
HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

(Stock Code: 820)

Other Documents

TABLE OF CONTENTS

Particular	Date Submitted (D/M/Y)
Voluntary Announcement – Fund Performance	16/12/2011
Possible change of investment objective and possible one-off redemption offer	07/12/2011
Letter to Existing Unitholders — Election of Means of Receipt and Language of Corporate Communications	28/11/2011
Change Request Form	28/11/2011
2011 Interim Results Announcement	25/11/2011
Announcement – Appointment of Director	21/11/2011
Announcement – Fund Performance	17/11/2011
Announcement – Appointment of Director	20/10/2011
Voluntary Announcement – Fund Performance	19/10/2011
Announcement – Resignation of Director	30/09/2011
Announcement – Poll Results of the General Meeting held on 26 September 2011	26/09/2011
Announcement – Resignation of Director	19/09/2011
Voluntary Announcement - Fund Performance	19/09/2011
Announcement – Resignation of Director and Clarification of Circular to Holders and Notice of General Meeting	29/08/2011
Circular to Holders in relation to (1) Proposed renewal of general mandate to repurchase units and (2) Notice of the general meeting	29/08/2011
Notice of general meeting	29/08/2011
Announcement – Proposed renewal of general mandate to repurchase units	29/08/2011
Letter to Existing Unitholders – Election of Means of Receipt and Language of Corporate Communications	29/08/2011
Form of proxy	29/08/2011
Change Request Form	29/08/2011
Voluntary Announcement - Fund Performance	18/08/2011
Announcement – Rectification of Error for 2011 Annual Report	29/07/2011
Letter to Existing Unitholders – Election of Means of Receipt and Language of Corporate Communications	22/07/2011
Change Request Form	22/07/2011
2011 Annual Results Announcement	21/07/2011
Voluntary Announcement - Fund Performance	19/07/2011
Announcement - Appointment of Director and Resignation of Director	27/06/2011
Announcement - Publication of Supplement to the Offering Circular and Product Key Facts	24/06/2011
Voluntary Announcement - Fund Performance	20/06/2011
Voluntary Announcement - Fund Performance	20/05/2011
Announcement – Appointment of Director and Resignation of Director	19/05/2011
Voluntary Announcement - Fund Performance	20/04/2011
Voluntary Announcement - Fund Performance	16/03/2011

Voluntary Announcement - Fund Performance
Announcement – Issue of Supplement

21/02/2011
08/02/2011

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)

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		
	2011 year-to-date	2010 full year	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)	-23.59%	5.78%	89.66%	-59.35%	32.50%	-15.13%	-24.32%	-17.44%
<i>MSCI China A</i>	-17.07%	-4.02%	97.00%	-61.99%	20.96%	-13.70%	-16.91%	-27.92%
The Fund’s non A-share and non QFII investments (gross of expenses)	-20.68%	5.62%	69.11%	-55.17%	28.40%	-25.83%	-20.30%	-18.45%
<i>MSCI China</i>	-20.20%	5.10%	62.71%	-51.12%	23.43%	-23.99%	-20.69%	-17.68%

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

	Calendar year performance ¹					Cumulative performance ²		
	2011 year-to-date	2010 full year	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)	-22.81%	4.76%	75.51%	-57.82%	29.48%	-21.30%	-23.04%	-22.49%

As at 30 November 2011:

Net asset value per unit of the Fund:	HK\$7.65
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$5.59
Discount / Premium to net asset value:	26.92% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 November 2011 (the “Reference Date”). All performance figures are total return figures in Hong Kong dollars.

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

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

Note:

1. Calendar year performance is the gain or loss of the Fund throughout a particular year.

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

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

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

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
16 December 2011

As at the date hereof, the board of directors of the Manager is comprised as follows: The executive directors of the Manager are Mr. BERRY, Stuart Glenn, Mr. CONXICOEUR, Patrice Pierre Henri, Ms. KOO, Julie J, Ms. LAM, Po Yee and Ms. MUNRO, Joanna. The non-executive directors of the Manager are Ms. CHEANG, Wai Wan Louisa, Mr. FLINT, John Michael, Ms. FUNG, Yuen Mei Anita, Mr. HARVEY-SAMUEL, Guy Daniel and Mr. PACTON, Olivier

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HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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(Stock Code: 820)

Announcement

POSSIBLE CHANGE OF INVESTMENT OBJECTIVE AND POSSIBLE ONE-OFF REDEMPTION OFFER

This announcement is made pursuant to 11.1B of the Code on Unit Trusts and Mutual Funds and the disclosure obligation under the listing agreement for collective investment schemes as set out in Part G of Appendix 7 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Manager is considering, subject to certain outstanding matters, to seek Holders' approval on the possible Change of Investment Objective and the possible One-off Redemption Offer.

As the possible Change of Investment Objective and the possible One-off Redemption Offer are subject to, amongst other things, the determination of the terms and conditions by the Manager, the obtaining of legal advice and subsequent approvals from the relevant regulators and Holders, they may be subject to change and may or may not proceed, Holders and prospective investors of the Fund are advised to exercise caution when dealing in the units of the Fund.

1. Possible Change of Investment Objective and possible One-off Redemption Offer

HSBC Global Asset Management (Hong Kong) Limited, the manager of HSBC China Dragon Fund (the "**Manager**"), is considering the following:

(a) Possible Change of Investment Objective:

Currently, the investment objective of HSBC China Dragon Fund (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 (excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan) ("**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 Manager is considering to change the investment objective of the Fund to achieve long-term capital growth by investing primarily in A shares of listed companies in the PRC (directly and indirectly) (the "**Change of Investment Objective**"); and

(b) Possible One-off Redemption Offer:

To offer a limited one-off right to all holders of the Fund ("**Holders**") to redeem part of their holdings in the Fund (subject to a redemption levy) at the applicable net asset value per unit of the Fund on a designated valuation day, subject to the Holders' compliance with certain conditions and procedures and the aggregate redemption of all Holders to be no more than a certain percentage of the Fund's net asset value on the relevant valuation day ("**One-off Redemption Offer**").

Subject to, amongst other things, the determination of the terms and conditions by the Manager and the obtaining of legal advice, the Manager will proceed to obtain approvals from the relevant regulators. The Manager will then publish a further announcement and a circular to Holders in relation to (1) the Change of Investment Objective, (2) the One-off Redemption Offer, (3) the change of trust deed of the Fund by supplemental trust deed and (4) the notice of general meeting, and convene a general meeting to seek approvals of the Holders by way of an extraordinary resolution to approve:

- (i) Change of Investment Objective; and
- (ii) One-Off Redemption Offer.

Pending the issue of the further announcement aforementioned or an announcement not to proceed, announcement(s) will be made on a monthly basis to provide update on the possible Change of Investment Objective and the possible One-off Redemption Offer.

It should be noted that it is the Manager's intention for the Fund to continue to be listed on the Hong Kong Stock Exchange as a close-ended fund after the possible Change of Investment Objective. Following the possible Change of Investment Objective, the Hong Kong Stock Exchange will continue to be the only market on which the units of the Fund are listed and traded.

As the possible Change of Investment Objective and the possible One-off Redemption Offer are subject to, amongst other things, the determination of the terms and conditions by the Manager, the obtaining of legal advice and subsequent approvals from the relevant regulators and Holders, they may be subject to change and may or may not proceed, Holders and prospective investors of the Fund are advised to exercise caution when dealing in the units of the Fund.

2. General Information

The Fund is currently 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 A Shares, which are subject to specific risks and restrictions as disclosed in the offering circular of the Fund (the "**Offering Circular**"). The Fund differs from a typical unit trust and investors should read the Offering Circular for details including the risk factors.

All directors of the Manager jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to

the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

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
7 December 2011

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. BERRY, Stuart Glenn, Mr. CONXICOEUR, Patrice Pierre Henri, Ms. KOO, Julie J, Ms. LAM, Po Yee and Ms. MUNRO, Joanna. The non-executive directors of the Manager are Ms. CHEANG, Wai Wan Louisa, Mr. FLINT, John Michael, Mr. HARVEY-SAMUEL, Guy Daniel, Mr. PACTON, Olivier and Ms. FUNG, Yuen Mei Anita.

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)

28 November 2011

Dear Unitholders,

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

The 2011 Interim Account (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 HKExnews’s 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,

Joanna MUNRO

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言

滙豐中國翔龍基金(「本基金」)2011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，並於香港交易所披露易網站www.hkexnews.hk登載。

如閣下欲更改已選擇的語言版本及收取方式，可隨時填寫隨附的變更申請表格，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格的掃描副本電郵到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

文雅莉

謹啟

2011年11月28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。

Change Request Form 變更申請表格

To: HSBC China Dragon Fund (the "Fund")
c/o Computershare Hong Kong Investor Services Limited
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 閣下清楚填寫所有資料。
- 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, 則本變更申請表格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.com@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.com@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.
如有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-20111128

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

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滙豐中國翔龍基金

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(stock code: 820)

Managed by
HSBC Global Asset Management (Hong Kong) Limited

2011 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 2011 to 30 September 2011.

The interim results of the Fund for the period from 1 April 2011 to 30 September 2011 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 2011 to 30 September 2011.

Manager’s report

Review

The MSCI China Index lost 28.3 percent, and the MSCI China A Index fell 20.7 percent, both in local currency terms.

Chinese equities were down significantly as weakening global economic data continued to heighten investors’ concerns about the global economic growth prospect. The mid-year downgrading of the US Treasury’s debt rating from a rating AAA to AA+ by Standard & Poor’s triggered uncertainty over the possibility of default. Despite growing worries over the global economic outlook, the People’s Bank of China tightened liquidity by broadening the definition

of banks' required reserves to include margin deposits. The interpretation was that the central bank would continue to prudently tighten the monetary policy in the near future, with the objectives of taming inflation expectations in China and preventing the inflow of hot money if the US launches additional stimulus measures.

Reports of a significant rise in informal lending and a lack of visibility on policy response brought increasing uncertainties to China's economic growth. Despite September traditionally being considered a peak season, transactions to date were poor, with property sharply underperforming. Building materials also underperformed on demand concerns, and fixed asset investment slowed despite three more regions being added to the "building material to rural areas" scheme.

Outlook

We think the Chinese equity market might continue to face volatility before the European sovereign debt crisis is resolved, and the market can then assess the impact of slower global growth on China's GDP. On the policy front, the status quo is likely to continue for a while. For policy makers to be proactive, they need to see more evidence of a sharp slowdown in China's purchasing managers' index (PMI), industrial and export growth, and more importantly, China's consumer price index (CPI) dropping to below 5 percent in Q4. A meaningful recovery will not take place before the Chinese Government eases off its monetary tightening, like cutting the required reserve ratio (RRR) and relaxing the monetary tightening policy. We think the Chinese Banking sector has already factored in mounting credit costs and non-performing loan (NPL) formation within the banking system in the next few years. However, there might be continued earnings downgrades in the cyclical, energy, consumer discretionary and industrial sectors.

In the short term, we believe the market will trade range-bound, given the lingering concerns over inflation, the potential slowdown in industrial production due to a power shortage in the summer and the debt issue in Europe. In the medium term, given the market has been sold off in recent weeks on the back of hard landing concerns, China equities are trading at attractive valuations for long-term investors to gain positive returns in the next 12 to 24 months.

Interim statement of assets and liabilities (unaudited)

As at 30 September 2011

	Note	30 September 2011 (Unaudited) HK\$	31 March 2011 (Audited) HK\$
Assets			
Investments at fair value through profit or loss	7	2,459,968,177	3,453,504,294
Amounts receivable from brokers		65,114,680	5,066,276
Dividend and other receivables	8(c)	5,054,977	3,968,484
Cash and cash equivalents	8(d)	215,059,457	176,971,669
Total assets		<u>2,745,197,291</u>	<u>3,639,510,723</u>
Liabilities			
Taxation	6	98,597,817	89,975,009
Amounts payable to brokers		16,780,344	24,110,354
Accrued expenses and other payables	8(a), (b) & (c)	4,094,014	5,320,459
Total liabilities		<u>119,472,175</u>	<u>119,405,822</u>
Net assets attributable to unitholders		<u>2,625,725,116</u>	<u>3,520,104,901</u>
Representing:			
Total equity		<u>2,625,725,116</u>	<u>3,520,104,901</u>
Number of units in issue	10	<u>350,137,500</u>	<u>357,034,000</u>
Net asset value per unit		<u>7.50</u>	<u>9.86</u>

Interim statement of comprehensive income (unaudited)
For the period ended 30 September 2011

	Note	Period from 1 April 2011 to 30 September 2011 (Unaudited) HK\$	Period from 1 April 2010 to 30 September 2010 (Unaudited) HK\$
Dividend income		56,217,267	49,044,213
Interest income on deposits	4, 8(d)	1,762,553	718,809
Net (losses)/gains from investments	5	(848,688,620)	69,669,663
Net foreign exchange gain		2,900,041	484,452
Net investment (loss)/gain		<u>(787,808,759)</u>	<u>119,917,137</u>
Expenses			
Management fees	8(a)	(24,946,623)	(23,960,353)
Transaction costs	8(e)	(13,932,146)	(11,221,380)
Trustee's fees	8(b)	(1,771,847)	(1,706,542)
Custodian fees	8(c)	(1,097,906)	(1,020,287)
Auditor's remuneration		(150,447)	(96,905)
Legal and professional fee		(131,399)	(139,587)
Other operating expenses		(511,661)	(389,610)
Operating expenses		<u>(42,542,029)</u>	<u>(38,534,664)</u>
(Loss)/profit before taxation		(830,350,788)	81,382,473
Taxation	6	(11,740,706)	(10,865,481)
(Decrease)/increase in net assets attributable to unitholders and total comprehensive income for the period		<u>(842,091,494)</u>	<u>70,516,992</u>

Interim statement of changes in equity (unaudited)

For the period ended 30 September 2011

	Note	Period from 1 April 2011 to 30 September 2011 (Unaudited) HK\$	Period from 1 April 2010 to 30 September 2010 (Unaudited) HK\$
Balance at the beginning of period		3,520,104,901	3,403,444,993
(Decrease)/increase in net assets attributable to unitholders and total comprehensive income for the period		(842,091,494)	70,516,992
Repurchase of units during the period	11	(52,288,291)	(80,585,969)
Balance at the end of period		<u>2,625,725,116</u>	<u>3,393,376,016</u>

Interim cash flow statement (unaudited)

For the period ended 30 September 2011

		Period from 1 April 2011 to 30 September 2011 (Unaudited) HK\$	Period from 1 April 2010 to 30 September 2010 (Unaudited) HK\$
Operating activities			
Interest income received		1,762,553	718,809
Dividends income received		55,196,101	47,340,802
Management fees paid		(25,838,380)	(24,402,481)
Trustee's fees paid		(1,839,975)	(1,744,766)
Tax paid		(3,117,898)	(3,748,477)
Other operating expenses paid		(17,141,882)	(14,063,317)
Net cash generated from operating activities		<u>9,020,519</u>	<u>4,100,570</u>
Investing activities			
Payments on purchase of investments		(2,810,780,247)	(2,121,151,336)
Proceeds from sale of investments		2,888,249,330	2,111,237,366
Net cash generated from/(used in) investing activities		<u>77,469,083</u>	<u>(9,913,970)</u>

Financing activities

Payments on repurchase of units	(52,288,291)	(80,585,969)
Net cash used in financing activities	<u>(52,288,291)</u>	<u>(80,585,969)</u>
Net increase/(decrease) in cash and cash equivalents	34,201,311	(86,399,369)
Cash and cash equivalents at the beginning of the period	176,971,669	165,431,204
Effect of exchange rate fluctuations on cash and cash equivalents	<u>3,886,477</u>	<u>1,371,786</u>
Cash and cash equivalents at the end of the period	<u>215,059,457</u>	<u>80,403,621</u>

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.

