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# HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

(Stock Code: 820)

Other Documents

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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 tables demonstrate the performance of different asset classes of the Fund.

The row “The Fund’s A-share and other QFII investments” represents the indicative performance of the Fund’s direct investments in China A-shares and other QFII (Qualified Foreign Institutional Investor) investments and the Fund’s indirect investments in China A-shares through instruments such as China A-shares access products and exchange traded funds in relation to China A-shares. The Fund has changed its investment objectives on 6 September 2012; please refer to the latest Offering Circular of the Fund for details. With effect from 6 September 2012, certain other investments may also be classified under this row in the tables below in the calculation, please refer to Note 1 below for details <sup>(1)</sup>.

The row “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 <sup>(2)</sup>						
	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>(3)</sup>
	Year-to-date since 1 January up to 30 November <sup>(1)</sup>	Year-to-date since 1 January up to 5 September <sup>(1)</sup>					
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision) <sup>(1)</sup>	-6.10%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
<i>MSCI China A</i>	-6.87%	N.A.	-22.89%	-4.02%	97.00%	-61.99%	20.96%
The Fund’s non A-share and non QFII investments (gross of expenses)	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
<i>MSCI China</i>	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance <sup>(4)</sup>					
	up to 30 November 2012 <sup>(1)</sup>			up to 5 September 2012 <sup>(1)</sup>		
	6 months	1 year	Since August 07 <sup>(3)</sup>	6 months	1 year	Since August 07 <sup>(3)</sup>
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision) <sup>(1)</sup>	-12.58%	-9.18%	-25.01%	N.A.	N.A.	N.A.
<i>MSCI China A</i>	-16.43%	-13.40%	-37.57%	N.A.	N.A.	N.A.
The Fund’s non A-share and non QFII investments (gross of expenses)	N.A.	N.A.	N.A.	-15.19%	-20.45%	-16.52%
<i>MSCI China</i>	N.A.	N.A.	N.A.	-15.82%	-17.91%	-15.50%

The following table demonstrates the performance of the Fund as a whole up to 30 November 2012. "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.

As at 30 November 2012:

	Calendar year performance <sup>(2)</sup>						Cumulative performance <sup>(4)</sup>		
	2012 year-to-date	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>(3)</sup>	6 months	1 year	Since August 07 <sup>(3)</sup>
Net asset value of the Fund (net of expenses)	-3.42%	-23.31%	4.76%	75.51%	-57.82%	29.48%	-6.97%	-4.05%	-25.63%

As at 30 November 2012:

Net asset value per unit of the Fund:	HK\$7.34
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$6.20
Discount / Premium to net asset value:	15.53% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 November 2012. 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. The Fund has changed its investment objectives on 6 September 2012; please refer to the latest Offering Circular of the Fund for details. Before the change of investment objectives, the Fund aims to invest in various types of Chinese equities, including but not limited to A-shares, B-shares, H-shares and red chips. After the change of investment objectives, the Fund mainly invests directly and indirectly in China A-shares. After the change of investment objectives, although the Fund may still invests in other investments such as B-shares, H-shares and red chips, such other investments shall not exceed 10% of the net asset value of the Fund. As a result, with effect from 6 September 2012, when calculating the performance in the tables above, the Fund classifies all its assets under "The Fund's A-share and other QFII investments".
2. Calendar year performance is the gain or loss of the Fund throughout a particular year.
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.
4. Cumulative performance is the gain or loss of the Fund over certain period of time up to the relevant date.

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 mainly invests directly and indirectly 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 December 2012

*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, Dr. MALDONADO-CODINA, Guillermo Eduardo and Ms. MUNRO, Joanna Mary. The non-executive directors of the Manager are Mr. CHANDRASEKHARAN, Sridhar, Ms. CHEANG, Wai Wan Louisa, 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)

Managed by  
HSBC Global Asset Management (Hong Kong) Limited

## **2012 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 2012 to 30 September 2012.

The interim results of the Fund for the period from 1 April 2012 to 30 September 2012 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 2012 to 30 September 2012.

## **Manager’s report**

### **Review**

The MSCI China Index lost 4.21% and the MSCI China A Index fell 6.28%, both in local currency term.

Chinese equities experienced a high level of volatility in the second quarter, on the back of weak economic data globally and government measures to boost the domestic economy. Continuous newsflow of hiccups in the Eurozone and soft US data further weighed on the performance, more than offsetting positive news of China’s decision to speed up project approvals and subsidize energy-efficient white goods autos to stimulate consumption. In June, the People’s Bank of China cut the benchmark lending and deposit rates by 25bps to boost growth.

Market sentiment remained weak in the third quarter, despite the People's Bank of China further cutting interest rates in July. While more local governments announced billion-level investment plans in August, they failed to boost confidence amid concern about the source of funding. However, the Chinese market rebounded at the end of the third quarter partly due to the support of the European Central Bank's (ECB's) bond purchase decision and the QE3 announcement in the US.

Economic data in China was generally on a downward trend, with a slight pick-up during the end of the third quarter. Manufacturing PMI has dropped since April, but managed to rebound in September, coming in at 49.8, an increase from previous months. Industrial production growth decelerated over the period, signaling a broad-based weakness. China's consumer price index (CPI) inflation edged up to 2.0%yoy in August from 1.8%yoy in July on food price inflation, while producer price index (PPI) deflation deepened to 3.5%yoy in August from 2.9%yoy in the previous month.

## **Outlook**

Domestic Chinese investors mainly worried about the political transition, as the date of the 18th CCPC meeting was not fixed. Economic growth outlook has also deteriorated in recent months. Market participants have recently reduced forecasts for China GDP growth. Leading indicators such as the recently released August PMI have dropped to the lowest level in 3 years. Key components of this index, notably new orders, finished good inventories and employment, also depict a more challenging economic outlook. Finally, profit growth is also slowing. For example, the MSCI China earnings are only expected to grow 4% this year after the worse than expected 1H12 result announcement.

We believe the negative earnings revisions may last for the rest of the year given the continuously weak demand from the industrials and materials sectors. However, the current valuation of the Chinese stocks is very attractive. When compared to the Chinese Government bond yield, the MSCI China dividend yield has been higher than the 10 year bond yield for the first time since the global financial crisis in 2008. It usually predicts that the 12-month forward Chinese equities return will be in the positive territory. As a result, we continue to favor companies with defensible earnings outlook at reasonable valuations such as consumer discretionary and real estate. We avoid companies at excessive valuations such as consumer staples despite their defensive nature.

## Interim statement of assets and liabilities (unaudited)

As at 30 September 2012

	Note	30 September 2012 (Unaudited) HK\$	31 March 2012 (Audited) HK\$
<b>Assets</b>			
Investments at fair value through profit or loss	7, 13	1,525,307,751	2,623,142,418
Dividend and other receivables	8(c)	4,300,073	2,602,094
Cash and cash equivalents	8(d)	<u>195,909,286</u>	<u>262,042,456</u>
<b>Total assets</b>		<u>1,725,517,110</u>	<u>2,887,786,968</u>
<b>Liabilities</b>			
Taxation	6	103,702,939	101,885,427
Amounts payable on purchases of investments		46,629,466	24,010,793
Accrued expenses and other payables	8(a), (b) & (c)	<u>2,556,007</u>	<u>4,412,190</u>
<b>Total liabilities</b>		<u>152,888,412</u>	<u>130,308,410</u>
<b>Net assets attributable to unitholders</b>		<u>1,572,628,698</u>	<u>2,757,478,558</u>
Representing:			
<b>Total equity</b>		<u>1,572,628,698</u>	<u>2,757,478,558</u>
<b>Number of units in issue</b>	10	<u>209,812,263</u>	<u>349,687,000</u>
<b>Net asset value per unit</b>		<u>7.50</u>	<u>7.89</u>

## Interim statement of comprehensive income (unaudited)

For the period ended 30 September 2012

	Note	Period from 1 April 2012 to 30 September 2012 (Unaudited) HK\$	Period from 1 April 2011 to 30 September 2011 (Unaudited) HK\$
Dividend income		71,441,423	56,217,267
Interest income on deposits	4, 8(d)	479,587	1,762,553
Net losses from investments	5	(215,987,665)	(848,688,620)
Net foreign exchange (loss)/gain		(74,047)	2,900,041
Redemption levy	12	1,398,747	—
<b>Net investment loss</b>		<u>(142,741,955)</u>	<u>(787,808,759)</u>
Management fees	8(a)	(19,179,947)	(24,946,623)
Transaction costs	8(e)	(6,634,161)	(13,932,146)
Trustee's fees	8(b)	(1,387,644)	(1,771,847)
Custodian fees	8(c)	(879,639)	(1,097,906)
Auditor's remuneration		(221,656)	(150,447)
Legal and professional fees		(189,154)	(131,399)
Other operating expenses		<u>(4,680,656)</u>	<u>(511,661)</u>
<b>Operating expenses</b>		<u>(33,172,857)</u>	<u>(42,542,029)</u>
<b>Loss before taxation</b>		(175,914,812)	(830,350,788)
Taxation	6	<u>(8,830,678)</u>	<u>(11,740,706)</u>
<b>Decrease in net assets attributable to unitholders and total comprehensive income for the period</b>		<u>(184,745,490)</u>	<u>(842,091,494)</u>

## Interim statement of changes in equity (unaudited)

For the period ended 30 September 2012

	Note	Period from 1 April 2012 to 30 September 2012 (Unaudited) HK\$	Period from 1 April 2011 to 30 September 2011 (Unaudited) HK\$
<b>Balance at the beginning of period</b>		2,757,478,558	3,520,104,901
Decrease in net assets attributable to unitholders and total comprehensive income for the period		(184,745,490)	(842,091,494)
Repurchase of units during the period	11	—	(52,288,291)
Redemption of units during the period	12	<u>(1,000,104,370)</u>	<u>—</u>
<b>Balance at the end of period</b>		<u>1,572,628,698</u>	<u>2,625,725,116</u>



## Interim cash flow statement (unaudited)

For the period ended 30 September 2012

	Period from 1 April 2012 to 30 September 2012 (Unaudited) HK\$	Period from 1 April 2011 to 30 September 2011 (Unaudited) HK\$
<b>Operating activities</b>		
Interest income received	479,587	1,762,553
Dividend income received	69,741,104	55,196,101
Management fees paid	(20,746,756)	(25,838,380)
Trustee's fees paid	(1,461,985)	(1,839,975)
Tax paid	(6,929,761)	(3,117,898)
Other operating expenses paid	(12,841,040)	(17,141,882)
<b>Net cash generated from operating activities</b>	<u>28,241,149</u>	<u>9,020,519</u>
<b>Investing activities</b>		
Payments on purchase of investments	(1,609,772,664)	(2,810,780,247)
Proceeds from sale of investments	<u>2,514,238,339</u>	<u>2,888,249,330</u>
<b>Net cash generated from investing activities</b>	<u>904,465,675</u>	<u>77,469,083</u>
<b>Financing activities</b>		
Payments on repurchase of units	–	(52,288,291)
Payments on redemption of units	<u>(998,705,623)</u>	<u>–</u>
<b>Net cash used in financing activities</b>	<u>(998,705,623)</u>	<u>(52,288,291)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(65,998,799)	34,201,311
<b>Cash and cash equivalents at the beginning of the period</b>	262,042,456	176,971,669
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>	<u>(134,371)</u>	<u>3,886,477</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>195,909,286</u>	<u>215,059,457</u>

# Notes on the unaudited interim financial statements

## For the period ended 30 September 2012

### 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 from its date of inception up to 5 September 2012 was 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.

