies stated in the Trust Deed.

There were no changes in the policies and procedures during the year with respect to the Fund's approach to its capital management.

The Fund is not subject to externally imposed capital requirements.

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 dividend and other receivables, taxation, amounts payable on purchase of investments, accrued expenses and other payables, the carrying amounts approximate fair values due to the immediate or short-term nature of these financial instruments.

Valuation of financial instruments

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

The Fund measures fair values using the three levels of fair value hierarchy defined in HKFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised

in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

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

All investments held by the Fund are listed on stock exchanges of Hong Kong or the PRC, their fair values are based on quoted market price in active markets.

The following analyses financial instruments measured at fair value at 31 March 2010 by the level in the fair value hierarchy into which the fair value measurement is categorised.

	2010	
	Level 1	Total
	HK\$	HK\$
Listed equities	3,307,881,739	3,307,881,739

There were no significant transfers of financial instruments between fair value hierarchy levels during the year.

13 Segment information

The Manager makes the strategic resource allocation on behalf of the Fund and has determined the operating segments based on the internal reports reviewed which are used to make strategic decisions.

The Manager considers that the Fund has one single operating segment based on one single and integrated investment strategy by investing in the securities of companies listed in Hong Kong or listed elsewhere and having substantial business or operations in Hong Kong and the PRC as stipulated in the Trust Deed. There were no changes in the operating segment during the year.

All revenues generated from debt instruments and listed equities by the Fund are disclosed in note 5. The segment information provided to the Manager is the same as that disclosed in the statement of comprehensive income and statement of assets and liabilities.

The Fund is domiciled in Hong Kong. All of the Fund's income from investments is from equities listed in Hong Kong and the PRC.

14 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting year ended 31 March 2010

Up to the date of issue of these financial statements, the HKICPA has issued certain amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2010 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 HKFRS 2009 1 July 2009 or 1 January 2010

HKFRS 9, *Financial instruments* 1 January 2013

The Fund is currently in the process of evaluating the potential impact of these standards. Therefore, the Fund is unable to disclose the impact that adopting them will have on the Fund's results of operations and financial position.

Investment portfolio

As at 31 March 2010

<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>			
Angang Steel Co Ltd	1,453,674	19,329,929	0.57
Beijing SL Pharmaceutical Co Ltd	433,722	22,812,769	0.67
Beijing Yanjing Brewery Co Ltd	824,468	19,075,393	0.56
Changchun Faway Automobile Components Co Ltd	1,280,000	38,976,880	1.14
Chengdu B-ray Media Co Ltd	2,473,581	85,254,537	2.50
China Merchants Bank Co Ltd	7,006,023	129,740,239	3.81
China Merchants Property Development Co Ltd	1,332,900	36,660,856	1.08
China Minsheng Banking Corp Ltd	6,687,000	58,493,337	1.72
Fujian Dongtai (Group) Co Ltd	2,729,920	35,710,546	1.05
Gree Electric Appliances Inc	2,506,780	80,382,226	2.36
GRG Banking Equipment Co Ltd	609,400	23,187,146	0.68
Harbin Air Conditioning Co Ltd	1,262,499	30,100,316	0.88
Harbin Pharm Group Co Ltd	1,684,000	33,330,365	0.98
Huangshan Tourism Development	1,057,900	25,077,894	0.74
Liaoning Cheng Da Co Ltd	583,800	23,175,988	0.68
Mesnac Co Ltd	897,945	24,411,607	0.72
Ping An Insurance Group Co of China Ltd	1,357,400	77,788,382	2.28
Qinghai Salt Lake Industry Group Co Ltd	582,900	14,891,983	0.44
Rongxin Power Electronic Co Ltd	163,600	8,497,045	0.25
Shandong Dong-E E-Jiao Co Ltd	1,420,406	45,530,479	1.34
Shandong Gold Mining Co Ltd	217,932	17,270,923	0.51
Shandong Luyang Share Co Ltd	296,700	7,863,614	0.23
Shanghai International Airport Co Ltd	815,100	17,189,742	0.50
Shanghai Kehua Bio-Engineering Co Ltd	712,979	20,031,913	0.59
Shanghai Metersbonwe Fashion & Accessories Co Ltd	1,513,384	40,385,539	1.19
Shanghai Pudong Development Bank Co Ltd	4,387,478	113,688,727	3.34
Shanghai Zhangjiang High-Tech Park Development Co Ltd	1,145,969	15,968,264	0.47