A general meeting was held on 11 October 2010 and a resolution was passed to approve the renewal of the previous repurchase mandate until the earlier of:

- (i) the expiration of 12 months following the passing of this resolution; or
- (ii) the passing of this resolution by the holders of the Fund in general meeting revoking or varying the authority given to the Manager by this 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 2011, except for the accounting policy changes that are expected to be reflected in the 2011 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 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 2011 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 2011 in their report dated 18 July 2011.

(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 equities.

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

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

(ii) Recognition

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

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

Financial liabilities are not recognised unless one of the parties has performed their 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 (losses)/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 offset the recognised amounts and the transactions are intended to be settled on a net basis, or simultaneously, e.g. through a market clearing mechanism.

(viii) 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 statement of comprehensive income.

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 the 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* 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 (losses)/gains from investments

	Period from 1 April 2011 to 30 September 2011 HK\$	Period from 1 April 2010 to 30 September 2010 HK\$
Net (losses)/gains from investments		
– Realised (losses)/gains	(10,591,712)	23,183,329
– Unrealised (losses)/gains	(838,096,908)	46,486,334
	<u>(848,688,620)</u>	<u>69,669,663</u>

Losses and gains 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 has not recognized deferred tax liabilities in respect of unrealized gains on A-shares amounting to \$452,803 for the period ended 30 September 2011 (as at 31 March 2011: \$12,265,403) as the Manager considers the amount to be insignificant to the Fund.

Taxation in the statement of comprehensive income represents:

	Period from 1 April 2011 to 30 September 2011 HK\$	Period from 1 April 2010 to 30 September 2010 HK\$
PRC dividend and interest income withholding tax	5,756,290	5,627,337
PRC capital gains tax	5,984,416	5,238,144
	<hr/> 11,740,706	<hr/> 10,865,481

7. Investments at fair value through profit or loss

	As at 30 September 2011 HK\$	As at 31 March 2011 HK\$
Listed equity securities		
– in Hong Kong	1,219,893,392	1,815,268,818
– outside Hong Kong	1,240,074,785	1,638,235,476
	<hr/> 2,459,968,177	<hr/> 3,453,504,294

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 \$24,946,623 (for the period from 1 April 2010 to 30 September 2010: \$23,960,353) and \$3,535,932 (as at 31 March 2011: \$4,427,689) 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 \$1,771,847 (for the period from 1 April 2010 to 30 September 2010: \$1,706,542) and \$279,708 (as at 31 March 2011: \$347,836) 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 \$1,097,906 (for the period from 1 April 2010 to 30 September 2010: \$1,020,287) and \$25,019 (as at 31 March 2011: \$20,748) respectively.

A minimum clearing reserves need to be held with the QFII custodian. As at 30 September 2011, the Fund had \$2,574,552 (as at 31 March 2011: \$2,509,225) deposit held with the QFII custodian.

(d) Bank balances

Bank accounts are maintained with The Hongkong and Shanghai Banking Corporation Limited, which is a member of the HSBC Group, and Bank of Communications Co Ltd, the QFII Custodian of the Fund. The bank balances held as at 30 September 2011 amounted to \$62,529,135 and \$152,530,322 respectively (as at 31 March 2011: \$19,637,367 and \$157,334,302 respectively). During the period, no interest was earned from HSBC Hong Kong (for the period from 1 April 2010 to 30 September 2010: nil). Interest earned from Bank of Communications Co Ltd amounted to \$1,762,553 (for the period from 1 April 2010 to 30 September 2010: \$718,809).

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

	The Hongkong and Shanghai Banking Corporation Limited	
	Period from 1 April 2011 to 30 September 2011 HK\$	Period from 1 April 2010 to 30 September 2010 HK\$
Commission paid for the period	107,293	210,304
Average rate of commission	0.11%	0.11%
Total aggregate value of such transactions for the period	100,473,002	193,757,293
Percentage of such transactions in value to total transactions for the period	1.72%	4.48%

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

	Period from 1 April 2011 to 30 September 2011 HK\$	Period from 1 April 2010 to 30 September 2010 HK\$
Number of units in issue brought forward	357,034,000	371,910,000
Units repurchased during the period	<u>(6,896,500)</u>	<u>(10,647,000)</u>
Number of units in issue carried forward	<u>350,137,500</u>	<u>361,263,000</u>

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

11. Repurchase of units

During the period, the Fund repurchased 6,896,500 of its own units at a total amount of \$52,288,291 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 2011 are summarised below. Details of such investments held as at 30 September 2011 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 2011, 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 2011.

	30 September 2011			31 March 2011		
	% 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	46.46	5	60,994,670	51.57	5	90,763,441
– outside Hong Kong	47.23	5	62,003,739	46.54	5	81,911,774
	<u>93.69</u>		<u>122,998,409</u>	<u>98.11</u>		<u>172,675,215</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 2011		
	1 year or less HK\$	Non-interest bearing HK\$	Total HK\$
Assets			
Investments at fair value through profit or loss	–	2,459,968,177	2,459,968,177
Amounts receivable from brokers	–	65,114,680	65,114,680
Dividend and other receivables	–	5,054,977	5,054,977
Cash and cash equivalents	152,530,322	62,529,135	215,059,457
	152,530,322	2,592,666,969	2,745,197,291
Liabilities			
Taxation	–	(98,597,817)	(98,597,817)
Amounts payable to brokers	–	(16,780,344)	(16,780,344)
Accrued expenses and other payables	–	(4,094,014)	(4,094,014)
	–	(119,472,175)	(119,472,175)
Total interest sensitivity gap	152,530,322		

	31 March 2011		
	1 year or less HK\$	Non-interest bearing HK\$	Total HK\$
Assets			
Investments at fair value through profit or loss	–	3,453,504,294	3,453,504,294
Amounts receivable from brokers	–	5,066,276	5,066,276
Dividend and other receivables	–	3,968,484	3,968,484
Cash and cash equivalents	157,334,302	19,637,367	176,971,669
Total assets	<u>157,334,302</u>	<u>3,482,176,421</u>	<u>3,639,510,723</u>
Liabilities			
Taxation	–	(89,975,009)	(89,975,009)
Amounts payable to brokers	–	(24,110,354)	(24,110,354)
Accrued expenses and other payables	–	(5,320,459)	(5,320,459)
Total liabilities	<u>–</u>	<u>(119,405,822)</u>	<u>(119,405,822)</u>
Total interest sensitivity gap	<u>157,334,302</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 \$762,652 (31 March 2011: \$786,672); 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 31 March 2011.

(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 2011			
Renminbi	1,441,228,018	(98,682,534)	1,342,545,484
United States dollar	23,482,043	(25,019)	23,457,024
	<u>1,464,710,061</u>	<u>(98,707,553)</u>	<u>1,366,002,508</u>
31 March 2011			
Renminbi	1,758,180,044	(90,212,495)	1,667,967,549
United States dollar	25,644,363	(20,748)	25,623,615
	<u>1,783,824,407</u>	<u>(90,233,243)</u>	<u>1,693,591,164</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 2011, 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 2011	
Renminbi	<u>67,127,274</u>
31 March 2011	
Renminbi	<u>83,398,377</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 2011, 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 2011 and 31 March 2011, 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 30 September 2011 and 31 March 2011, there were no significant exposures to liquidity risk for the Fund.

(d) *Capital Management*

At 30 September 2011, the Fund had \$2,625,725,116 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 the statement of assets and liabilities. Fair value estimates are made at a specified point in time, based on market conditions and information about the financial instruments. Usually, fair values can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including 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 2011 by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Level 1	
	30 September 2011	31 March 2011
	HK\$	HK\$
Listed equities	<u>2,459,968,177</u>	<u>3,453,504,294</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 2011

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and Interpretations and new standards which are not yet effective for the year ended 30 September 2011, and which have not been adopted in these financial statements. These include the following which may be relevant to the Fund.:

	Effective for accounting periods beginning on or after
HKFRS 9, <i>Financial instruments</i>	1 January 2013
HKFRS 13, <i>Fair value measurement</i>	1 January 2013

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

Investment portfolio (unaudited)

As at 30 September 2011

<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			
Aerospace Information Co Ltd – A Share	617,600	20,316,042	0.77
Agricultural Bank of China – A Share	19,105,500	57,028,577	2.17
Anhui Conch Cement Co Ltd – A Share	2,671,950	55,959,296	2.13
Beijing Orient Landscape Co Ltd – A Share	46,782	5,060,133	0.19
Beijing SL Pharmaceutical Co Ltd – A Share	819,256	32,199,715	1.23
China CAMC Engineering Co Ltd – A Share	402,194	12,774,522	0.49
China CYTS Tours Holding Co Ltd – A Share	776,000	12,829,496	0.49
China Merchants Bank Co Ltd – A Share	6,512,123	87,749,725	3.34
China Merchants Property Development Co Ltd – A Share	311,100	6,341,091	0.24
China National Chemical Engineering Co Ltd – A Share	4,663,900	39,832,291	1.52
China Pacific Insurance Gr Co Ltd – A Share	2,413,300	54,394,011	2.07
China Shenhua Energy Co Ltd – A Share	1,617,668	49,961,492	1.90
China United Network Communications Ltd – A Share	9,130,148	56,952,897	2.17
China Vanke Co Ltd – A Share	5,285,400	46,556,915	1.77
CITIC Securities Co Ltd – A Share	4,684,594	64,208,499	2.44
East China Engineering Science & Technology Co Ltd – A Share	881,755	25,589,260	0.97
Gemdale Corp – A Share	2,171,100	12,855,357	0.49
Gree Electric Appliances Inc – A Share	592,600	14,425,311	0.55
Henan Billions Chemicals Co Ltd – A Share	75,616	7,595,780	0.29
Hubei Fuxing Science and Technology Co Ltd – A Share	2,124,600	20,681,974	0.79
Hubei Yihua Chemical Industry Co Ltd – A Share	790,600	18,541,958	0.71
Industrial Bank Co Ltd – A Share	1,941,900	29,313,401	1.12
Inner Mongolia Baotou Steel Rare-Earth Hi Tech Co Ltd – A Share	818,350	54,826,541	2.09
Jiangsu Yueda Investment Co Ltd – A Share	847,306	15,257,478	0.58
Kweichow Moutai Co Ltd – A Share	223,850	51,956,862	1.98
Nanning Sugar Manufacturing Co Ltd – A Share	647,309	12,121,422	0.46

HSBC China Dragon Fund			
	Holdings	Market value HK\$	% of total net assets
SAIC Motor Corp Ltd – A Share	759,400	14,775,546	0.56
Shandong Oriental Ocean Sci-Tech Co Ltd – A Share	619,666	10,192,001	0.39
Shanghai Metersbonwe Fashion & Accessories Co Ltd – A Share	153,331	5,084,944	0.19
Shanghai Pudong Development Bank Co Ltd – A Share	1,810,180	18,812,167	0.72
Shenzhen Hongtao Decoration Co Ltd – A Share	376,391	9,263,149	0.35
Shenzhen Inovance Technology Co Ltd – A Share	124,276	10,616,888	0.40
Sichuan New Hope Agribusiness Co Ltd – A Share	2,024,400	47,404,302	1.81
Suning Appliance Co Ltd – A Share	3,125,800	39,644,227	1.51
Suzhou Gold Mantis Construction Decoration Co Ltd – A Share	906,499	42,685,942	1.63
Tianjin Tasly Pharmaceutical Co Ltd – A Share	342,376	16,476,632	0.63
Tibet Tourism Co Ltd – A Share	807,100	12,271,848	0.47
Yantai Changyu Pioneer Wine Co Ltd – B Share	71,200	5,980,800	0.23
Yibin Wuliangye Co Ltd – A Share	1,093,100	48,329,789	1.84
Zhangzhou Pientzehuang Pharmaceutical Co Ltd – A Share	270,691	20,084,413	0.76
Zhejiang Dahua Technology Co Ltd – A Share	256,558	13,306,298	0.51
Zhejiang Haitong Food Group Co Ltd – A Share	175,100	5,802,606	0.22
Zhenjiang Hisun Pharmaceutical Co Ltd – A Share	517,650	20,730,222	0.79
Zhongtian Urban Development Group Co Ltd – A Share	1,872,360	16,789,401	0.64
ZTE Corp – A Share	386,580	8,901,624	0.34
		<u>1,232,482,845</u>	<u>46.94</u>
Hong Kong			
Agricultural Bank of China – H Share	6,020,000	15,471,400	0.59
AIA Group Ltd	389,200	8,698,620	0.33
Air China Ltd – H Share	3,352,000	18,368,960	0.70
Bank of China Ltd – H Share	20,451,900	49,902,636	1.90
Brilliance China Automotive Holdings Ltd – H Share	5,712,000	34,843,200	1.33
China BlueChemical Ltd – H Share	120,000	720,000	0.03
China Coal Energy Co Ltd – H Share	2,957,000	20,905,990	0.80