Pursuant to the general meeting held on 21 August 2012, an extraordinary resolution was passed to change the investment objective of the Fund. With effect from 6 September 2012, the investment objective of the Fund is to achieve long-term capital growth by investing primarily in A shares directly through the qualified foreign institutional investor investment quota of the Manager and indirectly through investment of (i) up to 40% of its net asset value in financial derivative instruments and securities linked to A shares (such as CAAPs (including A share participation certificates/notes and/or other access products issued by third party investment banks or brokers)) and (ii) up to 40% of its net asset value in exchange-traded funds (“ETFs”) (including synthetic ETFs) authorised by the SFC with exposure to A shares; provided that the Fund’s investment in a Chinese A share access product, being a security linked to A shares or portfolios of A shares which aim to replicate synthetically the economic benefit of the relevant A shares or portfolio of A shares (“CAAPs”) and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares will not exceed 50% in the aggregate of its net asset value.

The Fund will not invest more than 10% of its net asset value in CAAPs issued by a single issuer; and the Fund’s aggregate investment in CAAPs shall not be more than 40% of its net asset value.

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 11 October 2010, 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 26 September 2011 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 were no units repurchased during the period ended 30 September 2012.

Pursuant to the general meeting held on 21 August 2012, an extraordinary resolution was passed to enable the Manager to offer unitholders a right to redeem the whole or a part of their units, subject to a redemption levy, on a one-off basis provided that for the Fund, as a whole, the total number of units to be redeemed shall not exceed 40% of the total outstanding number of units as at lodgement date.

The lodgement date shall be no less than 10 business days after the date of the general meeting approving the one-off redemption offer.

The redemption of units made under the one-off redemption offer occurred on 5 September 2012.

## **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 2012, except for the accounting policy changes that are expected to be reflected in the 2012 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 financial information relating to the financial year ended 31 March 2012 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 2012 in their report dated 24 July 2012.

**(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 and equity-linked instruments.

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

Financial liabilities that are not at fair value through profit or loss include amounts payable on purchase of investments, accrued expenses and other payables.

(ii) Recognition

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

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

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

(iii) Measurement

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

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

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

(v) Impairment

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

*Interest income*

Interest income is recognised in the statement of comprehensive income as it accrues, by using the effective interest 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 statement of comprehensive income as dividend income when declared.

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

**(e) Expenses**

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

**(f) Taxation**

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

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

Deferred tax liabilities arise from deductible and taxable temporary differences, 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 it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

**(g) Translation of foreign currency**

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



**(h) Related parties**

- (a) A person, or a close member of that person's family, is related to the Fund if that person:
- (i) has control or joint control over the Fund;
  - (ii) has significant influence over the Fund; or
  - (iii) is a member of the key management personnel of the Fund.
- (b) An entity is related to the Fund if any of the following conditions applies:
- (i) The entity and the Fund are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) Both entities are joint ventures of the same third party;
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Fund or an entity related to the Fund;
  - (vi) The entity is controlled or jointly controlled by a person identified in (a); or
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

**(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 statement of comprehensive income line item *Net foreign exchange (loss)/gain* is 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.

**3 Changes in accounting policies**

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Fund. Of these, the following developments are relevant to the Fund's financial statements:

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)

The impacts of the above developments are discussed below:

- HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Fund has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Fund's related party disclosures in the current and previous periods. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Fund because the Fund is not a government-related entity.
- Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

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

**4 Interest income on deposits**

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

## 5 Net losses from investments

	Period from 1 April 2012 to 30 September 2012 HK\$	Period from 1 April 2011 to 30 September 2011 HK\$
Net losses from investments		
– Realised losses	(278,804,835)	(10,591,712)
– Unrealised gains/(losses)	<u>62,817,170</u>	<u>(838,096,908)</u>
	<u>(215,987,665)</u>	<u>(848,688,620)</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 and corporate bonds in the financial statements. The Fund has not recognised deferred tax liabilities in respect of unrealised gains on A-shares amounting to \$3,312,979 for the period ended 30 September 2012 (as at 31 March 2012: \$2,215,447) as the Manager considers the amount to be insignificant to the Fund.

Taxation in the statement of comprehensive income represents:

	Period from 1 April 2012 to 30 September 2012 HK\$	Period from 1 April 2011 to 30 September 2011 HK\$
PRC dividend and interest income withholding tax	7,371,909	5,756,290
PRC capital gains tax	<u>1,458,769</u>	<u>5,984,416</u>
	<u>8,830,678</u>	<u>11,740,706</u>

## 7 Investments at fair value through profit or loss

	30 September 2012 HK\$	31 March 2012 HK\$
Listed equity investments		
– in Hong Kong	148,961,984	1,373,840,838
– outside Hong Kong	1,219,166,342	1,249,301,580
Equity-linked instruments		
– warrants	129,796,893	–
– participation note	<u>27,382,532</u>	<u>–</u>
	<u>1,525,307,751</u>	<u>2,623,142,418</u>

## 8 Related party 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. The management fee charged to the Fund in respect of the period and payable at the end of the period amounted to \$19,179,947 (for the period from 1 April 2011 to 30 September 2011: \$24,946,623) and \$1,972,609 (as at 31 March 2012: \$3,539,418) 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 HSBC Institutional Trust Services (Asia) Limited ("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 period and payable at the end of the period amounted to \$1,387,644 (for the period from 1 April 2011 to 30 September 2011: \$1,771,847) and \$238,891 (as at 31 March 2012: \$313,232) 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 to the Fund in respect of the period and payable at the end of the period amounted to \$879,639 (for the period from 1 April 2011 to 30 September 2011: \$1,097,906) and \$11,142 (as at 31 March 2012: \$19,334) respectively.

A minimum clearing reserve needs to be held with the QFII custodian. As at 30 September 2012, the Fund had \$2,599,754 (as at 31 March 2012: \$2,602,094) 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 2012 amounted to \$45,625,317 and \$150,283,969 respectively (as at 31 March 2012: \$88,246,336 and \$173,796,120 respectively). During the period, no interest was earned from HSBC (for the period from 1 April 2011 to 30 September 2011: nil). Interest earned from Bank of Communications Co. Ltd amounted to \$479,587 (for the period from 1 April 2011 to 30 September 2011: \$1,762,553).

**(e)** In its purchases and sales of investments, the Fund utilises the brokerage services of HSBC Futures – London and The Hongkong and Shanghai Banking Corporation Limited, which are members of the HSBC Group. Details of transactions effected through these companies are as follows:

	<b>Period from 1 April 2012 to 30 September 2012 HK\$</b>	<b>Period from 1 April 2011 to 30 September 2011 HK\$</b>
<b>HSBC Futures – London</b>		
Commission paid for the period	13,200	—
Average rate of commission	<u>0.12%</u>	<u>—</u>
Total aggregate value of such transactions for the period	11,336,150	—
Percentage of such transactions in value to total transactions for the period	<u>0.31%</u>	<u>—</u>

	Period from 1 April 2012 to 30 September 2012 HK\$	Period from 1 April 2011 to 30 September 2011 HK\$
<b>The Hongkong and Shanghai Banking Corporation Limited</b>		
Commission paid for the period	94,169	107,293
Average rate of commission	<u>0.01%</u>	<u>0.11%</u>
Total aggregate value of such transactions for the period	925,999,856	100,473,002
Percentage of such transactions in value to total transactions for the period	<u>25.36%</u>	<u>1.72%</u>

- (f) The Hongkong and Shanghai Banking Corporation Limited, which is a member of the HSBC Group, entered into transactions to sell/redeem 1,547,443 units of the Fund and incurred a net profit of \$1,451,804 for the period from 1 April 2012 to 30 September 2012 (for the period from 1 April 2011 to 30 September 2011: sold 215,500 units of the Fund and incurred a net loss of \$342,332). As at 30 September 2012, The Hongkong and Shanghai Banking Corporation Limited held 237,557 units (as at 31 March 2012: 1,785,000 units) of the Fund.

## 9 Soft dollar practices

The Manager 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 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 2012 to 30 September 2012	Period from 1 April 2011 to 30 September 2011
Number of units in issue brought forward	349,687,000	357,034,000
Units repurchased during the period	—	(6,896,500)
Units redeemed during the period	<u>(139,874,737)</u>	<u>—</u>
Number of units in issue carried forward	<u>209,812,263</u>	<u>350,137,500</u>

The Fund is a closed-end unit trust. Apart from the repurchase of its own units and the One-off Redemption Offer as discussed in notes 11 and 12 respectively, the Fund did not have subscription and redemption of units during the period.

## **11 Repurchase of units**

During the period from 1 April 2011 to 30 September 2011, 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. There were no units repurchased during the period ended 30 September 2012.

## **12 Redemption of units under the One-off Redemption Offer**

During the period, the Manager offered a right to the unitholders to redeem the whole or a part of their units on a one-off basis (“the One-off Redemption Offer”). On 5 September 2012, 139,874,737 units, representing 40% of the total outstanding number of units as at 4 September 2012, were redeemed at a total amount of \$1,000,104,370. A redemption levy of \$0.01 per unit was charged and deducted from the redemption price and retained by the Fund for its own benefit. The redeemed units were then cancelled and accordingly the equity of the Fund was reduced by the nominal value of these units.

## **13 Financial instruments and associated risks**

The Fund maintains investment portfolio in a variety of financial instruments as dictated by its investment management strategy.

Pursuant to the general meeting held on 21 August 2012, an extraordinary resolution was passed to change the investment objective of the Fund. With effect from 6 September 2012, the investment objective of the Fund is to achieve long-term capital growth by investing primarily in A shares directly through the qualified foreign institutional investor investment quota of the Manager and indirectly through investment of (i) up to 40% of its net asset value in financial derivative instruments and securities linked to A shares (such as CAAPs (including A share participation certificates/notes and/or other access products issued by third party investment banks or brokers)) and (ii) up to 40% of its net asset value in ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares; provided that the Fund’s investment in CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares will not exceed 50% in the aggregate of its net asset value.

The Fund will not invest more than 10% of its net asset value in CAAPs issued by a single issuer; and the Fund’s aggregate investment in CAAPs shall not be more than 40% of its net asset value.