Shanxi Xishan Coal & Electricity Power Co Ltd	1,096,900	44,044,377	1.29
TCL Corp	2,584,600	15,934,607	0.47
Tellhow Sci-Tech Co Ltd	2,388,790	50,649,203	1.49
Telling Telecommunication Holding Co Ltd	1,060,100	17,496,975	0.51
Weichai Power Co Ltd	216,851	16,968,188	0.50
Xiamen Faratronic Co Ltd	935,300	22,022,672	0.65
Xinjian Goldwind Science & Technology Co Ltd	624,300	24,513,925	0.72
Yantai Moon Co Ltd	359,100	8,116,373	0.24
Yantai Wanhua Polyurethanes Co Ltd	2,848,790	76,928,964	2.26
Yinchuan Xinhua Department Store Co Ltd	992,728	33,278,147	0.98
Wuliangye Yibin Co Ltd	1,381,000	44,220,211	1.30
Zhejiang Tianma Bearing Co Ltd	1,427,074	46,880,520	1.38
ZTE Corp	1,369,024	66,183,347	1.94
		1,532,064,148	45.01

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>			
Air China Ltd	3,426,000	27,408,000	0.81
Aluminum Corp of China Ltd	1,448,000	11,584,000	0.34
Anhui Conch Cement Co Ltd	444,000	22,732,800	0.67
Anta Sports Products Ltd	3,476,000	44,492,800	1.31
Bank of China Ltd	27,561,000	113,551,320	3.34
Bank of Communications Co Ltd	4,086,000	37,795,500	1.11
Beijing Enterprises Holdings Ltd	93,000	4,984,800	0.15
Belle International Holdings Ltd	3,312,000	34,312,320	1.01
Byd Co Ltd	205,500	15,895,425	0.47
China Agri-Industries Holdings Ltd	2,263,000	24,214,100	0.71
China Construction Bank Corp	25,131,000	159,330,540	4.68
China COSCO Holdings Co Ltd	980,000	10,054,800	0.30
China Everbright Ltd	480,000	9,936,000	0.29
China Green Holdings Ltd	339,000	3,315,420	0.10
China Life Insurance Co Ltd	3,561,000	132,113,100	3.88
China Lilang Co Ltd	569,000	4,290,260	0.13
China Merchants Holdings International Co Ltd	436,000	12,382,400	0.36
China Mobile Ltd	147,000	10,973,550	0.32

China Oilfield Services Ltd	1,414,000	16,119,600	0.47
China Overseas Land & Investment Ltd	548,801	9,614,994	0.28
China Pacific Insurance Group Co Ltd	298,600	10,286,770	0.30
China Resources Enterprise Ltd	1,474,000	42,156,400	1.24
China Resources Land Ltd	818,000	13,807,840	0.41
China Shenhua Energy Co Ltd	1,846,000	61,748,700	1.81
China Shineway Pharmaceutical Group Ltd	882,000	18,874,800	0.55
China Shipping Development Co Ltd	522,000	6,618,960	0.19
China Unicom Hong Kong Ltd	2,318,000	20,143,420	0.59
China Yurun Food Group Ltd	2,021,000	47,897,700	1.41
CNOOC Ltd	8,583,000	109,175,760	3.21
Comba Telecom Systems Holdings Ltd	3,694,160	36,719,950	1.08
COSCO Pacific Ltd	1,930,000	22,696,800	0.67
Dongfang Electric Co Ltd	62,000	2,703,200	0.08
Dongfeng Motor Group Limited	3,076,000	38,880,640	1.14
Fook Woo Group Holdings Ltd	686,000	1,845,340	0.05
Fushan International Energy Group Ltd	1,112,000	6,560,800	0.19
Golden Eagle Retail Group Ltd	289,000	4,479,500	0.13
Gome Electrical Appliances Holdings Ltd	1,749,000	4,564,890	0.13
Great Wall Motor Co Ltd	1,248,500	20,050,910	0.59
Haier Electronics Group Co Ltd	4,295,000	23,450,700	0.69
Industrial and Commercial Bank of China	11,524,000	68,106,840	2.00
Jiangsu Expressway Co Ltd	1,578,000	11,487,840	0.34
Jiangxi Copper Co Ltd	1,124,000	19,580,080	0.58
Kunlun Energy Co Ltd	2,646,000	28,788,480	0.85
Lenovo Group Ltd	1,874,000	10,025,900	0.29
Li Ning Co Ltd	906,000	25,503,900	0.75
Loudong General Nice Resources China Holdings Ltd	9,489,000	12,335,700	0.36
Nine Dragons Paper Holdings Ltd	2,699,000	34,871,080	1.02
Parkson Retail Group Ltd	486,500	6,480,180	0.19
PetroChina Co Ltd	2,882,000	26,139,740	0.77
Ping An Insurance (Group) Co of China Ltd	797,000	53,199,750	1.56
Poly (Hong Kong) Investment Ltd	2,933,000	28,978,040	0.85
Pou Sheng International Holdings Ltd	5,666,000	7,989,060	0.23
Shimao Property Holdings Ltd	640,000	9,139,200	0.27
Sinofert Holdings Ltd	994,000	4,602,220	0.13
Skyworth Digital Holdings Ltd	5,028,000	45,603,960	1.34
TCL Communication Technology Holdings Ltd	665,000	2,593,500	0.08
Tencent Holdings Ltd	365,000	56,721,000	1.67
Vtech Holdings Ltd	43,000	3,596,950	0.11
Want Want China Holdings Ltd	1,087,000	5,978,500	0.18
Weichai Power Co Ltd	275,000	17,875,000	0.52
Xinao Gas Holdings Ltd	1,502,000	29,799,680	0.88
Zhongsheng Group Holdings Ltd	889,500	10,229,250	0.30
Zijin Mining Group Co Ltd	1,610,000	9,837,100	0.29
ZTE Corp	780,000	36,621,000	1.08
		1,763,848,759	51.83
		1,763,848,759	51.83