HSBC China Dragon Fund			
Holdings	Market value HK\$	% of total net assets	
China Communications Construction Co Ltd – H Share	2,371,000	12,139,520	0.46
China Construction Bank Corp – H Share	16,029,160	76,619,385	2.92
China Life Insurance Co Ltd – H Share	1,240,000	23,312,000	0.89
China Mengniu Dairy Co Ltd	398,000	9,432,600	0.36
China Mobile Ltd – H Share	1,830,500	141,040,025	5.37
China Overseas Grand Oceans Group Ltd	1,623,000	7,920,240	0.30
China Overseas Land & Investment Ltd	2,012,000	22,735,600	0.87
China Pacific Insurance Group Co Ltd – H Share	756,800	17,103,680	0.65
China Petroleum & Chemical Corp – H Share	8,512,000	65,287,040	2.49
China Resources Cement Holdings Ltd – H Share	1,278,000	6,658,380	0.25
China Resources Enterprise Ltd – H Share	434,000	11,284,000	0.43
China Resources Power Holdings Co Ltd – H Share	600,000	7,044,000	0.27
China Shanshui Cement Group Ltd – H Share	2,074,000	10,992,200	0.42
China Shenhua Energy Co Ltd – H Share	790,500	24,505,500	0.93
China Southern Airlines Co Ltd – H Share	3,660,000	13,285,800	0.51
China Telecom Corp Ltd – H Share	12,546,000	61,977,240	2.36
China Unicom Hong Kong Ltd – H Share	2,872,000	46,526,400	1.77
China Zhengtong Auto Services Holdings Ltd – H Share	2,922,500	20,749,750	0.79
CNOOC Ltd – H Share	3,414,000	44,245,440	1.68
Dah Chong Hong Holdings Ltd – H Share	1,680,000	13,524,000	0.51
Dongfeng Motor Group Co Ltd – H Share	1,814,000	19,337,240	0.74
Dongyue Group Ltd	1,261,000	4,917,900	0.19
Evergrande Real Estate Group Ltd – H Share	1,730,000	4,238,500	0.16
Golden Eagle Retail Group Ltd – H Share	222,000	3,538,680	0.13
Gome Electrical Appliances Holdings Ltd – H Share	3,420,000	6,292,800	0.24
Great Wall Motor Co Ltd – H Share	806,000	7,254,000	0.28
Haier Electronics Group Co Ltd – H Share	1,730,000	9,082,500	0.35
Hengan International Group Co Ltd – H Share	238,000	14,910,700	0.57
Huaneng Power International Inc – H Share	1,128,000	3,722,400	0.14
Industrial and Commercial Bank of China – H Share	29,418,245	112,377,696	4.28
Intime Department Store Group Co Ltd – H Share	2,473,000	21,935,510	0.83
Kunlun Energy Co Ltd – H Share	900,000	9,720,000	0.37
Luk Fook Holdings International Ltd – H Share	374,000	8,602,000	0.33
PetroChina Co Ltd – H Share	5,406,000	52,167,900	1.99
PICC Property and Casualty Co Ltd – H Share	1,034,000	8,726,960	0.33

HSBC China Dragon Fund			
Holdings	Market value HK\$	% of total net assets	
Ping An Insurance (Group) Co of China Ltd – H Share	586,000	25,754,700	0.98
Shenguan Holdings Group Ltd – H Share	702,000	2,808,000	0.11
Skyworth Digital Holdings Ltd – H Share	4,754,000	12,883,340	0.49
TCL Communication Technology Holdings Ltd – H Share	671,000	2,167,330	0.08
Tencent Holdings Ltd – H Share	508,800	83,341,440	3.17
Vinda International Holdings Ltd – H Share	1,246,000	9,768,640	0.37
Weichai Power Co Ltd – H Share	185,000	6,576,750	0.25
Zijin Mining Group Co Ltd – H Share	1,980,000	4,474,800	0.17
		<u>1,219,893,392</u>	<u>46.46</u>
United States of America			
Changyou.Com Ltd ADS Rep CL A	38,500	<u>7,591,940</u>	<u>0.29</u>
		<u>7,591,940</u>	<u>0.29</u>
Total investments (Total cost of investments: \$2,924,382,551)		2,459,968,177	93.69
Other net assets		<u>165,756,939</u>	<u>6.31</u>
Total net assets		<u><u>2,625,725,116</u></u>	<u><u>100.00</u></u>

Statement of movements in portfolio holdings (unaudited)
For the year ended 30 September 2011

	% of total net assets	
	30 September 2011	31 March 2010
Total investments	93.69	98.11
Other net assets	<u>6.31</u>	<u>1.89</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 2011

(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
31 March 2011	HK\$3,520,104,901
30 September 2011	HK\$2,625,725,116

(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
31 March 2011	HK\$9.86
30 September 2011	HK\$7.50

(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
1 April 2010 to 31 March 2011	7.91	10.52
1 April 2011 to 30 September 2011	7.50	10.28

Issuance of Results

The unaudited interim report of the Fund for the period from 1 April 2011 to 30 September 2011 will be despatched to Unitholders on or about 28 November 2011.

Hong Kong, 25 November, 2011

By Order of the Board
HSBC Global Asset Management (Hong Kong) Limited
as Manager of HSBC China Dragon Fund
Joanna MUNRO
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. BERRY, Stuart Glenn, Mr. CONXICOEUR, Patrice Pierre Henri, Ms. KOO, Julie J, Ms. LAM, Po Yee and Ms. MUNRO, Joanna. The non-executive directors of the Manager are Ms. CHEANG, Wai Wan Louisa, Mr. FLINT, John Michael, Ms. FUNG, Yuen Mei Anita, Mr. HARVEY-SAMUEL, Guy Daniel 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

Appointment of Director

HSBC Global Asset Management (Hong Kong) Limited, as the Manager of the Fund, hereby announces that Ms. FUNG, Yuen Mei Anita has been appointed as Director of the Manager with effect from 21 November 2011.

The Offering Circular of the Fund has been revised accordingly. A copy of the Supplement to the Offering Circular dated 21 November 2011 has been posted on the Fund's website on 21 November 2011.

The Manager of the Fund accepts responsibility for the accuracy of the information 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
21 November 2011

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. BERRY, Stuart Glenn, Mr. CONXICOEUR, Patrice Pierre Henri, Ms. KOO, Julie J, Ms. LAM, Po Yee and Ms. MUNRO, Joanna. The non-executive directors of the Manager are Ms. CHEANG, Wai Wan Louisa, Mr. FLINT, John Michael, Ms. FUNG, Yuen Mei Anita, Mr. HARVEY-SAMUEL, Guy Daniel and Mr. PACTON, Olivier

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HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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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 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		
	2011 year-to-date	2010 full year	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)	-19.21%	5.78%	89.66%	-59.35%	32.50%	-14.21%	-18.22%	-12.70%
<i>MSCI China A</i>	-11.55%	-4.02%	97.00%	-61.99%	20.96%	-13.45%	-15.58%	-23.12%
The Fund’s non A-share and non QFII investments (gross of expenses)	-13.29%	5.62%	69.11%	-55.17%	28.40%	-19.60%	-13.43%	-10.86%
<i>MSCI China</i>	-13.00%	5.10%	62.71%	-51.12%	23.43%	-16.73%	-15.45%	-10.25%

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		
	2011 year-to-date	2010 full year	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)	-16.95%	4.76%	75.51%	-57.82%	29.48%	-17.54%	-16.53%	-16.62%

As at 31 October 2011:

Net asset value per unit of the Fund:	HK\$8.23
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$6.13
Discount / Premium to net asset value:	25.52% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 October 2011 (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 2011

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. BERRY, Stuart Glenn, Ms. KOO, Julie J, Mr. CONXICOEUR, Patrice Pierre Henri, Ms LAM, Po Yee and Ms MUNRO, Joanna. The non-executive directors of the Manager are Ms. CHEANG, Wai Wan Louisa, Mr. FLINT, John Michael, Mr. HARVEY-SAMUEL, Guy Daniel 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

Appointment of Director

HSBC Global Asset Management (Hong Kong) Limited, as the Manager of the Fund, hereby announces that Mr. CONXICOEUR, Patrice Pierre Henri, has been appointed as Director of the Manager with effect from 20 October 2011.

The Offering Circular of the Fund has been revised accordingly. A copy of the Supplement to the Offering Circular dated 20 October 2011 has been posted on the Fund's website on 20 October 2011.

The Manager of the Fund accepts responsibility for the accuracy of the information 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
20 October 2011

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. BERRY, Stuart Glenn, Mr. CONXICOEUR, Patrice Pierre Henri, Ms. KOO, Julie J, Ms. LAM, Po Yee and Ms. MUNRO, Joanna. The non-executive directors of the Manager are Ms. CHEANG, Wai Wan Louisa, Mr. FLINT, John Michael, Mr. HARVEY-SAMUEL, Guy Daniel 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 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		
	2011 year-to-date	2010 full year	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)	-23.07%	5.78%	89.66%	-59.35%	32.50%	-19.39%	-16.86%	-16.88%
<i>MSCI China A</i>	-15.35%	-4.02%	97.00%	-61.99%	20.96%	-17.70%	-8.24%	-26.41%
The Fund’s non A-share and non QFII investments (gross of expenses)	-24.39%	5.62%	69.11%	-55.17%	28.40%	-27.35%	-21.79%	-22.26%
<i>MSCI China</i>	-24.26%	5.10%	62.71%	-51.12%	23.43%	-26.43%	-23.63%	-21.86%

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		
	2011 year-to-date	2010 full year	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)	-24.32%	4.76%	75.51%	-57.82%	29.48%	-23.94%	-20.13%	-24.01%

As at 30 September 2011:

Net asset value per unit of the Fund:	HK\$7.50
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$5.80
Discount / Premium to net asset value:	22.67% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 September 2011 (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 October 2011

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. BERRY, Stuart Glenn, Ms. KOO, Julie J, Ms. LAM, Po Yee and Ms MUNRO, Joanna. The non-executive directors of the Manager are Ms. CHEANG, Wai Wan Louisa, Mr. FLINT, John Michael, Mr. HARVEY-SAMUEL, Guy Daniel 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

Resignation of Director

HSBC Global Asset Management (Hong Kong) Limited, as the Manager of the Fund, hereby announces that Mr. FRIED, David Lawrence has resigned as Director of the Manager with effect from 1 October 2011.

The Offering Circular of the Fund has been revised accordingly. A copy of the Supplement to the Offering Circular dated 30 September 2011 has been posted on the Fund's website on 30 September 2011.

The Manager of the Fund accepts responsibility for the accuracy of the information 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
30 September 2011

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. BERRY, Stuart Glenn, Ms. KOO, Julie J, Ms. LAM, Po Yee and Ms MUNRO, Joanna. The non-executive directors of the Manager are Ms. CHEANG, Wai Wan Louisa, Mr. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. HARVEY-SAMUEL, Guy Daniel and Mr. PACTON, Olivier

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HSBC CHINA DRAGON FUND
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(Stock Code: 820)
Announcement

POLL RESULTS OF THE GENERAL MEETING HELD ON 26 SEPTEMBER 2011

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 26 September 2011:

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	103,291,600 (99.99%)	14,000 (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 29 August 2011.
- (b) As at the date of the General Meeting, the number of units in issue of the Fund was 351,176,500.
- (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 351,176,500.
- (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.

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

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
26 September 2011

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. BERRY, Stuart Glenn, Ms. KOO, Julie J, Ms. LAM, Po Yee and Ms MUNRO, Joanna. The non-executive directors of the Manager are Ms. CHEANG, Wai Wan Louisa, Mr. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. HARVEY-SAMUEL, Guy Daniel and Mr. PACTON, Olivier

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HSBC CHINA DRAGON FUND

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(Stock Code: 820)

Announcement

Resignation of Director

HSBC Global Asset Management (Hong Kong) Limited, as the Manager of the Fund, hereby announces that with effect from 9 September 2011, Mr. McCOMBE, Mark Seumas has resigned as Director of the Manager.

The Offering Circular of the Fund has been revised accordingly. A copy of the Supplement to the Offering Circular dated 19 September 2011 has been posted on the Fund's website on 19 September 2011.