The risk exposures inherent in the Fund as at 30 September 2012 are summarised below. Details of such investments held as at 30 September 2012 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 prices of the listed equity investments and equity-linked 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 2012, with all other variables held constant, is shown below. An equal change in the opposite direction would have reduced the net asset value by an equal but opposite amount. The analysis is performed on same basis for 31 March 2012.

	30 September 2012			31 March 2012		
	% of total net assets	Change in price %	Effect on net assets attributable to the unitholders HK\$	% of total net assets	Change in price %	Effect on net assets attributable to the unitholders HK\$
<b>Investment assets</b>						
Listed equity investments:						
– in Hong Kong	9.47	5	7,448,099	49.82	5	68,692,042
– outside Hong Kong	77.53	5	60,958,317	45.31	5	62,465,079
Equity-linked instruments:						
– warrants	8.25	5	6,489,845	–	5	–
– participation note	1.74	5	1,369,127	–	5	–
	<u>96.99</u>		<u>76,265,388</u>	<u>95.13</u>		<u>131,157,121</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.

<b>30 September 2012</b>			
	<b>1 year or less HK\$</b>	<b>Non-interest bearing HK\$</b>	<b>Total HK\$</b>
<b>Assets</b>			
Investments at fair value through profit or loss	–	1,525,307,751	1,525,307,751
Cash and cash equivalents	150,283,969	45,625,317	195,909,286
<b>Total interest sensitivity gap</b>	<u>150,283,969</u>		
<b>31 March 2012</b>			
	<b>1 year or less HK\$</b>	<b>Non-interest bearing HK\$</b>	<b>Total HK\$</b>
<b>Assets</b>			
Investments at fair value through profit or loss	–	2,623,142,418	2,623,142,418
Cash and cash equivalents	173,796,119	88,246,337	262,042,456
<b>Total interest sensitivity gap</b>	<u>173,796,119</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 \$751,420 (31 March 2012: \$868,981); 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 2012.

(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 dollar ("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 exposures on an ongoing basis.

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

	<b>Assets HK\$</b>	<b>Liabilities HK\$</b>	<b>Net exposure HK\$</b>
<b>30 September 2012</b>			
Renminbi	1,373,507,449	(150,455,095)	1,223,052,354
United States dollar	<u>157,179,425</u>	<u>(11,142)</u>	<u>157,168,283</u>
	<u>1,530,686,874</u>	<u>(150,466,237)</u>	<u>1,380,220,637</u>
<b>31 March 2012</b>			
Renminbi	1,419,483,322	(126,142,496)	1,293,340,826
United States dollar	<u>825,978</u>	<u>(19,334)</u>	<u>806,644</u>
	<u>1,420,309,300</u>	<u>(126,161,830)</u>	<u>1,294,147,470</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 30 September 2012, had the HKD strengthened by 5% in relation to the Renminbi, with all other variables held constant, net assets attributable to unitholders would have decreased by the amounts shown below. The analysis is performed on the same basis for 31 March 2012.

	<b>HK\$</b>
<b>30 September 2012</b>	
Renminbi	<u>61,152,618</u>
<b>31 March 2012</b>	
Renminbi	<u>64,667,041</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 2012, 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.

The Fund invests in A-shares via the QFII investment quota obtained by the Manager. These investments are held in a segregated account with Bank of Communications Co. Ltd (the "QFII Custodian") on behalf of the Fund. Substantially all of the assets of the Fund are held by the Trustee or the QFII Custodian. Bankruptcy or insolvency of the Trustee or the QFII Custodian may cause the Fund's rights with respect to securities held by the Trustee or the QFII Custodian to be delayed or limited.

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

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

At both 30 September 2012 and 31 March 2012, 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, on 5 September 2012, units representing 40% of the total outstanding number of units as at 4 September 2012 were redeemed under the One-off Redemption Offer (see note 12). In addition, during the period ended 30 September 2011 the Manager was allowed to repurchase not more than 10% of the aggregate number of units in issue (see note 11). All financial liabilities have contractual maturities of less than three months, except for redemptions payable which is repayable on demand. At both 30 September 2012 and 31 March 2012, there were no significant exposures to liquidity risk for the Fund.

**(d) Capital management**

At 30 September 2012, the Fund had \$1,572,628,698 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 period with respect to the Fund's approach to its capital management.

The Fund is not subject to externally imposed capital requirements.

During the period, no distributions were made to the unitholders of the Fund.

**14 Fair value information**

The Fund's financial instruments are measured at fair value on the date of the statement of assets and liabilities. Fair value estimates are made at a specified point in time, based on market conditions and information about the financial instruments. Usually, fair values can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including dividend and other receivables, taxation, amounts payable on purchases 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 prices (unadjusted) in active markets for an identical instruments.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs.

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

The Fund uses widely recognised valuation models for determining the fair value of the participation note which do not have quoted market prices in an active market. Valuation techniques include comparison to quoted prices for identical instruments that are considered less than active and other valuation models.

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

*Investments at fair value through profit or loss*

	2012		
	Level 1 HK\$	Level 2 HK\$	Total HK\$
Listed equity investments	1,368,128,326	–	1,368,128,326
Equity-linked instruments	129,796,893	27,382,532	157,179,425
	<u>1,497,925,219</u>	<u>27,382,532</u>	<u>1,525,307,751</u>

	2011		
	Level 1 HK\$	Level 2 HK\$	Total HK\$
Listed equity investments	<u>2,623,142,418</u>	<u>–</u>	<u>2,623,142,418</u>

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

## 15 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.

**16 Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 30 September 2012**

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the period ended 30 September 2012 and which have not been adopted in these financial statements. These include the following which may be relevant to the Fund.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 1, <i>Presentation of financial statements</i> – <i>Presentation of items of other comprehensive income</i>	1 July 2012
HKFRS 13, <i>Fair value measurement</i>	1 January 2013
HKFRS 9, <i>Financial instruments</i>	1 January 2015

The Fund is in the process of making an assessment of what the impact of these amendments, new standards and interpretations 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 2012

<i>HSBC China Dragon Fund</i>			
	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets</i>
<b>Equity</b>			
<i>Listed investments</i>			
<i>The People's Republic of China</i>			
Anhui Conch Cement Co Ltd – A Share	1,198,750	23,566,989	1.50
Bank of Beijing Co Ltd – A share	783,600	6,613,285	0.42
Beijing Jangho Curtain Wall Co Ltd – A Share	1,007,516	21,567,505	1.37
Beijing New Building Materials Plc – A Share	1,079,540	16,973,379	1.08
Beijing WKW Automotive Parts Co Ltd – A Share	922,782	9,763,292	0.62
China CAMC Engineering Co Ltd – A Share	1,460,219	53,660,155	3.41
China CITIC Bank Corp Ltd – A Share	2,862,700	12,819,643	0.82
China CYTS Tours Holding Co Ltd – A Share	1,421,700	28,859,620	1.83
China Fortune Land Development Co Ltd – A Share	1,255,078	27,484,600	1.75
China Merchants Property Development Co Ltd – A Share	194,958	4,988,880	0.32
China Minsheng Banking Corp Ltd – A Share	14,933,552	103,619,365	6.59
China National Chemical Engineering Co Ltd – A Share	8,508,490	71,913,087	4.57
China Oilfield Services Ltd – A Share	1,331,897	26,545,100	1.69
China Pacific Insurance Group Co Ltd – A Share	2,035,001	50,622,604	3.22
China Railway Construction Corp – A Share	2,413,100	13,567,200	0.86
China State Construction Engineering Corp Ltd – A Share	4,762,347	17,986,974	1.14
China Vanke Co Ltd – A Share	3,796,600	39,328,342	2.50
Chinese Universe Publishing and Media Co Ltd – A Share	548,802	10,789,248	0.69
CITIC Securities Co Ltd – A Share	1,374,120	19,914,466	1.27
Gemdale Corp – A Share	1,340,409	8,294,764	0.53
Great Wall Motor Co Ltd – A Share	1,959,481	42,186,919	2.68
Gree Electric Appliances Inc – A Share	1,715,478	45,101,229	2.87
Guizhou Panjiang Refined Coal Co Ltd – A Share	341,900	7,718,517	0.49
Guoyuan Securities Co Ltd – A Share	734,820	10,613,235	0.67
Haitong Securities Co Ltd – A Share	3,506,425	41,326,513	2.63
Hangzhou Binjiang Real Estate Group Co Ltd – A Share	1,147,689	10,363,799	0.66
Huaxin Cement Co Ltd – A Share	466,200	6,790,827	0.43
Huayu Automotive Systems Co Ltd – A Share	1,176,800	13,710,438	0.87
Hubei Yihua Chemical Industry Co Ltd – A Share	955,295	14,255,978	0.91
Industrial Bank Co Ltd – A Share	960,000	14,172,654	0.90
Jiangsu Yangnong Chemical Co Ltd – A Share	665,992	17,230,861	1.10
Jiangsu Zhongnan Construction Group Co Ltd – A Share	1,640,378	18,990,319	1.21
Jiangxi Copper Co Ltd – A Share	754,600	20,888,056	1.33
Jiangxi Wannianqing Cement Co Ltd – A Share	470,523	6,784,333	0.43
Luzhou Laojiao Co Ltd – A Share	419,247	19,852,563	1.26

**HSBC China Dragon Fund**

	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets</i>
<b>Equity</b>			
<i>Listed investments</i>			
Ping An Insurance (Group) Co of China Ltd – A Share	674,087	34,781,082	2.21
Poly Real Estate Group Co Ltd – A Share	2,224,383	29,445,609	1.87
Qingdao Haier Co Ltd – A Share	1,628,500	22,679,470	1.44
RiseSun Real Estate Development Co Ltd – A Share	671,318	7,342,243	0.47
SAIC Motor Corp Ltd – A Share	823,600	13,709,223	0.87
SDIC Xinji Energy Co Ltd – A Share	1,318,522	18,735,620	1.19
Shanghai Fosun Pharmaceutical (Group) Co Ltd – A Share	975,604	12,818,687	0.81
Shanghai Pudong Development Bank Co Ltd – A Share	3,135,451	28,467,877	1.81
Shanxi Coal International Energy Group Co Ltd – A Share	570,751	14,429,697	0.92
Shanxi Lanhua Sci-Tech Venture Co Ltd – A Share	777,958	18,845,192	1.20
Shenzhen MTC Co Ltd – A Share	1,287,818	20,454,056	1.30
Sichuan Kelun Pharmaceutical Co Ltd – A Share	283,735	17,418,556	1.11
Stanley Fertilizer Co Ltd – A share	289,549	10,266,319	0.65
Tongling Nonferrous Metals Group Co Ltd – A Share	594,100	14,413,358	0.92
Wuliangye Yibin Co Ltd – A Share	459,506	19,164,151	1.22
Xinjiang Youhao Group Co Ltd – A Share	1,005,085	14,071,609	0.89
Zhejiang Medicine Co Ltd – A Share	231,346	5,925,724	0.38
Zhejiang NHU Co Ltd – A Share	272,490	6,195,142	0.39
Zhejiang Transfar Co Ltd – A Share	1,078,333	10,944,743	0.70
Zijin Mining Group Co Ltd – A Share	2,791,600	13,771,976	0.88
Zoomlion Heavy Industry Science & Technology Co Ltd – A Share	2,494,318	26,421,269	1.68
		<u>1,219,166,342</u>	<u>77.53</u>
<i>Hong Kong</i>			
Agricultural Bank of China – H Share	1,568,000	4,735,360	0.30
Bank of China Ltd – H Share	3,293,900	9,717,005	0.62
Brilliance China Automotive Holdings Ltd – H Share	912,000	7,761,120	0.49
China Construction Bank Corp – H Share	3,178,160	17,066,719	1.08
China Life Insurance Co Ltd – H Share	321,000	7,158,300	0.46
China Mobile Ltd – H Share	421,500	36,206,850	2.30
China Overseas Land & Investment Ltd	276,000	5,437,200	0.35
China Petroleum & Chemical Corp – H Share	738,000	5,343,120	0.34
China Shenhua Energy Co Ltd – H Share	77,000	2,310,000	0.15
CNOOC Ltd – H Share	1,042,000	16,546,960	1.05
Huaneng Power International Inc – H Share	356,000	2,093,280	0.13
Industrial and Commercial Bank of China – H Share	3,267,245	14,931,310	0.95
PetroChina Co Ltd – H Share	1,354,000	13,729,560	0.87