United States of America

Sina Corp	40,900	11,968,832	0.35
		<u> </u>	<u> </u>
Total investments (Total cost of investments: \$2,880,837,959)		3,307,881,739	97.19
Other net assets		<u>95,563,254</u>	<u>2.81</u>
Total net assets attributable to unitholders		<u><u>3,403,444,993</u></u>	<u><u>100.00</u></u>

Statement of movements in portfolio holdings

For the year ended 31 March 2010

	% of total net assets attributable to unitholders	
	2010	2009
Equities	97.19	96.89
Bonds	<u> </u>	<u>0.11</u>
Total investments	97.19	97.00
Other net assets	<u>2.81</u>	<u>3.00</u>
Total net assets attributable to unitholders	<u><u>100.00</u></u>	<u><u>100.00</u></u>

Performance table

For the year ended 31 March 2010

(a) Total net asset value

Year/period end

31 March 2010	HK\$3,403,444,993
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 2010	HK\$9.15
31 March 2009	HK\$6.14
31 March 2008	HK\$9.06

(c) **Price record**

The Fund is a closed-ended fund listed on The Stock Exchange of Hong Kong Limited and no unitholders may demand redemption of their units. In general, closed-ended 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	Net asset value per unit	
	Lowest HK\$	Highest HK\$
2010	6.22	9.70
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 2009 to 31 March 2010 will be despatched to Unitholders on or about 23 July 2010.

Hong Kong, 19 July 2010

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. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. LEECH, Paul Ernest, Mr. LEUNG, William Wing Cheung and Mr. PACTON, Olivier.

IMPORTANT

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- 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.
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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)

Voluntary Announcement – Fund Performance

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		
	2010 year-to-date	2009 full year	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)	-12.84%	89.17%	-58.35%	33.53%	-10.54%	14.79%	-8.30%
<i>MSCI China A</i>	-19.99%	97.00%	-61.99%	20.96%	-18.87%	4.23%	-27.54%
The Fund's non A-share and non QFII investments (gross of expenses)	-9.52%	69.11%	-55.17%	28.40%	-9.40%	14.17%	-11.92%
<i>MSCI China</i>	-6.77%	62.71%	-51.12%	23.43%	-6.29%	14.75%	-8.48%

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		
	2010 year-to-date	2009 full year	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)	-11.95%	75.51%	-57.82%	29.48%	-11.19%	11.96%	-15.60%

As at 31 May 2010:

Net asset value per unit of the Fund:	HK\$8.33
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$7.39
Discount / Premium to net asset value:	11.28% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 May 2010 (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
17 June 2010

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. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. LEECH, Paul Ernest, Mr. LEUNG, William Wing Cheung and Mr. PACTON, Olivier.

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HSBC CHINA DRAGON FUND

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(Stock Code: 820)

Voluntary Announcement – Fund Performance

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		
	2010 year-to-date	2009 full year	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)	-8.64%	89.17%	-58.35%	33.53%	1.58%	26.11%	-3.88%
<i>MSCI China A</i>	-12.42%	97.00%	-61.99%	20.96%	-4.40%	19.92%	-20.68%
The Fund's non A-share and non QFII investments (gross of expenses)	-2.54%	69.11%	-55.17%	28.40%	2.91%	43.96%	-5.13%
<i>MSCI China</i>	-1.78%	62.71%	-51.12%	23.43%	1.15%	41.96%	-3.58%

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		
	2010 year-to-date	2009 full year	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)	-6.13%	75.51%	-57.82%	29.48%	1.14%	32.34%	-10.03%

As at 30 April 2010:

Net asset value per unit of the Fund:	HK\$8.88
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$7.92
Discount / Premium to net asset value:	10.81% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 April 2010 (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:

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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
20 May 2010

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HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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Voluntary Announcement – Fund Performance