The Manager of the Fund accepts responsibility for the accuracy of the information 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 September 2011

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. BERRY, Stuart Glenn, Ms. KOO, Julie J, Ms. LAM, Po Yee and Ms MUNRO, Joanna. The non-executive directors of the Manager are Ms. CHEANG, Wai Wan Louisa, Mr. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. HARVEY-SAMUEL, Guy Daniel 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 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		
	2011 year-to-date	2010 full year	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)	-12.64%	5.78%	89.66%	-59.35%	32.50%	-9.70%	-1.59%	-5.61%
<i>MSCI China A</i>	-5.50%	-4.02%	97.00%	-61.99%	20.96%	-8.85%	5.59%	-17.85%
The Fund’s non A-share and non QFII investments (gross of expenses)	-6.43%	5.62%	69.11%	-55.17%	28.40%	-3.74%	6.72%	-3.80%
<i>MSCI China</i>	-8.90%	5.10%	62.71%	-51.12%	23.43%	-6.93%	0.02%	-6.01%

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		
	2011 year-to-date	2010 full year	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)	-10.09%	4.76%	75.51%	-57.82%	29.48%	-7.19%	1.83%	-9.73%

As at 31 August 2011:

Net asset value per unit of the Fund:	HK\$8.91
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$7.12
Discount / Premium to net asset value:	20.09% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 August 2011 (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
19 September 2011

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. BERRY, Stuart Glenn, Ms. KOO, Julie J, Ms. LAM, Po Yee and Ms MUNRO, Joanna. The non-executive directors of the Manager are Ms. CHEANG, Wai Wan Louisa, Mr. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. HARVEY-SAMUEL, Guy Daniel and Mr. PACTON, Olivier

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HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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(Stock Code: 820)

Announcement

**Resignation of Director and Clarification of Circular to Holders and Notice of
General Meeting**

HSBC Global Asset Management (Hong Kong) Limited, as the Manager of the Fund, hereby announces that with effect from 20 August 2011, Mr. LEUNG, William Wing Cheung has resigned as Director of the Manager.

The Offering Circular of the Fund has been revised accordingly. A copy of the Supplement to the Offering Circular dated 29 August 2011 has been posted on the Fund's website on 29 August 2011.

As a result of the resignation of Mr. Leung as Director of the Manager, references to Mr. Leung in the Circular to Holders and Notice of General Meeting dated 29 August 2011 in relation to the renewal of general mandate to repurchase units shall be disregarded, in particular:

1. in relation to the Circular to Holders, all references to "LEUNG, William Wing Cheung" on page 1, 4 and 16 shall be deleted; and
2. in relation to the Notice of General Meeting, the reference to "LEUNG, William Wing Cheung" on page 3 shall be deleted.

The Manager of the Fund accepts responsibility for the accuracy of the information 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
29 August 2011

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. BERRY, Stuart Glenn, Ms. KOO, Julie J, Ms. LAM, Po Yee and Ms. MUNRO, Joanna. The non-executive directors of the Manager are Mr. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, Mr. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. HARVEY-SAMUEL, Guy Daniel 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.

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 circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this circular.

HSBC CHINA DRAGON FUND**滙豐中國翔龍基金**

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(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 19 September 2011
Book close period:	20 September 2011 to 26 September 2011 (both days inclusive)
Last date and time for lodgement of proxy form:	10:00 a.m. on 24 September 2011
Date and time of General Meeting:	10:00 a.m. on 26 September 2011
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 9 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 26 September 2011, at 10:00 a.m. is set out on pages 15 to 16 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 24 September 2011 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.

CONTENTS

	Page
Corporate Information	1
Definitions	2
Letter to the Holders	4
I. Introduction	4
II. Proposed Renewal of General Mandate to Repurchase Units	5
III. General Meeting	8
IV. General Information	9
V. Responsibility Statement	9
Explanatory Statement	10
1. Issued Units	10
2. Reasons for the 2011 Repurchase Mandate	10
3. Funding of Repurchases	10
4. Restrictions and Notification Requirements on Repurchases	11
5. Unit Prices	11
6. Units Repurchased	11
7. Status of Repurchased Units	14
8. Directors' Undertaking	14
9. Disclosure of Interests	14
10. Trustee's Confirmation and Consent	14
Notice of the General Meeting	15

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> BERRY, Stuart Glenn KOO, Julie J LAM, Po Yee MUNRO, Joanna <i>Non-executive Directors</i> McCOMBE, Mark Seumas CHEANG, Wai Wan Louisa 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 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

DEFINITIONS

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

“2010 Repurchase Mandate”	a general mandate granted to the Manager on 11 October 2010 to enable the Manager to repurchase on behalf of the Fund a maximum of 36,161,750 Units representing not more than 10% of the aggregate number of Units in issue as at the date of passing the resolution approving the 2010 Repurchase Mandate and on the terms and subject to the conditions of the 2010 Repurchase Mandate
“2011 Repurchase Mandate”	a general mandate proposed to be granted to the Manager to enable it to repurchase on behalf of the Fund 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 2011 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 26 September 2011 at 10:00a.m.
“Handbook”	the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products
“Holder(s)”	holder(s) of Units
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	23 August 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Offering Circular”	the offering circular of the of the Fund dated 6 July 2007 and include any amendments and supplements thereto
“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

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(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

BERRY, Stuart Glenn

KOO, Julie J

LAM, Po Yee

MUNRO, Joanna

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

FLINT, John Michael

FRIED, David Lawrence

HARVEY-SAMUEL, Guy Daniel

LEUNG, William Wing Cheung

PACTON, Olivier

29 August 2011

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 29 August 2011 by the Manager in relation to, among other things, the 2011 Repurchase Mandate. The purposes of this circular are: (i) to provide you with further information regarding the 2011 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 2010 Repurchase Mandate

On 11 October 2010, the Holders approved, by way of ordinary resolution, the 2010 Repurchase Mandate. Pursuant to the conditions of the 2010 Repurchase Mandate, the maximum number of Units the Manager can repurchase on behalf of the Fund under the 2010 Repurchase Mandate was 36,161,750 Units.

As at the Latest Practicable Date, the aggregate total number of Units the Manager has repurchased on behalf of the Fund under the 2010 Repurchase Mandate is 8,148,500 Units. Details of exercise of the 2010 Repurchase Mandate as follows:

Date of exercise	Units being repurchased by the Manager on behalf of the Fund	Purchase price per Unit (HK\$)	
		Highest	Lowest
11 October 2010	336,500	8.60	8.35
12 October 2010	267,000	8.65	8.40
13 October 2010	192,000	8.68	8.52
14 October 2010	363,000	8.80	8.65
15 October 2010	326,000	8.90	8.70
18 October 2010	268,500	8.89	8.70
19 October 2010	163,000	8.82	8.77
20 October 2010	298,500	8.80	8.53
21 October 2010	158,000	8.80	8.56
22 October 2010	134,000	8.80	8.65
25 October 2010	156,500	8.80	8.60
26 October 2010	103,000	8.80	8.78
27 October 2010	282,500	8.79	8.68
16 May 2011	17,500	8.32	8.29
17 May 2011	48,500	8.25	8.21
18 May 2011	30,000	8.30	8.21
19 May 2011	62,500	8.35	8.30
20 May 2011	55,000	8.32	8.25
23 May 2011	26,500	8.26	8.13
24 May 2011	21,500	8.16	8.14
25 May 2011	55,000	8.15	8.13
26 May 2011	25,000	8.20	8.15
27 May 2011	48,500	8.26	8.23
30 May 2011	52,000	8.20	8.15
31 May 2011	75,000	8.30	8.23
01 June 2011	69,000	8.32	8.30
02 June 2011	125,000	8.21	8.18
03 June 2011	32,000	8.18	8.17
07 June 2011	33,000	8.25	8.20
08 June 2011	54,500	8.25	8.18
09 June 2011	155,500	8.15	8.00
10 June 2011	26,000	8.08	8.03
13 June 2011	83,000	8.05	7.97
14 June 2011	27,500	8.06	8.01
15 June 2011	29,500	8.10	8.01
16 June 2011	25,500	7.96	7.89
17 June 2011	86,000	7.90	7.83
20 June 2011	68,500	7.89	7.81
21 June 2011	44,500	7.85	7.81
22 June 2011	36,500	7.87	7.83
23 June 2011	29,000	7.90	7.82
24 June 2011	46,500	8.07	7.99

LETTER TO THE HOLDERS

Date of exercise	Units being repurchased by the Manager on behalf of the Fund	Purchase price per Unit (HK\$)	
		Highest	Lowest
27 June 2011	31,000	8.10	8.06
28 June 2011	22,000	8.09	8.05
29 June 2011	49,000	8.16	8.08
30 June 2011	75,000	8.40	8.13
4 July 2011	200,000	8.40	8.30
5 July 2011	22,000	8.36	8.32
6 July 2011	23,500	8.25	8.20
7 July 2011	197,000	8.31	8.29
8 July 2011	107,500	8.36	8.31
11 July 2011	43,500	8.25	8.15
12 July 2011	36,000	8.10	8.03
13 July 2011	27,000	8.08	8.03
14 July 2011	31,000	8.06	8.00
15 July 2011	20,500	8.10	8.07
18 July 2011	41,500	8.03	8.00
19 July 2011	46,500	8.00	7.89
20 July 2011	162,500	8.03	7.98
21 July 2011	15,000	7.96	7.95
22 July 2011	33,000	8.10	8.00
25 July 2011	35,000	8.06	7.90
26 July 2011	82,500	8.02	7.96
27 July 2011	33,000	8.05	7.97
28 July 2011	6,000	8.03	8.03
29 July 2011	8,500	8.00	7.93
1 August 2011	70,000	8.10	8.01
2 August 2011	35,500	8.15	7.98
3 August 2011	89,000	7.98	7.82
4 August 2011	79,500	8.01	7.97
5 August 2011	135,500	7.61	7.51
8 August 2011	190,000	7.39	7.26
9 August 2011	174,000	7.08	6.70
10 August 2011	185,500	7.25	7.01
11 August 2011	54,500	7.15	7.00
12 August 2011	58,500	7.30	7.18
15 August 2011	109,000	7.50	7.28
16 August 2011	35,000	7.39	7.33
17 August 2011	30,500	7.31	7.36
18 August 2011	750,000	7.23	7.23
19 August 2011	69,000	7.07	7.03
22 August 2011	149,000	7.01	6.97
23 August 2011	48,500	7.00	6.91

Under the conditions of the 2010 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 2010 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 2010 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 2010 Repurchase Mandate, the 2010 Repurchase Mandate will lapse on 11 October 2011.

LETTER TO THE HOLDERS

2. Proposed 2011 Repurchase Mandate

The Manager wishes to convene the General Meeting to seek approvals of the Holders by way of ordinary resolution to approve the 2011 Repurchase Mandate subject to the terms and conditions set out in the Explanatory Statement.

As at the Latest Practicable Date, 351,934,000 Units are in issue. Subject to the passing of the proposed resolution for the 2011 Repurchase Mandate, the Manager will be granted a general mandate to repurchase on behalf of the Fund a maximum of 10% of the number of Units in issue as at the date of the resolution approving the 2011 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 the 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 on behalf of the Fund 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; or (b) the net asset value per Unit on the preceding trading day, whichever is lower.

The 2011 Repurchase Mandate will, if granted, be effective during the period (the “**Relevant Period**”) from the date of the resolution approving of the 2011 Repurchase Mandate until the earlier of: (i) the expiration of 12 months following the passing of the resolution approving the 2011 Repurchase Mandate; and (ii) its revocation or variation by an ordinary resolution of the Holders at a general meeting of the Holders.

Reasons for the 2011 Repurchase Mandate

The Fund has been trading at a discount to its net asset value for the past 12 months up to 22 August 2011. The level of discount reached a high of 20% on 9 August 2011. The average discount for the six months, three months and one month to 22 August 2011 are 15.42%, 16.08% and 17.92% respectively. The Manager believes that the approval of the 2011 Repurchase Mandate by the Holders would enable the Manager to conduct on-market repurchase of Units on behalf of the Fund 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 2011 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 2011 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 2011 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.

LETTER TO THE HOLDERS

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 on behalf of the Fund under the 2011 Repurchase Mandate will be 35,193,400 Units.

Recommendation

The Directors are of the opinion that the 2011 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 2011 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 26 September 2011, 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 15 to 16 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 15 to 16 of this circular) and a form of proxy for use for the General Meeting.

Pursuant to paragraphs 8 and 9 of Schedule 3 to the Trust Deed, at any meeting 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 24 September 2011 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 2011 Repurchase Mandate is subject to approval by the Holders at the General Meeting.

3. Closure of the Register of Holders

For the purpose of determining the identity of the Holders who are entitled to attend and vote at the General Meeting, the register of Holders of the Fund will be closed from 20 September 2011 to 26 September 2011, 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 19 September 2011.

LETTER TO THE HOLDERS

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
Joanna MUNRO
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 2011 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 29 August 2011.

1. ISSUED UNITS

As at the Latest Practicable Date, 351,934,000 Units are in issue. Subject to the passing of the proposed resolution for the 2011 Repurchase Mandate, the Manager will be granted a generate mandate to repurchase on behalf of the Fund a maximum of 10% of the number of Units in issue as at the date of the resolution approving the 2011 Repurchase Mandate. If there are no new Units issued or repurchased from the Latest Practicable Date till the date of the General Meeting, the maximum number of Units the Manager can repurchase on behalf of the Fund under the 2011 Repurchase Mandate will be 35,193,400 Units.

2. REASONS FOR THE 2011 REPURCHASE MANDATE

The Fund has been trading at a discount to its net asset value for the past 12 months up to 22 August 2011. The level of discount reached a high of 20% on 9 August 2011. The average discount for the six months, three months and one month to 22 August 2011 are 15.42%, 16.08% and 17.92% respectively.

The Manager believes that the 2011 Repurchase Mandate is in the interest of the Fund and the Holders as a whole. The approval of the 2011 Repurchase Mandate by the Holders would enable the Manager to conduct on-market repurchase of Units on behalf of the Fund 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 2011 Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse impact on the working capital or gearing position of the Fund (as compared with the position disclosed in its most recent published audited accounts).