	HSBC China Dragon Fund		
	Holdings	Market value HK\$	% of total net assets
Equity			
Listed investments			
Ping An Insurance (Group) Co of China Ltd – H Share	74,000	4,336,400	0.28
Tencent Holdings Ltd – H Share	6,000	1,588,800	0.10
		148,961,984	9.47
Equities (Total)		1,368,128,326	87.00
Equity-linked instruments			
Listed investments			
HSBC Bank Plc – Anhui Conch Cement Co Ltd – A Share Covered American Call Warrants 13 October 2020	403,100	7,945,608	0.51
HSBC Bank Plc – China State Construction Engineering Corp Ltd – A Share Covered American Call Warrants 21 June 2022	2,883,500	10,910,322	0.69
HSBC Bank Plc – Luzhou Laojiao Co Ltd – A Share Covered American Call Warrants 3 June 2020	303,065	14,390,264	0.91
		33,246,194	2.11
Unlisted but quoted investments			
HSBC Bank Plc – China Merchants Bank Co Ltd – A Share Covered American Call Warrants 2 March 2020	1,980,900	24,835,354	1.58
HSBC Bank Plc – China Merchants Property Development Co Ltd – A Share Covered American Call Warrants 13 July 2020	267,005	6,852,439	0.44
HSBC Bank Plc – China Pacific Insurance Group Co Ltd – A Share Covered American Call Warrants 16 April 2020	1,109,850	27,682,999	1.76
HSBC Bank Plc – CITIC Securities Co Ltd – A Share Covered American Call Warrants 27 July 2020	2,558,827	37,179,907	2.36
		96,550,699	6.14
Unlisted investments			
UBS – Wuliangye Yibin Co Ltd – A Share Participation Note 5 September 2013	654,842	27,382,532	1.74
Equity-linked instruments (Total)		157,179,425	9.99
Total investments (Total cost of investments: \$1,552,341,108)		1,525,307,751	96.99
Other net assets		47,320,947	3.01
Total net assets		1,572,628,698	100.00



## Statement of movements in portfolio holdings (unaudited)

For the period ended 30 September 2012

	<i>% of total net assets</i>	
	<b>30 September 2012</b>	<b>31 March 2012</b>
Equities	87.00	95.13
Equity-linked instruments	9.99	—
<b>Total investments</b>	<b>96.99</b>	<b>95.13</b>
<b>Other net assets</b>	<b>3.01</b>	<b>4.87</b>
<b>Total net assets attributable to unitholders</b>	<b>100.00</b>	<b>100.00</b>

## Performance table (unaudited)

For the period ended 30 September 2012

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

*Year/period end*

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
31 March 2012	HK\$2,757,458,558
30 September 2012	HK\$1,572,628,698

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

*Year/period end*

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
31 March 2012	HK\$7.89
30 September 2012	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 ended 30 September 2012, the Manager offered a right to the unitholders to redeem not more than 40% of the aggregate number of units in issue. During the year ended 31 March 2012, the Manager was allowed to repurchase not more than 10% of the aggregate number of units in issue.

<b>Year/period</b>	<b>Lowest HK\$</b>	<b>Highest HK\$</b>
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
1 April 2011 to 31 March 2012	7.21	10.28
1 April 2012 to 30 September 2012	7.14	8.42

## Issuance of Results

The unaudited interim report of the Fund for the period from 1 April 2012 to 30 September 2012 will be despatched to Unitholders on or about 30 November 2012.

Hong Kong, 28 November 2012

By Order of the Board  
**HSBC Global Asset Management (Hong Kong) Limited**  
as Manager of HSBC China Dragon Fund  
**Joanna Mary 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, Dr. MALDONADO-CODINA, Guillermo Eduardo and Ms. MUNRO, Joanna Mary. The non-executive directors of the Manager are Mr. CHANDRASEKHARAN, Sridhar, Ms. CHEANG, Wai Wan Louisa, Ms. FUNG, Yuen Mei Anita, Mr. HARVEY-SAMUEL, Guy Daniel 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 tables demonstrate the performance of different asset classes of the Fund.

The row “The Fund’s A-share and other QFII investments” represents the indicative performance of the Fund’s direct investments in China A-shares and other QFII (Qualified Foreign Institutional Investor) investments and the Fund’s indirect investments in China A-shares through instruments such as China A-shares access products and exchange traded funds in relation to China A-shares. The Fund has changed its investment objectives on 6 September 2012; please refer to the latest Offering Circular of the Fund for details. With effect from 6 September 2012, certain other investments may also be classified under this row in the tables below in the calculation, please refer to Note 1 below for details <sup>(1)</sup>.

The row “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 <sup>(2)</sup>						
	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>(3)</sup>
	Year-to-date since 1 January up to 30 September <sup>(1)</sup>	Year-to-date since 1 January up to 5 September <sup>(1)</sup>					
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision) <sup>(1)</sup>	-3.58%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
<i>MSCI China A</i>	-1.11%	N.A.	-22.89%	-4.02%	97.00%	-61.99%	20.96%
The Fund’s non A-share and non QFII investments (gross of expenses)	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
<i>MSCI China</i>	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance <sup>(4)</sup>					
	up to 31 October 2012 <sup>(1)</sup>			up to 5 September 2012 <sup>(1)</sup>		
	6 months	1 year	Since August 07 <sup>(3)</sup>	6 months	1 year	Since August 07 <sup>(3)</sup>
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision) <sup>(1)</sup>	-9.96%	-11.80%	-23.00%	N.A.	N.A.	N.A.
<i>MSCI China A</i>	-11.05%	-13.78%	-33.71%	N.A.	N.A.	N.A.
The Fund’s non A-share and non QFII investments (gross of expenses)	N.A.	N.A.	N.A.	-15.19%	-20.45%	-16.52%
<i>MSCI China</i>	N.A.	N.A.	N.A.	-15.82%	-17.91%	-15.50%

The following table demonstrates the performance of the Fund as a whole up to 31 October 2012. "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.

As at 31 October 2012:

	Calendar year performance <sup>(2)</sup>						Cumulative performance <sup>(4)</sup>		
	2012 year-to-date	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>(3)</sup>	6 months	1 year	Since August 07 <sup>(3)</sup>
Net asset value of the Fund (net of expenses)	-0.66%	-23.31%	4.76%	75.51%	-57.82%	29.48%	-8.93%	-8.26%	-23.51%

As at 31 October 2012:

Net asset value per unit of the Fund:	HK\$7.55
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$6.28
Discount / Premium to net asset value:	16.82% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 October 2012. 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. The Fund has changed its investment objectives on 6 September 2012; please refer to the latest Offering Circular of the Fund for details. Before the change of investment objectives, the Fund aims to invest in various types of Chinese equities, including but not limited to A-shares, B-shares, H-shares and red chips. After the change of investment objectives, the Fund mainly invests directly and indirectly in China A-shares. After the change of investment objectives, although the Fund may still invests in other investments such as B-shares, H-shares and red chips, such other investments shall not exceed 10% of the net asset value of the Fund. As a result, with effect from 6 September 2012, when calculating the performance in the tables above, the Fund classifies all its assets under "The Fund's A-share and other QFII investments".
2. Calendar year performance is the gain or loss of the Fund throughout a particular year.
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.
4. Cumulative performance is the gain or loss of the Fund over certain period of time up to the relevant date.

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 mainly invests directly and indirectly in China A-shares, which are subject to specific risks and restrictions as disclosed in the Offering Circular. The Fund differs from a typical trust and investors should read the Offering Circular for details including the risk factors. The document has not been reviewed by the Securities and Futures Commission.

HSBC Global Asset Management (Hong Kong) Limited  
Manager of HSBC China Dragon Fund  
19 November 2012

*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, Dr. MALDONADO-CODINA, Guillermo Eduardo and Ms. MUNRO, Joanna Mary. The non-executive directors of the Manager are Mr. CHANDRASEKHARAN, Sridhar, Ms. CHEANG, Wai Wan Louisa, Ms. FUNG, Yuen Mei Anita, Mr. HARVEY-SAMUEL, Guy Daniel and Mr. PACTON, Olivier.*

**IMPORTANT**

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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 tables demonstrate the performance of different asset classes of the Fund.

The row “The Fund’s A-share and other QFII investments” represents the indicative performance of the Fund’s direct investments in China A-shares and other QFII (Qualified Foreign Institutional Investor) investments and the Fund’s indirect investments in China A-shares through instruments such as China A-shares access products and exchange traded funds in relation to China A-shares. The Fund has changed its investment objectives on 6 September 2012; please refer to the latest Offering Circular of the Fund for details. With effect from 6 September 2012, certain other investments may also be classified under this row in the tables below in the calculation, please refer to Note 1 below for details <sup>(1)</sup>.