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		
	2010 year-to-date	2009 full year	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)	-2.70%	89.17%	-58.35%	33.53%	18.87%	42.64%	2.37%
<i>MSCI China A</i>	-5.04%	97.00%	-61.99%	20.96%	13.17%	36.64%	-14.01%
The Fund's non A-share and non QFII investments (gross of expenses)	-2.55%	69.11%	-55.17%	28.40%	10.18%	61.23%	-5.13%
<i>MSCI China</i>	-1.44%	62.71%	-51.12%	23.43%	8.04%	58.26%	-3.25%

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		
	2010 year-to-date	2009 full year	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)	-3.17%	75.51%	-57.82%	29.48%	12.95%	49.19%	-7.19%

As at 31 March 2010:

Net asset value per unit of the Fund:	HK\$9.16
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$7.84
Discount / Premium to net asset value:	14.41% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 March 2010 (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 April 2010

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. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. LEECH, Paul Ernest, Mr. LEUNG, William Wing Cheung and Mr. PACTON, Olivier.

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	Calendar year performance ¹				Cumulative performance ²		
	2010 year-to-date	2009 full year	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)	-4.40%	89.17%	-58.35%	33.53%	27.73%	59.42%	0.58%
<i>MSCI China A</i>	-6.79%	97.00%	-61.99%	20.96%	17.78%	56.44%	-15.59%
The Fund's non A-share and non QFII investments (gross of expenses)	-7.45%	69.11%	-55.17%	28.40%	10.40%	75.34%	-9.91%
<i>MSCI China</i>	-6.52%	62.71%	-51.12%	23.43%	7.26%	71.21%	-8.24%

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		
	2010 year-to-date	2009 full year	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)	-6.45%	75.51%	-57.82%	29.48%	16.75%	64.19%	-10.33%

As at 26 February 2010:

Net asset value per unit of the Fund:	HK\$8.85
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$7.54
Discount / Premium to net asset value:	14.80% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 26 February 2010 (the "Reference Date"). All performance figures are total return figures in Hong Kong dollars.

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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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HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
16 March 2010

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Announcement – Regarding Supplement to the Offering Circular

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, 18 May 2009, 19 August 2009, 17 November 2009, 4 January 2010 and 5 February 2010) of the Fund. The Supplement (dated 15 March 2010) 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
15 March 2010

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. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. LEECH, Paul Ernest, Mr. LEUNG, William Wing Cheung and Mr. PACTON, Olivier.

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	Calendar year performance ¹				Cumulative performance ²		
	2010 year-to-date	2009 full year	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)	-7.62%	89.17%	-58.35%	33.53%	-2.78%	61.58%	-2.80%
<i>MSCI China A</i>	-9.26%	97.00%	-61.99%	20.96%	-11.68%	61.06%	-17.83%
The Fund's non A-share and non QFII investments (gross of expenses)	-9.63%	69.11%	-55.17%	28.40%	-1.33%	68.72%	-12.03%
<i>MSCI China</i>	-8.5%	62.71%	-51.12%	23.43%	-2.39%	62.28%	-10.18%

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		
	2010 year-to-date	2009 full year	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)	-8.99%	75.51%	-57.82%	29.48%	-3.26%	62.45%	-12.77%

As at 29 January 2010:

Net asset value per unit of the Fund:	HK\$8.61
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$7.60
Discount / Premium to net asset value:	11.73% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 29 January 2010 (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
18 February 2010

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. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. LEECH, Paul Ernest and Mr. LEUNG, William Wing Cheung.

IMPORTANT

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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)

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, 18 May 2009, 19 August 2009, 17 November 2009 and 4 January 2010) of the Fund. The Supplement (dated 5 February 2010) 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
5 February 2010

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. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, Mr. COVERDALE, John Edward, Mr. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. LEECH, Paul Ernest and Mr. LEUNG, William Wing Cheung.

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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

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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)	89.17%	-58.35%	33.53%	18.56%	89.17%	5.21%
<i>MSCI China A</i>	97.00%	-61.99%	20.96%	14.14%	97.00%	-9.44%
The Fund's non A-share and non QFII investments (gross of expenses)	69.11%	-55.17%	28.40%	21.37%	69.11%	-2.65%
<i>MSCI China</i>	62.71%	-51.12%	23.43%	18.23%	62.71%	-1.84%

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)	75.51%	-57.82%	29.48%	18.70%	75.51%	-4.15%

As at 31 December 2009:

Net asset value per unit of the Fund:	HK\$9.46
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$8.17
Discount / Premium to net asset value:	13.64% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 December 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
13 January 2010

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. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. LEECH, Paul Ernest, Mr. LEUNG, William Wing Cheung and Mr. McCOMBE, Mark Seumas.

IMPORTANT

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HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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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, 4 May 2009, 18 May 2009, 19 August 2009 and 17 November 2009) of the Fund. The Supplement (dated 4 January 2010) 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
4 January 2010

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. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. LEECH, Paul Ernest, Mr. LEUNG, William Wing Cheung and Mr. McCOMBE, Mark Seumas.