4. RESTRICTIONS AND NOTIFICATION REQUIREMENTS ON REPURCHASES

The Fund shall comply with the restrictions and notification requirements applicable to listed companies purchasing their own shares on a stock exchange under rule 10.06 of the Listing Rules, with necessary changes being made, as if the provisions therein were applicable to the Fund. These include, but are not limited to, the dealing restrictions, the restrictions on subsequent issues, the reporting requirements and status of purchased Units. In particular, the Manager will not repurchase on behalf of the Fund 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
August 2010	7.74	7.30
September 2010	8.20	7.42
October 2010	8.90	8.15
November 2010	9.10	8.39
December 2010	8.70	8.32
January 2011	8.72	8.10
February 2011	8.37	8.02
March 2011	8.74	7.91
April 2011	8.80	8.40
May 2011	8.55	8.13
June 2011	8.40	7.80
July 2011	8.40	7.89
August 2011 (up to the Latest Practicable Date)	8.24	6.70

6. UNITS REPURCHASED

As at the Latest Practicable Date, the aggregate total number of Units the Manager has repurchased on behalf of the Fund under the 2010 Repurchase Mandate is 8,148,500 Units. Details of exercise of the 2010 Repurchase Mandate as follows:

Date of exercise	Units being repurchased by the Manager on behalf of the Fund	Purchase price per Unit (HK\$)	
		Highest	Lowest
11 October 2010	336,500	8.60	8.35
12 October 2010	267,000	8.65	8.40
13 October 2010	192,000	8.68	8.52
14 October 2010	363,000	8.80	8.65
15 October 2010	326,000	8.90	8.70
18 October 2010	268,500	8.89	8.70
19 October 2010	163,000	8.82	8.77

Date of exercise	Units being repurchased by the Manager on behalf of the Fund	Purchase price per Unit (HK\$)	
		Highest	Lowest
20 October 2010	298,500	8.80	8.53
21 October 2010	158,000	8.80	8.56
22 October 2010	134,000	8.80	8.65
25 October 2010	156,500	8.80	8.60
26 October 2010	103,000	8.80	8.78
27 October 2010	282,500	8.79	8.68
16 May 2011	17,500	8.32	8.29
17 May 2011	48,500	8.25	8.21
18 May 2011	30,000	8.30	8.21
19 May 2011	62,500	8.35	8.30
20 May 2011	55,000	8.32	8.25
23 May 2011	26,500	8.26	8.13
24 May 2011	21,500	8.16	8.14
25 May 2011	55,000	8.15	8.13
26 May 2011	25,000	8.20	8.15
27 May 2011	48,500	8.26	8.23
30 May 2011	52,000	8.20	8.15
31 May 2011	75,000	8.30	8.23
01 June 2011	69,000	8.32	8.30
02 June 2011	125,000	8.21	8.18
03 June 2011	32,000	8.18	8.17
07 June 2011	33,000	8.25	8.20
08 June 2011	54,500	8.25	8.18
09 June 2011	155,500	8.15	8.00
10 June 2011	26,000	8.08	8.03
13 June 2011	83,000	8.05	7.97
14 June 2011	27,500	8.06	8.01
15 June 2011	29,500	8.10	8.01
16 June 2011	25,500	7.96	7.89
17 June 2011	86,000	7.90	7.83
20 June 2011	68,500	7.89	7.81
21 June 2011	44,500	7.85	7.81
22 June 2011	36,500	7.87	7.83
23 June 2011	29,000	7.90	7.82
24 June 2011	46,500	8.07	7.99
27 June 2011	31,000	8.10	8.06
28 June 2011	22,000	8.09	8.05
29 June 2011	49,000	8.16	8.08
30 June 2011	75,000	8.40	8.13

Date of exercise	Units being repurchased by the Manager on behalf of the Fund	Purchase price per Unit (HK\$)	
		Highest	Lowest
4 July 2011	200,000	8.40	8.30
5 July 2011	22,000	8.36	8.32
6 July 2011	23,500	8.25	8.20
7 July 2011	197,000	8.31	8.29
8 July 2011	107,500	8.36	8.31
11 July 2011	43,500	8.25	8.15
12 July 2011	36,000	8.10	8.03
13 July 2011	27,000	8.08	8.03
14 July 2011	31,000	8.06	8.00
15 July 2011	20,500	8.10	8.07
18 July 2011	41,500	8.03	8.00
19 July 2011	46,500	8.00	7.89
20 July 2011	162,500	8.03	7.98
21 July 2011	15,000	7.96	7.95
22 July 2011	33,000	8.10	8.00
25 July 2011	35,000	8.06	7.90
26 July 2011	82,500	8.02	7.96
27 July 2011	33,000	8.05	7.97
28 July 2011	6,000	8.03	8.03
29 July 2011	8,500	8.00	7.93
1 August 2011	70,000	8.10	8.01
2 August 2011	35,500	8.15	7.98
3 August 2011	89,000	7.98	7.82
4 August 2011	79,500	8.01	7.97
5 August 2011	135,500	7.61	7.51
8 August 2011	190,000	7.39	7.26
9 August 2011	174,000	7.08	6.70
10 August 2011	185,500	7.25	7.01
11 August 2011	54,500	7.15	7.00
12 August 2011	58,500	7.30	7.18
15 August 2011	109,000	7.50	7.28
16 August 2011	35,000	7.39	7.33
17 August 2011	30,500	7.31	7.36
18 August 2011	750,000	7.23	7.23
19 August 2011	69,000	7.07	7.03
22 August 2011	149,000	7.01	6.97
23 August 2011	48,500	7.00	6.91

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 on behalf of the Fund pursuant to the 2011 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, the Handbook 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 2011 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 2011 Repurchase Mandate is granted.

10. TRUSTEE'S CONFIRMATION AND CONSENT

The Trustee has confirmed their opinion that the proposed 2011 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 2011 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 2011 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 2011 Repurchase Mandate, other than for the purposes of fulfilling its fiduciary duties set out in the Trust Deed, the Code and the Handbook.

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 a 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 26 September 2011 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 behalf 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, the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products 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 29 August 2011 (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 on behalf of the Fund 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 on behalf of the Fund 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
Joanna MUNRO
Director of the Manager

Hong Kong, 29 August 2011

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) For the purpose of determining the identity of the Holders who are entitled to attend and vote at the General Meeting, the register of Holders of the Fund will be closed from 20 September 2011 to 26 September 2011, 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 19 September 2011.
- (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 Mr. BERRY, Stuart Glenn, Ms. KOO, Julie J, Ms. LAM, Po Yee and Ms. MUNRO, Joanna. The non-executive directors of the Manager are Mr. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, Mr. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. HARVEY-SAMUEL, Guy Daniel, Mr. LEUNG, William Wing Cheung and Mr. PACTON, Olivier.

The Stock Exchange of Hong Kong Limited, Hong Kong Exchanges and Clearing 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

*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 a 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 26 September 2011 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 behalf 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, the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products 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 29 August 2011 (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 on behalf of the Fund 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 on behalf of the Fund 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
Joanna MUNRO
Director of the Manager

Hong Kong, 29 August 2011

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) For the purpose of determining the identity of the Holders who are entitled to attend and vote at the General Meeting, the register of Holders of the Fund will be closed from 20 September 2011 to 26 September 2011, 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 19 September 2011.
- (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 date of this announcement, the board of directors of the Manager is comprised as follows: The executive directors of the Manager are Mr. BERRY, Stuart Glenn, Ms. KOO, Julie J, Ms. LAM, Po Yee and Ms. MUNRO, Joanna. The non-executive directors of the Manager are Mr. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, Mr. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. HARVEY-SAMUEL, Guy Daniel, Mr. LEUNG, William Wing Cheung and Mr. PACTON, Olivier.

The Stock Exchange of Hong Kong Limited, Hong Kong Exchanges and Clearing 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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(Stock Code: 820)

Announcement

PROPOSED RENEWAL OF GENERAL MANDATE TO REPURCHASE UNITS

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

HSBC Global Asset Management (Hong Kong) Limited (the "**Manager**") wishes to announce that it is convening a general meeting (the "**General Meeting**") 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 of the Fund (the "**Units**") on-market on behalf of the Fund (the "**2011 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 26 September 2011.

Further details of the 2011 Repurchase Mandate and the General Meeting shall be set out in the circular (the "**Circular**") to be despatched to the Holders on or around 29 August 2011, together with an explanatory statement and a notice of the General Meeting. The implementation of the 2011 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 2010 Repurchase Mandate

On 11 October 2010, the Holders approved, by way of ordinary resolution, a repurchase mandate (the "**2010 Repurchase Mandate**") to grant the Manager all powers to repurchase Units on-market on behalf of the Fund, subject to the conditions of the 2010 Repurchase Mandate.

There were 361,617,500 Units in issue as at the date of the resolution approving the 2010 Repurchase Mandate. Pursuant to the conditions of the 2010 Repurchase Mandate, the maximum number of Units the Manager can repurchase on behalf of the Fund under the 2010 Repurchase Mandate was 36,161,750 Units.

As at 23 August 2011 (being the latest practicable date as set out in the Circular), the aggregate total number of Units the Manager has repurchased on behalf of the Fund under the 2010 Repurchase Mandate is 8,148,500 Units. Details of exercise of the 2010 Repurchase Mandate are as follows:

Date of exercise	Units being repurchased by the Manager on behalf of the Fund	Purchase price per Unit (HK\$)	
		Highest	Lowest
11 October 2010	336,500	8.60	8.35
12 October 2010	267,000	8.65	8.40
13 October 2010	192,000	8.68	8.52
14 October 2010	363,000	8.80	8.65
15 October 2010	326,000	8.90	8.70
18 October 2010	268,500	8.89	8.70
19 October 2010	163,000	8.82	8.77
20 October 2010	298,500	8.80	8.53
21 October 2010	158,000	8.80	8.56
22 October 2010	134,000	8.80	8.65
25 October 2010	156,500	8.80	8.60
26 October 2010	103,000	8.80	8.78
27 October 2010	282,500	8.79	8.68
16 May 2011	17,500	8.32	8.29
17 May 2011	48,500	8.25	8.21
18 May 2011	30,000	8.30	8.21
19 May 2011	62,500	8.35	8.30
20 May 2011	55,000	8.32	8.25
23 May 2011	26,500	8.26	8.13
24 May 2011	21,500	8.16	8.14
25 May 2011	55,000	8.15	8.13
26 May 2011	25,000	8.20	8.15
27 May 2011	48,500	8.26	8.23
30 May 2011	52,000	8.20	8.15
31 May 2011	75,000	8.30	8.23
01 June 2011	69,000	8.32	8.30
02 June 2011	125,000	8.21	8.18
03 June 2011	32,000	8.18	8.17
07 June 2011	33,000	8.25	8.20
08 June 2011	54,500	8.25	8.18
09 June 2011	155,500	8.15	8.00
10 June 2011	26,000	8.08	8.03
13 June 2011	83,000	8.05	7.97
14 June 2011	27,500	8.06	8.01
15 June 2011	29,500	8.10	8.01
16 June 2011	25,500	7.96	7.89
17 June 2011	86,000	7.90	7.83
20 June 2011	68,500	7.89	7.81
21 June 2011	44,500	7.85	7.81
22 June 2011	36,500	7.87	7.83
23 June 2011	29,000	7.90	7.82
24 June 2011	46,500	8.07	7.99
27 June 2011	31,000	8.10	8.06
28 June 2011	22,000	8.09	8.05
29 June 2011	49,000	8.16	8.08
30 June 2011	75,000	8.40	8.13
4 July 2011	200,000	8.40	8.30

Date of exercise	Units being repurchased by the Manager on behalf of the Fund	Purchase price per Unit (HK\$)	
		Highest	Lowest
5 July 2011	22,000	8.36	8.32
6 July 2011	23,500	8.25	8.20
7 July 2011	197,000	8.31	8.29
8 July 2011	107,500	8.36	8.31
11 July 2011	43,500	8.25	8.15
12 July 2011	36,000	8.10	8.03
13 July 2011	27,000	8.08	8.03
14 July 2011	31,000	8.06	8.00
15 July 2011	20,500	8.10	8.07
18 July 2011	41,500	8.03	8.00
19 July 2011	46,500	8.00	7.89
20 July 2011	162,500	8.03	7.98
21 July 2011	15,000	7.96	7.95
22 July 2011	33,000	8.10	8.00
25 July 2011	35,000	8.06	7.90
26 July 2011	82,500	8.02	7.96
27 July 2011	33,000	8.05	7.97
28 July 2011	6,000	8.03	8.03
29 July 2011	8,500	8.00	7.93
1 August 2011	70,000	8.10	8.01
2 August 2011	35,500	8.15	7.98
3 August 2011	89,000	7.98	7.82
4 August 2011	79,500	8.01	7.97
5 August 2011	135,500	7.61	7.51
8 August 2011	190,000	7.39	7.26
9 August 2011	174,000	7.08	6.70
10 August 2011	185,500	7.25	7.01
11 August 2011	54,500	7.15	7.00
12 August 2011	58,500	7.30	7.18
15 August 2011	109,000	7.50	7.28
16 August 2011	35,000	7.39	7.33
17 August 2011	30,500	7.31	7.36
18 August 2011	750,000	7.23	7.23
19 August 2011	69,000	7.07	7.03
22 August 2011	149,000	7.01	6.97
23 August 2011	48,500	7.00	6.91

Under the conditions of the 2010 Repurchase Mandate, such mandate will lapse on the earlier date of: (i) the expiration of 12 months following the passing of the resolution approving the 2010 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 2010 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 2010 repurchase mandate, the 2010 Repurchase Mandate will lapse on 11 October 2011.

2. Proposed 2011 Repurchase Mandate

The Manager wishes to convene the General Meeting to seek approvals of the Holders by way of ordinary resolution to approve the 2011 Repurchase Mandate.

The 2011 Repurchase Mandate will, if granted, be effective during the period (the "**Relevant Period**") from the date of the resolution approving the 2011 Repurchase Mandate until the earlier of: (i) the expiration of 12 months following the passing of the resolution approving the 2011 Repurchase Mandate; and (ii) its revocation or variation by an ordinary resolution of the Holders at a general meeting of the Holders.