The row “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 <sup>(2)</sup>						
	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>(3)</sup>
	Year-to-date since 1 January up to 30 September <sup>(1)</sup>	Year-to-date since 1 January up to 5 September <sup>(1)</sup>					
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision) <sup>(1)</sup>	-4.24%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
<i>MSCI China A</i>	-0.30%	N.A.	-22.89%	-4.02%	97.00%	-61.99%	20.96%
The Fund’s non A-share and non QFII investments (gross of expenses)	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
<i>MSCI China</i>	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance <sup>(4)</sup>					
	up to 30 September 2012 <sup>(1)</sup>			up to 5 September 2012 <sup>(1)</sup>		
	6 months	1 year	Since August 07 <sup>(3)</sup>	6 months	1 year	Since August 07 <sup>(3)</sup>
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision) <sup>(1)</sup>	-4.59%	-8.00%	-23.53%	N.A.	N.A.	N.A.
<i>MSCI China A</i>	-4.49%	-9.18%	-33.17%	N.A.	N.A.	N.A.
The Fund’s non A-share and non QFII investments (gross of expenses)	N.A.	N.A.	N.A.	-15.19%	-20.45%	-16.52%
<i>MSCI China</i>	N.A.	N.A.	N.A.	-15.82%	-17.91%	-15.50%

The following table demonstrates the performance of the Fund as a whole up to 30 September 2012. "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.

As at 30 September 2012:

	Calendar year performance <sup>(2)</sup>						Cumulative performance <sup>(4)</sup>		
	2012 year-to-date	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>(3)</sup>	6 months	1 year	Since August 07 <sup>(3)</sup>
Net asset value of the Fund (net of expenses)	-1.32%	-23.31%	4.76%	75.51%	-57.82%	29.48%	-4.94%	0.00%	-24.01%

As at 30 September 2012:

Net asset value per unit of the Fund:	HK\$7.50
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$6.17
Discount / Premium to net asset value:	17.73% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 September 2012. 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. The Fund has changed its investment objectives on 6 September 2012; please refer to the latest Offering Circular of the Fund for details. Before the change of investment objectives, the Fund aims to invest in various types of Chinese equities, including but not limited to A-shares, B-shares, H-shares and red chips. After the change of investment objectives, the Fund mainly invests directly and indirectly in China A-shares. After the change of investment objectives, although the Fund may still invests in other investments such as B-shares, H-shares and red chips, such other investments shall not exceed 10% of the net asset value of the Fund. As a result, with effect from 6 September 2012, when calculating the performance in the tables above, the Fund classifies all its assets under "The Fund's A-share and other QFII investments".
2. Calendar year performance is the gain or loss of the Fund throughout a particular year.
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.
4. Cumulative performance is the gain or loss of the Fund over certain period of time up to the relevant date.

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 mainly invests directly and indirectly 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  
26 October 2012

*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, Dr. MALDONADO-CODINA, Guillermo Eduardo and Ms. MUNRO, Joanna. The non-executive directors of the Manager are Mr. CHANDRASEKHARAN, Sridhar, Ms. CHEANG, Wai Wan Louisa, Mr. HARVEY-SAMUEL, Guy Daniel, Mr. PACTON, Olivier and Ms. FUNG, Yuen Mei Anita.*

**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. Please also note that the Fund has changed its investment objectives on 6 September 2012; please refer to the updated Offering Circular published by the Fund on 6 September 2012 for further details. The performance figures disclosed below only represent the performance of the Fund up to 31 August 2012 before the change of investment objectives on 6 September 2012.

	Calendar year performance <sup>1</sup>						Cumulative performance <sup>2</sup>		
	2012 year-to-date	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>3</sup>	6 months	1 year	Since August 07 <sup>3</sup>
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision)	-9.91%	-26.10%	5.78%	89.66%	-59.35%	32.50%	-16.74%	-23.79%	-28.06%
<i>MSCI China A</i>	-4.91%	-22.89%	-4.02%	97.00%	-61.99%	20.96%	-15.14%	-22.41%	-36.26%
The Fund’s non A-share and non QFII investments (gross of expenses)	1.16%	-18.91%	5.62%	69.11%	-55.17%	28.40%	-13.70%	-12.34%	-15.67%
<i>MSCI China</i>	2.19%	-18.32%	5.10%	62.71%	-51.12%	23.43%	-13.32%	-8.38%	-13.89%

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 <sup>1</sup>						Cumulative performance <sup>2</sup>		
	2012 year-to-date	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>3</sup>	6 months	1 year	Since August 07 <sup>3</sup>
Net asset value of the Fund (net of expenses)	-5.79%	-23.31%	4.76%	75.51%	-57.82%	29.48%	-16.16%	-19.64%	-27.46%

As at 31 August 2012:

Net asset value per unit of the Fund:	HK\$7.16
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$6.65
Discount / Premium to net asset value:	7.12% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 August 2012 (the “Reference Date”). All performance figures are total return figures in Hong Kong dollars. The performance figures disclosed above only represent the performance of the Fund up to 31 August 2012 before the change of investment objectives on 6 September 2012.

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 September 2012

*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, Dr. MALDONADO-CODINA, Guillermo Eduardo and Ms. MUNRO, Joanna. The non-executive directors of the Manager are Mr. CHANDRASEKHARAN, Sridhar, Ms. CHEANG, Wai Wan Louisa, Mr. HARVEY-SAMUEL, Guy Daniel, Mr. PACTON, Olivier and Ms. FUNG, Yuen Mei Anita.*



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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)**

**Product Key Facts  
Announcement**

HSBC Global Asset Management (Hong Kong) Limited, as the Manager of HSBC China Dragon Fund (“the Fund”), would like to inform you that a Product Key Facts of the Fund has been posted on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Fund’s website at [www.assetmanagement.hsbc.com/hk-chinadragonfund](http://www.assetmanagement.hsbc.com/hk-chinadragonfund) on 7 September 2012 to update the logo on the Product Key Facts. Other information on the Product Key Facts remain 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 1229).

HSBC Global Asset Management (Hong Kong) Limited  
Manager of HSBC China Dragon Fund  
7 September 2012

*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, Ms. MUNRO, Joanna and Dr. MALDONADO-CODINA, Guillermo Eduardo. The non-executive directors of the Manager are Mr. CHANDRASEKHARAN, Sridhar, Ms. CHEANG, Wai Wan Louisa, 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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section 104 of the Securities and Futures Ordinance  
(Chapter 571 of the Laws of Hong Kong)  
(Stock Code: 820)*

**ANNOUNCEMENT OF THE RESULTS OF THE REDEMPTION MADE UNDER THE ONE-OFF REDEMPTION OFFER**

The Manager wishes to announce that the redemption of Units made under the One-off Redemption Offer occurred on 5 September 2012.

The One-off Redemption Offer closed at 4:30 p.m. (Hong Kong time) on 4 September 2012 (the Lodgement Date). Units were redeemed at the redemption price of HK\$7.14 per Unit, representing the net asset value of HK\$7.15 per Unit calculated using the relevant market closing price of the underlying investments of the Fund and the Fund's applicable operating expenses accrued or incurred to date on 5 September 2012 and made available as of 9:30 a.m. on 6 September 2012 less a Redemption Levy of HK\$0.01 per Unit. The Redemption Levy of HK\$0.01 per Unit represented 0.14% of the net asset value of each Unit redeemed.

The Fund has satisfied the redemption requests of the Unitholders on a pro rata basis at around 86.69% for each Unitholder based on the number of Units such Unitholder has validly applied to redeem, rounded down to the nearest whole Unit, and Units representing 40% of the total outstanding number of Units as at 4 September 2012 were redeemed on 5 September 2012. The total number of Units redeemed under the One-off Redemption Offer is 139,874,737.

Upon the redemption made under the One-off Redemption Offer, all redeemed Units have been cancelled. The Registrar will send, by ordinary post at the redeeming Unitholder's own risk, a payment for such total amount as is due to that redeeming Unitholder whose redemption under the One-off Redemption Offer has been accepted by the Manager and (if applicable) certificate(s) for Units not redeemed on or before 18 September 2012. The Change of Investment Objective and Policies takes effect on 6 September 2012. The revised offering circular and the key fact statement with the new investment objective and policies of the Fund will be published by the Manager on 6 September 2012.

**INVESTORS SHOULD NOTE THE FOLLOWING KEY DATES:**

<b>Time for calculating the net asset value of the Fund as of the Value Day</b>	<b>9:30 a.m. on 6 September 2012</b>
<b>Latest date for despatch of cheques to redeeming Unitholders and (if applicable) return of certificate(s) for Units not redeemed</b>	<b>18 September 2012</b>

Reference is made to poll results announcement by HSBC China Dragon Fund (the "**Fund**") on 21 August 2012 (the "Announcement") and the circular published by the Fund dated 20 July 2012 (the "**Circular**") regarding the extraordinary resolutions in relation to (i) the Change of Investment Objective and Policies, (ii) the One-Off Redemption Offer and (iii) the amendments to the Trust Deed by the supplemental Trust Deed to effect the Change of Investment Objective and Policies and One-Off Redemption Offer including all fees and expenses relating to any redemption of Units shall be borne by the Fund and the Redemption Levy will be charged and deducted from the redemption price and will be retained by the Fund for its own benefit and changes to the Code on Unit Trusts and Mutual Funds approved by the unitholders of the Fund in the general meeting held on 21 August 2012.

Capitalised terms used herein shall, unless otherwise defined, have the same meanings ascribed to them in the Circular.

The resolutions regarding (i) the Change of Investment Objective and Policies, (ii) the One-Off Redemption Offer and (iii) the amendments to the Trust Deed by the supplemental Trust Deed to effect the Change of Investment Objective and Policies and One-Off Redemption Offer including all fees and expenses relating to any redemption of Units shall be borne by the Fund and the Redemption Levy will be charged and deducted from the redemption price and will be retained by the Fund for its own benefit and changes to the Code on Unit Trusts and Mutual Funds were duly passed by the Unitholders in the general meeting held on 21 August 2012.

The conditions of the One-off Redemption Offer were fulfilled and the One-off Redemption Offer became unconditional on 21 August 2012.

The Fund has decided not to extend the period for acceptance of the One-off Redemption Offer, and the One-off Redemption Offer closed at 4:30 p.m. (Hong Kong time) on 4 September 2012 (the Lodgement Date).

### **Results of the One-off Redemption Offer**

Unitholders that exercised their rights under the One-off Redemption Offer have returned their redemption requests forms together with the relevant certificate(s) and/ or transfer receipt(s) and / or any other document(s) of title for the number of Units in respect of which Unitholders intended to redeem to the registrar of the Fund no later than 4:30 p.m. on 4 September 2012. Acceptances of the One-off Redemption Offer may, at the discretion of the Manager, be treated as valid even if not accompanied by the certificate(s) of Units but, in such cases, the cash consideration due will not be despatched until the relevant certificate(s) of Units has/have been received by the Registrar.