As at 23 August 2011 (being the latest practicable date as set out in the Circular), 351,934,000 Units are in issue. Subject to the passing of the proposed resolution for the 2011 Repurchase Mandate, the Manager will be granted a general mandate to repurchase on behalf of the Fund a maximum of 10% of the number of Units in issue as at the date of the resolution approving the 2011 Repurchase Mandate. If there are no new Units issued or no Units repurchased from 23 August 2011 (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 on behalf of the Fund under the 2011 Repurchase Mandate will be 35,193,400 Units.

3. Rationale for the 2011 Repurchase Mandate

The Manager believes that the 2011 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 up to 22 August 2011. The level of discount reached a high of 20% on 9 August 2011. The average discount for the six months, three months and one month to 22 August 2011 are 15.42%, 16.08% and 17.92% respectively. The Manager believes that the approval of the 2011 Repurchase Mandate by the Holders would enable the Manager to conduct on-market repurchase of Units on behalf of the Fund 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 26 September 2011, where an ordinary resolution will be proposed for the Holders to consider and, if thought fit, approve the 2011 Repurchase Mandate.

The implementation of the 2011 Repurchase Mandate is subject to approval by the Holders at the General Meeting.

III. CLOSURE OF THE REGISTER OF HOLDERS

For the purpose of determining the identity of the Holders who are entitled to attend and vote at the General Meeting, the register of Holders of the Fund will be closed from 20 September 2011 to 26 September 2011, 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 19 September 2011.

IV. 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 the 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 on behalf of the Fund 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.

V. FURTHER DETAILS

Further details of the 2011 Repurchase Mandate and the General Meeting shall be set out in the Circular to be despatched to the Holders on or around 29 August 2011, together with an explanatory statement and a notice of the General Meeting.

VI. GENERAL INFORMATION

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

The listing of the Funds 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 of the Fund (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
29 August 2011

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. BERRY, Stuart Glenn, Ms. KOO, Julie J, Ms. LAM, Po Yee and Ms. MUNRO, Joanna. The non-executive directors of the Manager are Mr. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, Mr. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. HARVEY-SAMUEL, Guy Daniel 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)

29 August 2011

Dear Unitholders,

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

The Circular and Notice of 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 HKExnews’s 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,

Joanna MUNRO

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言

滙豐中國翔龍基金(「本基金」)通知舉行持有人大會的通函(「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,並於香港交易所披露易網站www.hkexnews.hk登載。

如閣下欲更改已選擇的語言版本及收取方式,可隨時填寫隨附的變更申請表格,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格的掃描副本電郵到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

文雅莉

謹啟

2011年8月29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

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(Stock Code: 820)

FORM OF PROXY FOR USE BY HOLDERS AT THE GENERAL MEETING TO BE HELD ON 26 SEPTEMBER 2011

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 26 September 2011 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 29 August 2011.

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 2011 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 on behalf of the Fund		

Dated this _____ day of _____ 2011

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 General 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 General 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. For the purpose of determining the identity of the Holders who are entitled to attend and vote at the General Meeting, the register of Holders will be closed from 20 September 2011 to 26 September 2011, 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 19 September 2011.
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 the General 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 INITIALED BY THE PERSON WHO SIGNS IT.

Change Request Form 變更申請表格

To: **HSBC China Dragon Fund (the "Fund")**
c/o Computershare Hong Kong Investor Services Limited
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 閣下清楚填寫所有資料。
- 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, 則本變更申請表格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.com@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.com@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-290811

閣下寄回此變更申請表格時, 請將郵寄標籤剪貼於信封上。

如在本港投寄毋須貼上郵票。

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

No postage stamp necessary if posted in Hong Kong.

郵寄標籤 MAILING LABEL

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

IMPORTANT

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

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		
	2011 year-to-date	2010 full year	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)	-9.34%	5.78%	89.66%	-59.35%	32.50%	-2.96%	7.29%	-2.04%
<i>MSCI China A</i>	-1.87%	-4.02%	97.00%	-61.99%	20.96%	1.06%	12.81%	-14.70%
The Fund’s non A-share and non QFII investments (gross of expenses)	3.63%	5.62%	69.11%	-55.17%	28.40%	4.16%	16.49%	6.54%
<i>MSCI China</i>	0.53%	5.10%	62.71%	-51.12%	23.43%	0.77%	7.51%	3.71%

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		
	2011 year-to-date	2010 full year	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)	-3.53%	4.76%	75.51%	-57.82%	29.48%	-0.21%	10.90%	-3.14%

As at 31 July 2011:

Net asset value per unit of the Fund:	HK\$9.56
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$8.02
Discount / Premium to net asset value:	16.11% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 July 2011 (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 August 2011

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. BERRY, Stuart Glenn, Ms. KOO, Julie J, Ms. LAM, Po Yee and Ms MUNRO, Joanna. The non-executive directors of the Manager are Mr. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, 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 Exchanges and Clearing Limited, Hong Kong Securities Clearing Company Limited and the Hong Kong Securities and Futures Commission 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.

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

Rectification of Error for 2011 Annual Report

In page 1 of the 2011 Annual Report, the date of the “Manager’s report” shall be changed from “31 August 2011” to “18 July 2011”. All other information remains unchanged.

The Manager of the Fund accepts responsibility for the accuracy of the information 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
29 July 2011

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. BERRY, Stuart Glenn, Ms. KOO, Julie J, Ms. LAM, Po Yee and Ms. MUNRO, Joanna. The non-executive directors of the Manager are Mr. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, 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))
(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)

22 July 2011

Dear Unitholders,

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

The 2011 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,

MUNRO, Joanna

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」)2011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有限公司網站 www.hkexnews.hk 登載。

如閣下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

文雅莉女士

謹啟

2011年7月22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。
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- 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)

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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**
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- 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

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請 閣下清楚填妥所有資料。
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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。
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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。

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郵寄標籤 MAILING LABEL

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

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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

Managed by
HSBC Global Asset Management (Hong Kong) Limited

2011 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 2010 to 31 March 2011.

The annual results of the Fund for the period from 1 April 2010 to 31 March 2011 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 2010 to 31 March 2011.

Manager’s report

Review

The MSCI China Index ended the period of review higher than it started after recovering from earlier losses, while the MSCI China A Index fell in terms of RMB over the period.

The China market remained concerned about a slowdown in economic activities, as the central bank continued to tighten measures to curb loan growth and control inflation as food prices surged. The government also tightened property measures to control prices and address speculation. In addition, external factors affected investor sentiment as civil tension in the Middle East and North Africa escalated, exerting upward pressure on the oil price and worsening the inflation outlook. The earthquake and tsunami in Japan also added risk to the growth outlook.

Outlook

The near-term performance of China's equity market is likely to be determined by the magnitude of monetary tightening. Curbing inflationary pressure and overheating in the property market are top of the political agenda. Striking a balance between maintaining growth and curbing inflation remains the focus of the policy.

But as previous measures take effect, concerns are likely to ease in the coming months. And as inflation is expected to peak in the second quarter, the China market is likely to perform better in the second half of the year.

Investor sentiment may also draw comfort from the policy direction of the 12th Five-Year Plan, which was approved at the National People's Congress meeting in March 2011. The major focus of the plan is to promote domestic consumption, encourage urbanisation and increase investment in technology upgrades, renewable energy and social services. The pro-growth policies will boost domestic spending and create attractive investment opportunities across numerous sectors. The fund favours sectors that can benefit from the 12th Five-Year Plan, such as high-end consumption, renewable energy and selected domestic commodities. The savings rate in China has gone up gradually over the past 10 years and this will benefit discretionary spending in China. China is going to reduce energy consumption by 17% per unit of GDP over the next five years, which will increase the use of alternative energy.

China market valuations have fallen to relatively attractive levels following the recent correction, and the 2011 earnings growth estimates remain positive. Surprise positive earnings in selected sectors should help drive market performance.

Overall, China's GDP is expected to continue to increase, driven by robust consumption and investment growth.

All told, once tightening overhangs are removed, investors could be attracted to laggard markets such as China, which is one of the cheapest in Asia, and which is trading at a 12-month forward price-to-earnings ratio of around 11.2x*.

* *Source: I/B/E/S, MSCI, J.P. Morgan estimates, data as at 31 March 2011.*

Statement of assets and liabilities

As at 31 March 2011

	Note	2011 HK\$	2010 HK\$
Assets			
Investments at fair value through profit or loss	6, 12	3,453,504,294	3,307,881,739
Amounts receivable on sale of investments		5,066,276	29,317,482
Dividend and other receivables		3,968,484	3,203,192
Cash and cash equivalents	7(d)	<u>176,971,669</u>	<u>165,431,204</u>
Total assets		<u>3,639,510,723</u>	<u>3,505,833,617</u>
Liabilities			
Taxation	5	89,975,009	55,236,173
Amounts payable on purchases of investments		24,110,354	41,686,016
Accrued expenses and other payables	7(a), (b) & (c)	<u>5,320,459</u>	<u>5,466,435</u>
Total liabilities		<u>119,405,822</u>	<u>102,388,624</u>
Net assets attributable to unitholders		<u>3,520,104,901</u>	<u>3,403,444,993</u>
Representing:			
Total equity		<u>3,520,104,901</u>	<u>3,403,444,993</u>
Number of units in issue	9	<u>357,034,000</u>	<u>371,910,000</u>
Net asset value per unit		<u>9.86</u>	<u>9.15</u>

Statement of comprehensive income

For the year ended 31 March 2011

	Note	2011 HK\$	2010 HK\$
Dividend income		50,843,911	44,118,283
Interest income on deposits	3,7(d)	1,687,623	674,088
Net gains from investments	4	298,491,756	1,183,373,551
Net foreign exchange gain		2,775,079	6,775
Other income		—	27
Net investment gain		<u>353,798,369</u>	<u>1,228,172,724</u>
Expenses			
Management fees	7(a)	(50,146,299)	(46,834,474)
Transaction costs	7(e)	(25,499,538)	(23,501,050)
Trustee's fees	7(b)	(3,561,487)	(3,340,698)
Custodian fees	7(c)	(2,114,746)	(1,842,072)
Auditor's remuneration		(445,600)	(400,450)
Other operating expenses		(1,321,499)	(1,806,186)
Operating expenses		<u>(83,089,169)</u>	<u>(77,724,930)</u>
Profit before taxation		270,709,200	1,150,447,794
Taxation	5	(37,018,362)	(28,956,233)
Increase in net assets attributable to unitholders and total comprehensive income for the year		<u>233,690,838</u>	<u>1,121,491,561</u>

Statement of changes in equity

For the year ended 31 March 2011

	Note	2011 HK\$	2010 HK\$
Balance at the beginning of the year		3,403,444,993	2,281,953,432
Increase in net assets attributable to unitholders and total comprehensive income for the year		233,690,838	1,121,491,561
Repurchase of units during the year	10	(117,030,930)	—
Balance at the end of the year		<u>3,520,104,901</u>	<u>3,403,444,993</u>

Cash flow statement

For the year ended 31 March 2011

	2011	2010
	HK\$	HK\$
Operating activities		
Interest income received	1,687,623	674,088
Dividend income received	50,184,132	43,318,803
Management fees paid	(50,250,773)	(45,116,955)
Trustee's fees paid	(3,568,758)	(3,225,930)
Transaction costs paid	(25,499,538)	(23,501,050)
Other operating expenses paid	<u>(10,137,808)</u>	<u>(8,205,826)</u>
Net cash used in operating activities	<u><u>(37,585,122)</u></u>	<u><u>(36,056,870)</u></u>
Investing activities		
Other income received	–	27
Proceeds from sales of investments	5,374,640,272	4,656,755,444
Payments for purchases of investments	<u>(5,215,095,527)</u>	<u>(4,541,459,541)</u>
Net cash generated from investing activities	<u><u>159,544,745</u></u>	<u><u>115,295,930</u></u>
Financing activities		
Payments on repurchase of units	<u>(117,030,930)</u>	<u>–</u>
Net cash used in financing activities	<u><u>(117,030,930)</u></u>	<u><u>–</u></u>
Net increase in cash and cash equivalents	4,928,693	79,239,060
Cash and cash equivalents at the beginning of the year	165,431,204	85,811,063
Effect of foreign exchange rates changes	<u>6,611,772</u>	<u>381,081</u>
Cash and cash equivalents at the end of the year	<u><u>176,971,669</u></u>	<u><u>165,431,204</u></u>

Notes to the financial statements

For the year ended 31 March 2011

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; or
- (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 extraordinary resolution.

A general meeting was held on 11 October 2010 and a resolution was passed to approve the renewal of the previous repurchase mandate until the earlier of:

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

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

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. There have been no significant changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Fund for the current and prior accounting periods reflected in these financial statements.

The Fund has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 14).

(b) Basis of preparation of the financial statements

The functional and presentation currency of the Fund is 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 equities.

Financial assets that are classified as receivables include amount receivable on sale of investments and 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, 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 or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Net gain from investments is included in profit or loss.

(v) Impairment

Financial assets that are stated at cost or amortised cost are reviewed at each date of the statement of assets and liabilities to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the 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 expired.

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.

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" is 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 Interest income on deposits

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

4 Net gains from investments

	2011	2010
	HK\$	HK\$
Net gains from investments		
– Realised gains	342,655,459	435,539,578
– Unrealised (losses)/gains	<u>(44,163,703)</u>	<u>747,833,973</u>
	<u>298,491,756</u>	<u>1,183,373,551</u>

Gains and losses presented above exclude dividend income.