As at 4:30 p.m. on 4 September 2012:

(a) The total number of Units in issue	349,687,000
(b) The maximum number of Units available for redemption under the Redemption Offer	139,874,800 (40% of the total outstanding number of Units as at 4 September 2012)
(c) The aggregate number of Units for which valid applications were made under the One-off Redemption Offer	161,347,811 (46.14% of the total outstanding number of Units as at 4 September 2012)
(d) Out of (c) above, the aggregate number of Units for which valid applications were made under the One-off Redemption Offer by the Manager and entities that are the Manager's parent, the Manager's subsidiaries, the Manager's fellow subsidiaries, associated companies of any	1,788,000 (0.51% of the total outstanding number of Units as at 4 September 2012)

of the foregoing, and companies of which such companies are associated companies that (i) trade in the Units as discretionary fund managers and/or (ii) for proprietary purposes

The Fund has satisfied the redemption requests of the Unitholders on a pro rata basis at around 86.69% for each Unitholder based on the number of Units such Unitholder has validly applied to redeem, rounded down to the nearest whole Unit, and Units representing 40% (the "**Redemption Percentage**") of the total outstanding number of Units as at 4 September 2012 were redeemed on 5 September 2012. The total number of Units redeemed under the One-off Redemption Offer is 139,874,737.

### **Redemption of the Units**

The Manager wishes to announce that the redemption made under the One-off Redemption Offer occurred on 5 September 2012.

The total number of Units redeemed under the One-off Redemption Offer is 139,874,737. Units were redeemed at the redemption price of HK\$7.14 per Unit, representing the net asset value of HK\$7.15 per Unit calculated using the relevant market closing price of the underlying investments of the Fund and the Fund's applicable operating expenses accrued or incurred to date on 5 September 2012 and made available as of 9:30 a.m. on 6 September 2012 less a Redemption Levy of HK\$0.01 per Unit. The Redemption Levy of HK\$0.01 per Unit represented 0.14% of the net asset value of each Unit redeemed.

According to the Circular, the total number of Units redeemed by the Fund shall not exceed 40% of the total outstanding number of Units as at 4 September 2012. The aggregate number of Units for which applications were made under the One-off Redemption Offer is 161,347,811 representing 46.14% of the total outstanding number of Units as at 4 September 2012.

As the aggregate number of Units for which applications were made under the One-off Redemption Offer exceeded 40% of the total outstanding number of Units as at 4 September 2012, the number of Units that such Unitholders could eventually redeem was reduced proportionally.

The Fund has disposed of and acquired such investment in an orderly manner in order to effect the Change of Investment Objective and Policies. The Manager has realised the non-A share investments of the Fund and applied all or part of such realisation proceeds to satisfy the redemption requests of Unitholders wishing to redeem their Units on a pro rata basis based on the number of Units the Unitholders have validly applied to redeem, rounded down to the nearest whole Unit, with the remaining realisation proceeds, if any, being invested to gain exposure to A share investments via CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares and, in the event that such A share investments are not available, other equity instruments such as B shares, H shares and shares issued by red chip companies and to invest the balance in cash and other net asset.

The Registrar will send, by ordinary post at the redeeming Unitholder's own risk, a remittance for such total amount as is due to that redeeming Unitholder, that is, the net asset value of the Units redeemed less the Redemption Levy, whose redemption under the One-off Redemption Offer has been accepted by the Manager and (if applicable) certificate(s) for Units not redeemed on or before 18 September 2012. The Redemption Levy is to be retained by the Fund for the benefit of the Fund.

Upon the redemption made under the One-off Redemption Offer, all redeemed Units have been cancelled.

Any request for the One-off Redemption Offer which was not satisfied is void and certificates representing such Units shall be returned to Unitholders on or before 18 September 2012.

## Investment Distribution

Immediately after the completion of the redemption made under the One-off Redemption Offer, the followings illustrate the investment allocation of the Fund (expressed as a percentage of net asset value of the Fund subsequent to the Unitholders' exercise of the One-off Redemption Offer):

A shares	77.66%
CAAPs	0.00%*
ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares	0.00%*
Other equity instruments (such as B shares, H shares and shares issued by red chips companies)	9.43%
Cash and other net asset	12.91% <sup>#</sup>

\* The Fund's investment in CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares will not exceed 50% in the aggregate of its net asset value.

<sup>#</sup> Net of the redemption amount payable to the redeeming Unitholders. The latest date for despatch of cheques to redeeming Unitholders and (if applicable) return of certificate(s) for Units not redeemed is 18 September 2012.

## Holding Structure

Set out below is a table showing the holding structure of the Fund prior to and immediately after the completion of the redemption made under the One-off Redemption Offer.

	Immediately before the May 2012 Announcement		Immediately before the completion of the redemption made under the One-off Redemption Offer		Immediately after the completion of the redemption made under the One-off Redemption Offer	
	Units	Approx. %	Units	Approx. %	Approx Units	Approx. %
Public Unitholders	347,289,500	99.32	347,289,500	99.32	208,964,805	99.60
Manager and entities that are the Manager's parent, Manager's subsidiaries, the Manager's fellow subsidiaries, associated companies of any of the foregoing (i) trade in the Units as discretionary fund managers and/or (ii) for proprietary purposes own or control or direct the holding of voting rights and rights over the Units	2,397,500	0.68	2,397,500	0.68	847,458	0.40

The Fund has not and will not have any parent, subsidiary, fellow subsidiary and/or associated company.

## Interests of the Fund and the Manager

Immediately after completion of the redemption under the One-off Redemption Offer and cancellation of the redeemed Units, other than the entities set out in the following table, neither:

- (a) the Fund;
- (b) the Manager; nor
- (c) entities that are the Manager's parent, the Manager's subsidiaries, the Manager's fellow subsidiaries, associated companies of any of the foregoing, and companies of which such companies are associated companies that (i) trade in the Units as discretionary fund managers and/or (ii) for proprietary purposes;

has owned, controlled or directed or agreed to own, control or direct the holding of voting rights and rights over the Units:

Name of Entity	Immediately before the May 2012 Announcement		Immediately before the completion of the redemption made under the One-off Redemption Offer		Immediately after the completion of the redemption made under the One-off Redemption Offer	
	Units	Approx. %	Units	Approx.%	Approx Units	Approx. %
The Hongkong and Shanghai Banking Corporation Limited	1,785,000	0.51	1,785,000	0.51	237,558	0.11
HSBC International Trustee Limited	608,500	0.17	608,500	0.17	608,500	0.29
HSBC Trustee (Hong Kong) Limited	3,000	0.00	3,000	0.00	400	0.00
HSBC Private Trustee (Hong Kong) Limited	1,000	0.00	1,000	0.00	1,000	0.00

From the date of the Circular up to the date of this announcement, other than the above, each of the Manager and any entities that are the Manager's parent, the Manager's subsidiaries, the Manager's fellow subsidiaries, associated companies of any of the foregoing, and companies of which such companies are associated companies that trade as discretionary fund managers and/or for proprietary purposes also confirms that, save as disclosed above, it does not own, control or direct any voting rights or other rights over the Units; does not hold any convertible securities, warrants or options over the Units; has not received any irrevocable commitment to accept the One-off Redemption Offer in respect of any Units; and has not entered into any outstanding derivative in respect of the Units during the date of the Circular up to the date of this announcement.

### **Nominee Holding**

Unitholders whose Units are held by a nominee company should note that the Manager has regarded the nominee company as a single Unitholder according to the register of Unitholders and applied the Redemption Percentage to such nominee company as a single Unitholder. The Manager shall not be responsible for such nominee company's allocation of the Redemption Percentage among redeeming Unitholders whose Units were held by such nominee company.

### **Odd Lots Arrangements**

The Units are traded in board lots of 500 Units each. There has been no change to the board lot size as a result of the One-off Redemption Offer. Eligible Unitholders should note that acceptance of the One-off Redemption Offer might have resulted in their holding of odd lots of the Units.

The Manager has not made and will not make arrangements with any designated broker to match sales and purchases of odd lot trading of Units after completion of the One-off Redemption Offer in order to enable such redeeming Unitholders to dispose of their odd lots or to top up their odd lots to whole board lots.

### **Overseas Unitholders**

All Overseas Unitholders were offered to redeem under the One-off Redemption Offer.

### **Securities Repurchased by the Fund and the Manager**

Other than the redemption of Units under the One-off Redemption Offer, neither:

- (a) the Fund;
- (b) the Manager; nor
- (c) entities that are the Manager's parent, the Manager's subsidiaries, the Manager's fellow subsidiaries, associated companies of any of the foregoing, nor the companies of which such companies are associated companies that (i) trade in the Units as discretionary fund managers and/or (ii) for proprietary purposes;

has purchased, repurchased, acquired and agreed to purchase, repurchase and/or acquire, any Units from the date of the May 2012 Announcement up to the date of this announcement.

### **Borrowing or Lending by the Manager**

None of the Fund, the Manager or any entity that is their parent, subsidiary, the Manager's fellow subsidiary, associated company of any of the foregoing, and any company of which such company is an associated companies has borrowed or lent any Units.

## Net Asset Values

The following table shows the net asset values before and after the redemption made under the One-off Redemption Offer:

Date	Total net asset value of the Fund (HK\$)	Net asset value per Unit (HK\$)
4 September 2012 <sup>(a)</sup>	2,514,148,594	7.19
5 September 2012 <sup>(b)</sup>	1,500,112,390	7.15

(a) This is the Lodgement Date, i.e. last date for lodgement of One-off Redemption Offer request.

(b) This is the Redemption Date, i.e. the date on which the net asset value of the Units redeemed under the One-off Redemption Offer (before taking into account any Redemption Levy) were cancelled

## Change of Investment Objective and Policies

The Change of Investment Objective and Policies has taken effect on 6 September 2012. The Offering Circular of the Fund has been revised accordingly. A copy of the Offering Circular and the key fact statement dated 6 September 2012 has been posted on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Fund's website at [www.assetmanagement.hsbc.com/hk-chinadragonfund](http://www.assetmanagement.hsbc.com/hk-chinadragonfund) on 6 September 2012

## 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.

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 1229).

HSBC Global Asset Management (Hong Kong) Limited  
Manager of HSBC China Dragon Fund  
6 September 2012

*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, Ms. MUNRO, Joanna and Dr. MALDONADO-CODINA, Guillermo Eduardo. The non-executive directors of the Manager are Mr. CHANDRASEKHARAN, Sridhar, Ms. CHEANG, Wai Wan Louisa, Ms. FUNG, Yuen Mei Anita, Mr. HARVEY-SAMUEL, Guy Daniel and Mr. PACTON, Olivier*

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**HSBC CHINA DRAGON FUND**

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**POLL RESULTS OF THE GENERAL MEETING HELD ON 21 AUGUST 2012**

AND

**THE ONE-OFF REDEMPTION OFFER HAS BECOME UNCONDITIONAL**

**POLL RESULTS OF THE GENERAL MEETING HELD ON 21 AUGUST 2012**

The Manager is pleased to announce that the extraordinary resolutions with respect to (i) the Change of Investment Objective and Policies, (ii) the One-Off Redemption Offer and (iii) the amendments to the Trust Deed by the supplemental Trust Deed to effect the Change of Investment Objective and Policies and One-Off Redemption Offer including all fees and expenses relating to any redemption of Units shall be borne by the Fund and the Redemption Levy will be charged and deducted from the redemption price and will be retained by the Fund for its own benefit and changes to the Code on Unit Trusts and Mutual Funds as set out in the notice of General Meeting dated 20 July 2012 were duly passed by way of a poll at the General Meeting held on 21 August 2012.