5 Taxation

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

Under the current general provisions of the PRC Corporate Income Tax Law and published tax circulars, the Fund would be subject to PRC withholding tax at the rate of 10% in respect of its PRC sourced income earned, including capital gains realised on the sale of PRC listed companies, dividend income derived from PRC listed companies and interest income earned in respect of PRC bank deposits and corporate bonds. This withholding taxation basis should apply as it is intended that the Fund would be managed and operated in such a manner that it would not be considered a tax resident enterprise in China or otherwise as having a taxable permanent establishment in the PRC. The 10% withholding tax rate may be further reduced under an applicable tax treaty which the PRC has entered into with the jurisdiction in which the beneficial owner of the relevant income is a resident. However, in the Fund's case, as the beneficial owners of the Fund may be difficult to identify precisely to the satisfaction of the PRC tax authorities, any preferential tax treatment under an applicable tax treaty/tax arrangement would unlikely to be applied. On this basis, the 10% withholding tax rate would likely to 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. The Fund has not recognised deferred tax liabilities in respect of unrealized gains on A-shares amounting to \$12,265,403 for the year ended 31 March 2011 (2010: \$19,543,068) as the Manager considers the amount to be insignificant to the Fund.

Taxation in the statement of comprehensive income represents current tax provision for the year:

	2011	2010
	HK\$	HK\$
PRC dividend and interest income withholding tax	5,901,815	4,400,383
PRC capital gains tax	<u>31,116,547</u>	<u>24,555,850</u>
	<u>37,018,362</u>	<u>28,956,233</u>

Taxation in the statement of assets and liabilities represents:

	2011	2010
	HK\$	HK\$
PRC withholding tax provision relating to prior year	55,236,173	30,104,377
PRC withholding tax provision for the year	37,018,362	28,956,233
Payment of PRC withholding tax	(5,117,293)	(3,961,642)
Effect of foreign exchange	<u>2,837,767</u>	<u>137,205</u>
	<u>89,975,009</u>	<u>55,236,173</u>

6 Investments at fair value through profit or loss

	2011	2010
	HK\$	HK\$
Listed equity securities		
– in Hong Kong	1,815,268,818	1,763,848,759
– outside Hong Kong	<u>1,638,235,476</u>	<u>1,544,032,980</u>
	<u>3,453,504,294</u>	<u>3,307,881,739</u>

7 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 to the Fund in respect of the year and payable at the end of the year amounted to \$50,146,299 (2010: \$46,834,474) and \$4,427,689 (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 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 to the Fund in respect of the year and payable at the end of the year amounted to \$3,561,487 (2010: \$3,340,698) and \$347,836 (2010: \$355,107) 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 to the Fund in respect of the year and payable at the end of the year amounted to \$2,114,746 (2010: \$1,842,072) and \$20,748 (2010: \$24,884) respectively.

(d) Bank balances

Bank balances are maintained with the Trustee. The bank balances held with the Trustee as at 31 March 2011 amounted to \$176,971,669 (2010: \$165,431,204). During the year, interest earned on the above bank balances was \$1,687,623 (2010: \$674,088).

(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:

	2011	2010
	HK\$	HK\$
Commission paid for the year	366,859	397,798
Average rate of commission	0.11%	0.21%
Total aggregate value of such transactions for the year	337,831,037	185,024,245
Percentage of such transactions in value to total transactions for the year	3.19%	2.03%

8 Soft dollar practices

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

administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

9 Units in issue

	2011	2010
Number of units in issue brought forward	371,910,000	371,910,000
Units repurchased during the year	<u>(14,876,000)</u>	<u>—</u>
Number of units in issue carried forward	<u>357,034,000</u>	<u>371,910,000</u>

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

10 Repurchase of units

During the year, the Fund repurchased 14,876,000 of its own units at a total amount of \$117,030,930 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.

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 2011 are summarised below. Details of such investments held as at 31 March 2011 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 2011, 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 2010.

	2011			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	51.57	5	90,763,441	51.83	5	88,192,438
– outside Hong Kong	46.54	5	81,911,774	45.36	5	77,201,649
	<u>98.11</u>		<u>172,675,215</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.

	2011		
	1 year or less HK\$	Non-interest bearing HK\$	Total HK\$
Assets			
Investments at fair value through profit or loss	–	3,453,504,294	3,453,504,294
Amount receivable on sale of investments	–	5,066,276	5,066,276
Dividend and other receivables	–	3,968,484	3,968,484
Cash and cash equivalents	<u>157,334,302</u>	<u>19,637,367</u>	<u>176,971,669</u>
Total assets	<u>157,334,302</u>	<u>3,482,176,421</u>	<u>3,639,510,723</u>
Liabilities			
Taxation	–	(89,975,009)	(89,975,009)
Amounts payable on purchases of investments	–	(24,110,354)	(24,110,354)
Accrued expenses and other payables	–	<u>(5,320,459)</u>	<u>(5,320,459)</u>
Total liabilities	<u>–</u>	<u>(119,405,822)</u>	<u>(119,405,822)</u>
Total interest sensitivity gap	<u>157,334,302</u>		
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
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	<u>117,155,914</u>	<u>48,275,290</u>	<u>165,431,204</u>
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	–	<u>(5,466,435)</u>	<u>(5,466,435)</u>
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, 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 \$786,672 (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 2010.

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

	Assets HK\$	Liabilities HK\$	Net exposure HK\$
31 March 2011			
Renminbi	1,758,180,044	(90,212,495)	1,667,967,549
United States dollar	<u>25,644,363</u>	<u>(20,748)</u>	<u>25,623,615</u>
	<u>1,783,824,407</u>	<u>(90,233,243)</u>	<u>1,693,591,164</u>
31 March 2010			
Renminbi	1,651,623,773	(55,463,672)	1,596,160,101
United States dollar	<u>35,156,225</u>	<u>(32,959)</u>	<u>35,123,266</u>
	<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 dollar (“USD”), the Fund does not expect any significant movements in USD/HKD exchange rate. At 31 March 2011, 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 table.

	HK\$
31 March 2011	
Renminbi	<u>83,398,377</u>
Total	<u><u>83,398,377</u></u>
31 March 2010	
Renminbi	<u>79,808,005</u>
Total	<u><u>79,808,005</u></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 2011, 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 2011 and 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. All financial liabilities are repayable on demand or have contractual maturities of less than three months. At both 31 March 2011 and 2010, there were no significant exposures to liquidity risk for the Fund.

(d) Capital management

At 31 March 2011, the Fund had \$3,520,104,901 (2010: \$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 2011 and 2010 by the level in the fair value hierarchy into which the fair value measurement is categorised.

	2011	
	Level 1	Total
	HK\$	HK\$
Listed equities	<u>3,453,504,294</u>	<u>3,453,504,294</u>
	2010	
	Level 1	Total
	HK\$	HK\$
Listed equities	<u>3,307,881,739</u>	<u>3,307,881,739</u>

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 listed equities by the Fund are disclosed in note 4. 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 2011

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 2011 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, <i>Financial instruments</i>	1 January 2013
Improvements to HKFRSs 2010	1 July 2010 or 1 January 2011

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

As at 31 March 2011

<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>			
Anhui Conch Cement Co Ltd – A Share	1,783,300	85,866,023	2.44
Beijing SL Pharmaceutical Co Ltd – A Share	1,052,022	62,359,910	1.77
Chengdu B-ray Media Co Ltd – A Share	1,618,030	32,258,439	0.92
Chenzhou Mining Group Co Ltd – A Share	542,100	25,683,747	0.73
China CNR Corp Ltd – A Share	2,859,600	25,093,186	0.71
China International Marine Containers Group Co Ltd – B Share	669,645	11,584,858	0.33
China Merchants Bank Co Ltd – A Share	7,006,023	117,133,277	3.33
China Railway Erju Co Ltd – A Share	2,023,700	24,462,452	0.70
China Sinoma International Engineering Co Ltd – A Share	594,500	30,735,930	0.87
China United Network Communications Ltd – A Share	5,114,000	34,552,468	0.98
CITIC Securities Co Ltd – A Share	4,183,700	69,301,211	1.97
Fuyao Group Glass Industries Co Ltd – A Share	1,707,500	24,107,304	0.69
Gemdale Corp – A Share	3,841,500	30,972,530	0.88
Gezhouba Co Ltd – A Share	1,577,800	21,995,109	0.62
Guizhou Panjiang Refined Coal Co Ltd – A Share	763,705	32,455,882	0.92
Huaxin Cement Co Ltd – A Share	465,900	27,827,025	0.79
Hubei Fuxing Science and Technology Co Ltd – A Share	2,124,600	32,897,345	0.93
Industrial Bank Co Ltd – A Share	966,400	32,934,031	0.94
Inner Mongolia Baotou Steel Rare-Earth Hi Tech Co Ltd – A Share	407,700	42,282,434	1.20
Inner Mongolia Yili Industrial Group Co Ltd – A Share	575,800	23,615,659	0.67
Inner Mongolia Yitai Coal Co Ltd – B Share	128,200	7,006,535	0.20
Jiangsu Yangnong Chemical Co Ltd – A Share	515,500	16,931,168	0.48
Jizhong Energy Resources Co Ltd – A Share	952,205	52,745,836	1.50
Luzhou Laojiao Co Ltd – A Share	949,597	50,256,015	1.43
Mesnac Co Ltd – A Share	1,673,317	48,044,159	1.37
Ping An Insurance (Group) Co of China Ltd – A Share	970,900	57,020,982	1.62
Qingdao Haier Co Ltd – A Share	1,317,300	44,079,003	1.25
Rongxin Power Electronic Co Ltd – A Share	202,254	9,058,888	0.26
SANY Heavy Industry Co Ltd – A Share	1,736,300	57,563,376	1.64
Shanghai International Airport Co Ltd – A Share	2,446,100	39,385,828	1.12
Shanghai Pudong Development Bank Co Ltd – A Share	5,040,831	81,464,114	2.31
Shantui Construction Machinery Co Ltd – A Share	1,233,600	32,797,031	0.93
Shanxi Lu'an Environmental Energy Development Co Ltd – A Share	427,400	33,119,797	0.94
Suning Appliance Co Ltd – A Share	2,044,200	31,142,690	0.88

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>			
Suzhou Gold Mantis Construction Decoration Co Ltd – A Share	654,762	32,382,066	0.92
Xinjiang Ba Yi Iron & Steel Co Ltd – A Share	2,141,900	36,624,167	1.04
Yantai Changyu Pioneer Wine Co Ltd – B Share	71,200	5,433,272	0.15
Yantai Moon Co Ltd – A Share	2,813,127	66,941,145	1.90
Yantai Wanhua Polyurethanes Co Ltd – A Share	1,822,670	53,804,085	1.53
Yunnan Chihong Zinc & Germanium Co Ltd – A Share	596,500	25,704,165	0.73
Zhejiang Jinggong Science & Technology Co Ltd – A Share	225,100	16,374,142	0.47
Zhejiang Longsheng Group Co Ltd – A Share	1,811,900	24,096,742	0.68
ZTE Corp – A Share	303,500	10,807,898	0.31
		<u>1,620,901,924</u>	<u>46.05</u>
<i>Hong Kong</i>			
Agricultural Bank of China – H Share	7,163,000	31,445,570	0.89
Air China Ltd – H Share	828,000	5,945,040	0.17
Anhui Conch Cement Co Ltd – H Share	1,076,000	52,401,200	1.49
Bank of China Ltd – H Share	26,178,900	113,092,848	3.21
BBMG Corp – H Share	1,150,000	14,651,000	0.42
Belle International Holdings Ltd – H Share	2,188,000	31,113,360	0.88
Boer Power Holdings Ltd – H Share	139,000	1,153,700	0.03
Brilliance China Automotive Holdings Ltd – H Share	3,404,000	26,517,160	0.75
Changsha Zoomlion Heavy Industry Science and Technology Development Co Ltd – H Share	333,200	6,630,680	0.19
China BlueChemical Ltd – H Share	120,000	762,000	0.02
China Communications Construction Co Ltd – H Share	3,316,000	24,538,400	0.70
China Construction Bank Corp – H Share	22,350,160	162,709,165	4.62
China Life Insurance Co Ltd – H Share	2,073,000	60,635,250	1.72
China Mobile Ltd – H Share	830,000	59,428,000	1.69
China National Building Material Co Ltd – H Share	1,600,000	45,600,000	1.30
China Netcom Technology Holdings Ltd – H Share	32,145,000	10,286,400	0.29
China Oilfield Services Ltd – H Share	518,000	9,044,280	0.26
China Pacific Insurance Group Co Ltd – H Share	645,600	20,982,000	0.60
China Petroleum & Chemical Corp – H Share	5,394,000	41,965,320	1.19
China Resources Cement Holdings Ltd – H Share	5,122,000	39,285,740	1.12
China Resources Enterprise Ltd – H Share	420,000	13,251,000	0.38
China Resources Power Holdings Co Ltd – H Share	578,000	8,658,440	0.25
China Shenhua Energy Co Ltd – H Share	1,155,000	42,215,250	1.20
China Shipping Container Lines Co Ltd – H Share	1,271,000	3,927,390	0.11