**THE ONE-OFF REDEMPTION OFFER HAS BECOME UNCONDITIONAL**

The conditions of the One-off Redemption Offer have been fulfilled and the One-off Redemption Offer became unconditional on 21 August 2012 and will remain open for acceptance until no later than 4:30 p.m. (Hong Kong time) on 4 September 2012.

**Investors should note the following key dates:**

<b>Commencement date for lodging the redemption request with the Registrar</b>	<b>22 August 2012</b>
<b>Lodgement Date (i.e. last date for lodgement of One-off Redemption Offer request)</b>	<b>4:30 p.m. on 4 September 2012</b>
<b>Redemption Day (assuming no event occurs which requires a suspension of the Redemption Day)</b>	<b>5 September 2012</b>
<b>Time for calculating the net asset value of the Fund as of the Value Day</b>	<b>9:30 a.m. on 6 September 2012</b>
<b>Announcement of the net asset value of the Fund as of the Value Day</b>	<b>by 5:00p.m. on 6 September 2012</b>
<b>Latest date for despatch of cheques to redeeming Unitholders and (if applicable) return of certificate(s) for Units not redeemed</b>	<b>18 September 2012</b>

**WARNING**

Unitholders are strongly advised to consider carefully the information contained in the Circular including the "Letter from the Manager" and the advice from the independent financial adviser in the "Letter from the Independent Financial Adviser" before deciding whether to accept the One-off Redemption Offer. Unitholders should also note that their voting decision on the extraordinary resolutions proposed at the General Meeting shall not

**affect their investment decision as to whether to accept the One-off Redemption Offer or not. If Unitholders are in any doubt as to any aspect of the One-off Redemption Offer or as to the action to be taken, they should seek independent professional advice.**

Reference is made to the circular (the "**Circular**") issued by HSBC China Dragon Fund (the "**Fund**") dated 20 July 2012. Capitalised terms used herein shall, unless otherwise defined, have the same meanings ascribed to them in the Circular.

Following is the voting results on a poll in respect of the resolutions proposed at the general meeting ("**General Meeting**") of the unitholders of the Fund (the "**Unitholders**") held on 21 August 2012:

	Number of Votes (%)	
	For	Against
Extraordinary Resolutions		
To approve the Change of Investment Objective and Policies in accordance with and subject to the terms set out in the Circular	125,985,500 (98.63%)	1,748,500 (1.37%)
To approve the One-Off Redemption Offer in accordance with and subject to the terms set out in the Circular	125,898,000 (98.61%)	1,771,500 (1.39%)
To approve the amendments to the Trust Deed by the supplemental Trust Deed to effect the Change of Investment Objective and Policies and One-Off Redemption Offer and changes to the Code on Unit Trusts and Mutual Funds as set out in the Circular	125,811,500 (98.59%)	1,799,500 (1.41%)

*Notes:*

- (a) For details of the resolutions and the requirements and timetable with respect to (i) the Change of Investment Objective and Policies, (ii) the One-Off Redemption Offer and (iii) the amendments to the Trust Deed by the supplemental Trust Deed to effect the Change of Investment Objective and Policies and One-Off Redemption Offer including all fees and expenses relating to any redemption of Units shall be borne by the Fund and the Redemption Levy will be charged and deducted from the redemption price and will be retained by the Fund for its own benefit and changes to the Code on Unit Trusts and Mutual Funds, please refer to the Circular.
- (b) As at the date of the General Meeting, the number of Units in issue was 349,687,000.
- (c) The Trustee, the custodian of the Fund, the manager of the Fund and their respective Connected Persons including, fellow subsidiaries and/or associated companies of the Manager as well as the Manager's parent company, the subsidiaries of the Manager's parent company and associated companies of the Manager's parent company and the subsidiaries of such parent company that (i) trade in Units as discretionary fund managers and/or (ii) for proprietary purposes own or control or direct the holding of voting rights and rights over the Units, representing an aggregate of 2,397,500 Units, were required to abstain from voting on the extraordinary resolutions. The total number of Units entitling the Unitholders to attend the General Meeting and vote for or against the resolutions was 347,289,500.

- (d) Computershare Hong Kong Investor Services Limited, the Unit registrar of the Fund, acted as scrutineer for the poll at the General Meeting.

According to the Circular, the Manager will proceed to effect (i) the Change of Investment Objective and Policies, (ii) the One-Off Redemption Offer and (iii) the amendments to the Trust Deed by the supplemental Trust Deed to effect the Change of Investment Objective and Policies and One-Off Redemption Offer and changes to the Code on Unit Trusts and Mutual Funds after obtaining the necessary approval of the Unitholders at the General Meeting for all of the three resolutions above.

On the basis of the votes set out above, the resolutions were duly passed as extraordinary resolutions. The Manager will therefore proceed to effect any of (i) the Change of Investment Objective and Policies, (ii) the One-Off Redemption Offer and (iii) the amendments to the Trust Deed by the supplemental Trust Deed to effect the Change of Investment Objective and Policies and One-Off Redemption Offer and changes to the Code on Unit Trusts and Mutual Funds.

***(i) Change of Investment Objective and Policies***

The Change of Investment Objective and Policies will be effective on 6 September 2012. The revised offering circular and the key fact statement with the new investment objective and policies of the Fund will be published by the Manager on 6 September 2012.

***(ii) One-off Redemption Offer***

The conditions of the One-off Redemption Offer have been fulfilled and the One-off Redemption Offer became unconditional on 21 August 2012 and will remain open for acceptance until no later than 4:30 p.m. (Hong Kong time) on 4 September 2012. The Redemption Day shall take place on 5 September 2012.

Unitholders who wish to accept the One-off Redemption Offer must provide completed redemption requests to the registrar of the Fund no later than 4:30 p.m. on 4 September 2012; provided that the Unitholders are only entitled to make a redemption request under the One-off Redemption Offer with respect to the Units they hold as of the Lodgement Date.

Unitholders that are interested in exercising their rights under the One-off Redemption Offer shall be required to return their redemption requests forms together with the relevant certificate(s) and/ or transfer receipt(s) and / or any other document(s) of title (and / or any satisfactory indemnity or indemnities required in respect thereof) for the number of Units in respect of which Unitholders intend to redeem, by post or by hand to the registrar of the Fund by no later than 4:30 p.m. on 4 September 2012. No further action shall be required from the Unitholders that elect to continue to hold onto their entire holdings of Units in the Fund. Unitholders that have lost the certificates representing their Units should contact the registrar of the Fund and follow the procedure as required by the registrar of the Fund. Unitholders whose Units are held by a nominee company, including those whose interests in the Units are held through CCASS, should refer to the section headed "Nominee Registration of Units" in the Circular.

***(iii) Amendments to the Trust Deed by the supplemental Trust Deed***

The amendments to the Trust Deed by the supplemental Trust Deed will be effective on 21 August 2012.

**Status of Acceptance of the One-off Redemption Offer**

Until 4:00 p.m. on the date of this announcement, the Fund has not received any completed redemption request forms.

## Warning

**Unitholders are strongly advised to consider carefully the information contained in the Circular including the "Letter from the Manager" and the advice from the independent financial adviser in the "Letter from the Independent Financial Adviser" before deciding whether to accept the One-off Redemption Offer. Unitholders should also note that their voting decision on the extraordinary resolutions proposed at the General Meeting shall not affect their investment decision as to whether to accept the One-off Redemption Offer or not. If Unitholders are in any doubt as to any aspect of the One-off Redemption Offer or as to the action to be taken, they should seek independent professional advice.**

## General Information

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.

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 1229).

HSBC Global Asset Management (Hong Kong) Limited

Manager of HSBC China Dragon Fund

21 August 2012

*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, Ms. MUNRO, Joanna and Dr. MALDONADO-CODINA, Guillermo Eduardo. The non-executive directors of the Manager are Mr. CHANDRASEKHARAN, Sridhar, Ms. CHEANG, Wai Wan Louisa, 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)*

### **Changes of Investment Restrictions**

HSBC Global Asset Management (Hong Kong) Limited, as the Manager of the Fund, would like to inform you that on 27 July 2012, the China Securities Regulatory Commission promulgated the Provisions on Relevant Matters Concerning the Implementation of Measures for the Administration of Securities Investment within the Borders of China by Qualified Foreign Institutional Investors (QFIIs) ("**Provisions**") which were effective as of the same date. The Provisions superseded the current circular on the qualified foreign institutional investor regime, namely, the Circular on Issues relevant to Implementing the Regulation on the Administration of Domestic Securities Investment by Qualified Foreign Institutional Investors published on 24 August 2006.

As a result of the promulgation of the Provisions on Relevant Matters Concerning the Implementation of Measures for the Administration of Securities Investment within the Borders of China by Qualified Foreign Institutional Investors (QFIIs) by the CSRC on 27 July 2012, the investment restriction of the Fund is changed such that the maximum investment limit with respect to the total shares held by all underlying foreign investors who make investment through QFII investment quotas in one listed company has increased from 20% to 30% of the total outstanding shares of that company. The Offering Circular is hereby supplemented as follows:

- (a) The reference to the "Notice on Relevant Issues in relation to the Implementation of the Measures for the Administration of Investment in Domestic Securities by Qualified Foreign Institutional Investors" in (ii) of the definition of "Investment Regulations" on page 11 of the Offering Circular shall be deleted in its entirety and replaced with the following: "the "Provisions on Relevant Matters Concerning the Implementation of Measures for the Administration of Securities Investment within the Borders of China by Qualified Foreign Institutional Investors(QFIIs)" (《關於實施《合格境外機構投資者境內證券投資管理辦法》有關問題的規定》) promulgated by CSRC on 27 July, 2012 and came into effect on 27 July, 2012, as may be amended from time to time".
- (b) The investment restriction with respect to the total shares held by all underlying foreign investors who make investment through QFII investment quotas in one listed company on pages 20 and 32 of the Offering Circular shall be deleted in its entirety and replaced with the following:

"(ii) total shares held by all underlying foreign investors who make investment through QFII investment quotas in one listed company should not exceed 30% of the total outstanding shares of that company."

- (c) The following shall be inserted after the third sentence in the last paragraph in page 32 of the Offering Circular under the sub-section headed "Investment Restrictions, Repatriation, etc" of the risk factor headed "QFII":

"For the purposes of calculating the 10% investment limit on shares held by each underlying foreign investor who makes investment through QFII investment quota in one listed company as mentioned on the preceding page of this Offering Circular, the holdings of the Fund and other additional QFII investment quota of the Manager may need to be aggregated."

The Offering Circular of the Fund has been revised accordingly. A copy of the Supplement to the Offering Circular dated 17 August 2012 has been posted on the Fund's website on 17 August 2012.