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>			
China State Construction International Holdings Ltd – H Share	3,886,000	27,590,600	0.78
China Telecom Corp Ltd – H Share	6,468,000	30,593,640	0.87
China Unicom Hong Kong Ltd – H Share	4,212,000	54,334,800	1.54
CNOOC Ltd – H Share	7,319,000	143,745,160	4.08
COSCO Pacific Ltd – H Share	552,000	8,103,360	0.23
Dah Chong Hong Holdings Ltd – H Share	935,000	8,153,200	0.23
Evergrande Real Estate Group Ltd – H Share	3,133,000	13,377,910	0.38
Fushan International Energy Group Ltd – H Share	3,162,000	17,643,960	0.50
GCL Poly Energy Holdings Ltd – H Share	6,678,000	31,920,840	0.91
Gome Electrical Appliances Holdings Ltd – H Share	6,810,000	18,523,200	0.53
Great Wall Motor Co Ltd – H Share	1,961,000	28,199,180	0.80
Greatview Aseptic Packaging Co Ltd – H Share	792,000	3,944,160	0.11
Haier Electronics Group Co Ltd – H Share	1,992,000	17,390,160	0.49
Huaneng Power International Inc – H Share	1,128,000	5,121,120	0.15
Industrial and Commercial Bank of China – H Share	21,789,245	140,540,630	3.99
International Mining Machinery Holdings Ltd – H Share	1,374,500	9,346,600	0.27
Intime Department Store Group Co Ltd – H Share	1,937,000	20,338,500	0.58
Jiangxi Copper Co Ltd – H Share	1,537,000	39,808,300	1.13
Kunlun Energy Co Ltd – H Share	2,280,000	28,180,800	0.80
KWG Property Holding Ltd – H Share	1,852,500	11,578,125	0.33
Luk Fook Holdings International Ltd – H Share	358,000	8,234,000	0.23
Orient Overseas International Ltd – H Share	111,500	9,098,400	0.26
PetroChina Co Ltd – H Share	8,014,000	94,404,920	2.68
Ping An Insurance (Group) Co of China Ltd – H Share	330,500	26,010,350	0.74
Shandong Weigao Group Medical Polymer Co Ltd – H Share	264,000	5,847,600	0.17
Shenguan Holdings Group Ltd – H Share	858,000	7,764,900	0.22
Sino Prosper Holdings Ltd – H Share	34,080,000	14,824,800	0.42
Sinopec Shanghai Petrochemical Co Ltd – H Share	4,032,000	14,716,800	0.42
Tencent Holdings Ltd – H Share	337,000	63,659,300	1.81
Weichai Power Co Ltd – H Share	227,000	10,646,300	0.30
Yanzhou Coal Mining Co Ltd – H Share	2,116,000	59,565,400	1.69
Zhejiang Expressway Co Ltd – H Share	1,594,000	11,301,460	0.32
Zhuzhou CSR Times Electric Co Ltd – H Share	153,000	4,521,150	0.13
		<u>1,815,268,818</u>	<u>51.57</u>
<i>United States of America</i>			
Sina Corp	20,800	<u>17,333,552</u>	<u>0.49</u>

<u>HSBC China Dragon Fund</u>		
		<i>% of total net assets attributable to unitholders</i>
<i>Holdings</i>	<i>Market value HK\$</i>	
Total investments (Total cost of investments: \$3,070,486,313)	3,453,504,294	98.11
Other net assets	<u>66,600,607</u>	<u>1.89</u>
Total net assets attributable to unitholders	<u>3,520,104,901</u>	<u>100.00</u>

Statement of movements in portfolio holdings

For the year ended 31 March 2011

	<i>% of total net asset attributable to unitholders</i>	
	2011	2010
Equities	98.11	97.19
Total investments	98.11	97.19
Other net assets	1.89	2.81
Total net assets attributable to unitholders	<u>100.00</u>	<u>100.00</u>

Performance table

For the year ended 31 March 2011

(a) Total net asset value

Year/period end

31 March 2011	HK\$3,520,104,901
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 2011	HK\$9.86
31 March 2010	HK\$9.15
31 March 2009	HK\$6.14
31 March 2008	HK\$9.06

(c) Net asset value per unit 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	Net asset value per unit	
	Lowest HK\$	Highest HK\$
2011	7.91	10.52
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 2010 to 31 March 2011 will be despatched to Unitholders on or about 22 July 2011.

Hong Kong, 21 July 2011

By Order of the Board
HSBC Global Asset Management (Hong Kong) Limited
as Manager of HSBC China Dragon Fund
MUNRO, Joanna Mary
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. BERRY, Stuart Glenn, Ms. KOO, Julie J, Ms. LAM, Po Yee and Ms MUNRO, Joanna Mary. The non-executive directors of the Manager are Mr. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, Mr. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. HARVEY-SAMUEL, Guy Daniel, Mr. LEUNG, Wing Cheung William and Mr. PACTON, Olivier.

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)

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		
	2011 year-to-date	2010 full year	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)	-6.85%	5.78%	89.66%	-59.35%	32.50%	-6.85%	21.13%	0.66%
<i>MSCI China A</i>	-1.10%	-4.02%	97.00%	-61.99%	20.96%	-1.10%	27.90%	-14.03%
The Fund’s non A-share and non QFII investments (gross of expenses)	3.18%	5.62%	69.11%	-55.17%	28.40%	3.18%	19.57%	6.08%
<i>MSCI China</i>	1.19%	5.10%	62.71%	-51.12%	23.43%	1.19%	12.63%	4.39%

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		
	2011 year-to-date	2010 full year	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)	-2.42%	4.76%	75.51%	-57.82%	29.48%	-2.42%	19.09%	-2.03%

As at 30 June 2011:

Net asset value per unit of the Fund:	HK\$9.67
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$8.40
Discount / Premium to net asset value:	13.13% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 June 2011 (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 2011

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. BERRY, Stuart Glenn, Ms. KOO, Julie J, Ms. LAM, Po Yee and Ms MUNRO, Joanna. The non-executive directors of the Manager are Mr. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, 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

Appointment of Director and Resignation of Director

HSBC Global Asset Management (Hong Kong) Limited, as the Manager of the Fund, hereby announces that:

1. with effect from 27 June 2011, KOO, Julie J will be appointed as Director of the Manager; and
2. with effect from 27 June 2011, CONXICOEUR, Patrice Pierre Henri will resign as Director of the Manager.

The Offering Circular of the Fund will be revised with effect from 27 June 2011. A copy of the Supplement to the Offering Circular dated 27 June 2011 will be posted on the Fund's website on 27 June 2011.

The Manager of the Fund accepts responsibility for the accuracy of the information 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
27 June 2011

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. BERRY, Stuart Glenn, Ms. KOO, Julie J, Ms. LAM, Po Yee and Ms. MUNRO, Joanna. The non-executive directors of the Manager are Mr. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, 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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(Stock Code: 820)

Announcement

Publication of Supplement to the Offering Circular and Product Key Facts

HSBC Global Asset Management (Hong Kong) Limited, as the Manager of the Fund, hereby announces that the Offering Circular of the Fund will be revised with effect from 24 June 2011 to reflect the changes mentioned below. A copy of the Supplement to the Offering Circular dated 24 June 2011 will be posted on the Fund's web-site on 24 June 2011:

1. On page 1 of the Offering Circular under the section entitled "Preliminary", the whole fourth paragraph which begins with "The Manager accepts responsibility for" is amended and restated as follows:

"The Manager of the Fund accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading."

2. On page 1 of the Offering Circular under the fifth paragraph of the section entitled "Preliminary", the whole second sentence which begins with "In granting such authorisation" is amended and restated as follows:

"SFC authorisation is not a recommendation or endorsement of the Fund nor does it guarantee the commercial merits of the Fund or its performance. It does not mean the Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors."

3. On page 2 of the Offering Circular under the section entitled "Preliminary", insert the following subsection after the last paragraph of that page:

"Enquiries and Complaints

Enquiries and complaints concerning the Fund (including the current net asset value) should be directed to the Manager at (852) 2284 1118 or at Level 22, HSBC Main Building, 1 Queen's Road Central, Hong Kong. The Manager will respond to any enquiry or complaint as soon as practicable."

4. On page 93 of the Offering Circular, under the section "Charges and Expenses – Fees Payable by Unitholders", change "SFC transaction levy of 0.004%" to "SFC transaction levy of 0.003%".
5. On page 112 of the Offering Circular, insert the following new sentence at the end of the section "General Information – Accounts and Reports":

"Audited accounts and interim reports will be provided in English and Chinese."

In addition, a copy of the Product Key Facts of the Fund dated 24 June 2011 will be posted on the Fund's web-site on 24 June 2011.

The Manager of the Fund accepts responsibility for the accuracy of the information 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
24 June 2011

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. BERRY, Stuart Glenn, Mr. CONXICOEUR, Patrice Pierre Henri, Ms. LAM, Po Yee and Ms MUNRO, Joanna. The non-executive directors of the Manager are Mr. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, 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

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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 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		
	2011 year-to-date	2010 full year	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)	-5.82%	5.78%	89.66%	-59.35%	32.50%	-4.66%	9.79%	1.77%
<i>MSCI China A</i>	2.19%	-4.02%	97.00%	-61.99%	20.96%	-2.46%	12.00%	-11.17%
The Fund's non A-share and non QFII investments (gross of expenses)	7.85%	5.62%	69.11%	-55.17%	28.40%	7.67%	16.89%	10.88%
<i>MSCI China</i>	4.47%	5.10%	62.71%	-51.12%	23.43%	1.54%	11.79%	7.78%

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		
	2011 year-to-date	2010 full year	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)	0.71%	4.76%	75.51%	-57.82%	29.48%	1.22%	12.39%	1.11%

As at 30 April 2011:

Net asset value per unit of the Fund:	HK\$9.98
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$8.50
Discount / Premium to net asset value:	14.83% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 April 2011 (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 May 2011

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. BERRY, Stuart Glenn, Mr. CONXICOEUR, Patrice Pierre Henri, Ms. LAM, Po Yee and Ms MUNRO, Joanna. The non-executive directors of the Manager are Mr. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, 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. 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. 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

Appointment of Director and Resignation of Director

HSBC Global Asset Management (Hong Kong) Limited, as the Manager of the Fund, hereby announces that:

1. with effect from 11 May 2011, MUNRO, Joanna has been appointed as Director of the Manager;
2. with effect from 13 May 2011, EBRAHIM, Ayaz Hatim has resigned as Director of the Manager; and
3. with effect from 19 May 2011, STOKES, Edmund Richard will resign as Director of

the Manager.

The Offering Circular of the Fund will be revised with effect from 19 May 2011. A copy of the Supplement to the Offering Circular dated 19 May 2011 will be posted on the Fund's website on 19 May 2011.

The Manager of the Fund accepts responsibility for the accuracy of the information 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 May 2011

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. BERRY, Stuart Glenn, Mr. CONXICOEUR, Patrice Pierre Henri, Ms. LAM, Po Yee and Ms MUNRO, Joanna. The non-executive directors of the Manager are Mr. McCOMBE, Mark Seumas, Ms. CHEANG, Wai Wan Louisa, 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

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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 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		
	2011 year-to-date	2010 full year	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)	-4.55%	5.78%	89.66%	-59.35%	32.50%	3.15%	4.10%	3.13%
<i>MSCI China A</i>	2.86%	-4.02%	97.00%	-61.99%	20.96%	11.50%	3.98%	-10.59%
The Fund's non A-share and non QFII investments (gross of expenses)	4.08%	5.62%	69.11%	-55.17%	28.40%	7.66%	12.81%	7.01%
<i>MSCI China</i>	2.94%	5.10%	62.71%	-51.12%	23.43%	3.80%	9.77%	6.21%

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		
	2011 year-to-date	2010 full year	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)	-0.50%	4.76%	75.51%	-57.82%	29.48%	5.01%	7.64%	-0.10%

As at 31 March 2011:

Net asset value per unit of the Fund:	HK\$9.86
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$8.50
Discount / Premium to net asset value:	13.79% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 March 2011 (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
21 April 2011

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

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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(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		
	2011 year-to-date	2010 full year	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)	-3.26%	5.78%	89.66%	-59.35%	32.50%	8.98%	7.43%	4.54%
<i>MSCI China A</i>	3.67%	-4.02%	97.00%	-61.99%	20.96%	15.84%	6.76%	-9.88%
The Fund's non A-share and non QFII investments (gross of expenses)	-2.79%	5.62%	69.11%	-55.17%	28.40%	10.87%	10.95%	-0.06%
<i>MSCI China</i>	-2.12%	5.10%	62.71%	-51.12%	23.43%	7.46%	10.05%	0.98%

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

	Calendar year performance ¹					Cumulative performance ²		
	2011 year-to-date	2010 full year	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)	-3.13%	4.76%	75.51%	-57.82%	29.48%	9.71%	8.47%	-2.74%

As at 28 February 2011:

Net asset value per unit of the Fund:	HK\$9.60
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$8.14
Discount / Premium to net asset value:	15.21% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 28 February 2011 (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.

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Note:

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HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
16 March 2011

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. BERRY, Stuart Glenn, 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. 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		
	2011 year-to-date	2010 full year	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)	-6.58%	5.78%	89.66%	-59.35%	32.50%	10.56%	7.47%	0.94%
<i>MSCI China A</i>	-2.90%	-4.02%	97.00%	-61.99%	20.96%	11.63%	2.71%	-15.60%
The Fund's non A-share and non QFII investments (gross of expenses)	-0.51%	5.62%	69.11%	-55.17%	28.40%	11.84%	16.28%	2.29%
<i>MSCI China</i>	-0.24%	5.10%	62.71%	-51.12%	23.43%	6.70%	14.59%	2.92%

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		
	2011 year-to-date	2010 full year	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)	-3.33%	4.76%	75.51%	-57.82%	29.48%	11.14%	11.27%	-2.94%

As at 31 January 2011:

Net asset value per unit of the Fund:	HK\$9.58
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$8.24
Discount / Premium to net asset value:	13.99% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 January 2011 (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
21 February 2011

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. BERRY, Stuart Glenn, 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. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. HARVEY-SAMUEL, Guy Daniel, Mr. LEUNG, William Wing Cheung and Mr. PACTON, Olivier

IMPORTANT

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

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.

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Announcement

HSBC Global Asset Management (Hong Kong) Limited, the Manager of the Fund, has issued a supplement dated 8 February 2011 (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, 30 September 2010 and 19 November 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
8 February 2011

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. BERRY, Stuart Glenn, 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. FLINT, John Michael, Mr. FRIED, David Lawrence, Mr. HARVEY-SAMUEL, Guy Daniel, Mr. LEUNG, William Wing Cheung and Mr. PACTON, Olivier