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

17 August 2012

*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, Ms. MUNRO, Joanna and Dr. MALDONADO-CODINA, Guillermo Eduardo. The non-executive directors of the Manager are Mr. CHANDRASEKHARAN, Sridhar, Ms. CHEANG, Wai Wan Louisa, Ms. FUNG, Yuen Mei Anita, Mr. HARVEY-SAMUEL, Guy Daniel 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 <sup>1</sup>						Cumulative performance <sup>2</sup>		
	2012 year-to-date	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>3</sup>	6 months	1 year	Since August 07 <sup>3</sup>
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision)	-3.24%	-26.10%	5.78%	89.66%	-59.35%	32.50%	-5.20%	-21.12%	-22.73%
<i>MSCI China A</i>	-0.43%	-22.89%	-4.02%	97.00%	-61.99%	20.96%	-3.99%	-21.76%	-33.26%
The Fund’s non A-share and non QFII investments (gross of expenses)	5.57%	-18.91%	5.62%	69.11%	-55.17%	28.40%	-3.90%	-17.39%	-11.99%
<i>MSCI China</i>	5.46%	-18.32%	5.10%	62.71%	-51.12%	23.43%	-4.70%	-14.31%	-11.13%

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 <sup>1</sup>						Cumulative performance <sup>2</sup>		
	2012 year-to-date	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>3</sup>	6 months	1 year	Since August 07 <sup>3</sup>
Net asset value of the Fund (net of expenses)	0.00%	-23.31%	4.76%	75.51%	-57.82%	29.48%	-5.35%	-20.50%	-23.00%

As at 31 July 2012:

Net asset value per unit of the Fund:	HK\$7.60
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$6.71
Discount / Premium to net asset value:	11.71% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 July 2012 (the “Reference Date”). All performance figures are total return figures in Hong Kong dollars.

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

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



Note:

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

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

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

HSBC Global Asset Management (Hong Kong) Limited  
Manager of HSBC China Dragon Fund  
17 August 2012

*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, Dr. MALDONADO-CODINA, Guillermo Eduardo and Ms. MUNRO, Joanna. The non-executive directors of the Manager are Mr. CHANDRASEKHARAN, Sridhar, Ms. CHEANG, Wai Wan Louisa, 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)

31 July 2012

Dear Unitholders,

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

The 2012 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](http://www.assetmanagement.hsbc.com/hk-chinadragonfund) for five (5) years from the date of first publication and the HKExnews’s at [www.hkexnews.hk](http://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](mailto: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

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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」)2012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](http://www.assetmanagement.hsbc.com/hk-chinadragonfund)內，並於香港交易所披露易網站[www.hkexnews.hk](http://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](mailto: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

2012年7月31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<sup>#</sup>  
基金單位持有人姓名<sup>#</sup>

Date  
日期

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

Address<sup>#</sup>  
地址<sup>#</sup>

(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

<sup>#</sup> 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](mailto: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](mailto: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。

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HCDH-31072012-100

# **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

### **2012 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 2011 to 31 March 2012.

The annual results of the Fund for the period from 1 April 2011 to 31 March 2012 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 2011 to 31 March 2012.

## **Manager’s report**

### **Review**

The MSCI China index lost 15% and the MSCI China A index fell 25%, both in local currency term.

2011 was a disappointing year for Chinese equity markets. Despite GDP growth of 9.2%, China’s equity markets declined the most among all other major global economies. Major concerns in China in 2011 included high levels of inflation, a deteriorating housing market, the solvency of local government financing vehicles (LGFV), an increase in shadow banking activities, weakening exports, and lastly the possibility of a hard landing.

2012 however has been a different story. In January and February equity markets rallied. The People’s Bank of China cut the Reserve Requirement Ratio (RRR) by 50bp and the Shanghai Interbank Offered Rate fell to recent lows, signaling that policymakers will take necessary

and well-paced loosening actions to stabilize growth. In March, equities fell as Premier Wen set a lowered GDP growth target for the year at 7.5%yoy.

However, data in China has shown improvements with the March manufacturing PMI released on April 1st surprising the market on the upside, picking up strongly to 53.1 from 51.0 in Feb. China's CPI inflation further eased to 3.2%yoy in Feb from 4.5%yoy in Jan on Chinese New Year effect, while PPI inflation dropped to 0.0%yoy in Feb from 0.7%yoy in Jan.

## **Outlook**

Notwithstanding that the European financial markets have recently experienced volatility and adverse trends due to concerns about rising government debt levels of several European countries, including Greece, Spain, Ireland, Italy and Portugal, we expect the PRC's long-term economic growth to remain strong.

Structural changes in the financial liberalization; assets injections to listed companies; ownership diversification; deregulation; and capital accounts liberalization, will lead to more efficient resource allocation and therefore provide the basis for earnings outperformance (vs. developed and many emerging markets economies). The growth of the middle class population implies significant investment opportunities in the consumer and services sectors. In addition, the PRC's economic transition towards urbanization and its environmental efforts create attractive investment themes related to infrastructure, clean energy and environmental treatment.

Specifically, the outlook for a number of the PRC's industries is positive, including sectors such as infrastructure (on strong demand growth driven by fixed asset investments and urbanization), consumers (on the back of higher quality of living), equipment (PRC's technology upgrading), banks (on further widening and cross-selling of product scope), alternative energy (natural demand and government efforts) and nonferrous metals (positive pricing outlook and potential acquisitions).

## Statement of assets and liabilities

As at 31 March 2012

	Note	2012 HK\$	2011 HK\$
<b>Assets</b>			
Investments at fair value through profit or loss	7, 13	2,623,142,418	3,453,504,294
Amounts receivable on sale of investments		–	5,066,276
Dividend and other receivables		2,602,094	3,968,484
Cash and cash equivalents	8(d)	<u>262,042,456</u>	<u>176,971,669</u>
<b>Total assets</b>		<u>2,887,786,968</u>	<u>3,639,510,723</u>
<b>Liabilities</b>			
Taxation	6	101,885,427	89,975,009
Amounts payable on purchases of investments		24,010,793	24,110,354
Accrued expenses and other payables	8(a), (b) & (c)	<u>4,412,190</u>	<u>5,320,459</u>
<b>Total liabilities</b>		<u>130,308,410</u>	<u>119,405,822</u>
<b>Net assets attributable to unitholders</b>		<u>2,757,478,558</u>	<u>3,520,104,901</u>
Representing:			
<b>Total equity</b>		<u>2,757,478,558</u>	<u>3,520,104,901</u>
<b>Number of units in issue</b>	10	<u>349,687,000</u>	<u>357,034,000</u>
<b>Net asset value per unit</b>		<u>7.89</u>	<u>9.86</u>

## Statement of comprehensive income

For the year ended 31 March 2012

	Note	2012 HK\$	2011 HK\$
Dividend income		57,282,439	50,843,911
Interest income on deposits	4, 8(d)	2,997,028	1,687,623
Net (losses)/gains from investments	5	(670,343,882)	298,491,756
Net foreign exchange gain		<u>3,555,479</u>	<u>2,775,079</u>
<b>Net investment (loss)/income</b>		<u>(606,508,936)</u>	<u>353,798,369</u>
<b>Expenses</b>			
Management fees	8(a)	(45,790,709)	(50,146,299)
Transaction costs	8(e)	(23,005,515)	(25,499,538)
Trustee's fees	8(b)	(3,271,675)	(3,561,487)
Custodian fees	8(c)	(2,000,477)	(2,114,746)
Auditor's remuneration		(451,760)	(445,600)
Other operating expenses		<u>(2,095,988)</u>	<u>(1,321,499)</u>
<b>Operating expenses</b>		<u>(76,616,124)</u>	<u>(83,089,169)</u>
<b>(Loss)/profit before taxation</b>		(683,125,060)	270,709,200
Taxation	6	<u>(14,144,013)</u>	<u>(37,018,362)</u>
<b>(Decrease)/increase in net assets attributable to unitholders and total comprehensive income for the year</b>		<u>(697,269,073)</u>	<u>233,690,838</u>

## Statement of changes in equity

For the year ended 31 March 2012

	Note	2012 HK\$	2011 HK\$
<b>Balance at the beginning of the year</b>		3,520,104,901	3,403,444,993
(Decrease)/increase in net assets attributable to unitholders and total comprehensive income for the year		(697,269,073)	233,690,838
Repurchase of units during the year	11	<u>(65,357,270)</u>	<u>(117,030,930)</u>
<b>Balance at the end of the year</b>		<u>2,757,478,558</u>	<u>3,520,104,901</u>

## Cash flow statement

For the year ended 31 March 2012

	2012 HK\$	2011 HK\$
<b>Operating activities</b>		
Interest income received	2,997,028	1,687,623
Dividend income received	58,741,698	50,184,132
Management fees paid	(46,678,980)	(50,250,773)
Trustee's fees paid	(3,306,279)	(3,568,759)
Transaction costs paid	(23,005,515)	(25,499,538)
Tax paid	(5,600,498)	(5,117,293)
Other operating expenses paid	(3,912,093)	(5,024,049)
<b>Net cash used in operating activities</b>	<u>(20,764,639)</u>	<u>(37,588,657)</u>
<b>Investing activities</b>		
Proceeds from sales of investments	5,038,212,164	5,374,640,272
Payments for purchases of investments	(4,873,227,455)	(5,215,095,527)
<b>Net cash generated from investing activities</b>	<u>164,984,709</u>	<u>159,544,745</u>
<b>Financing activities</b>		
Payments on repurchase of units	(65,357,270)	(117,030,930)
<b>Net cash used in financing activities</b>	<u>(65,357,270)</u>	<u>(117,030,930)</u>
<b>Net increase in cash and cash equivalents</b>	78,862,800	4,925,158
<b>Cash and cash equivalents at the beginning of the year</b>	176,971,669	165,431,204
<b>Effect of foreign exchange rates changes</b>	<u>6,207,987</u>	<u>6,615,307</u>
<b>Cash and cash equivalents at the end of the year</b>	<u>262,042,456</u>	<u>176,971,669</u>



# Notes to the financial statements

For the year ended 31 March 2012

## 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 11 October 2010, 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 26 September 2011 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. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Fund for the current and prior accounting periods reflected in these financial statements.

### ***(b) Basis of preparation of the financial statements***

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

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

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

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

### ***(c) Financial instruments***

#### ***(i) Classification***

All of the Fund’s investments are classified as financial assets at fair value through profit or loss. This category comprises financial instruments held for trading, which are instruments that the Fund has acquired principally for the purpose of short-term profit-taking. These include investments in 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.

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 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**

- (a) A person, or a close member of that person's family, is related to the Fund if that person:
- (i) has control or joint control over the Fund;
  - (ii) has significant influence over the Fund; or
  - (iii) is a member of the key management personnel of the Fund or the Fund's parent.
- (b) An entity is related to the Fund if any of the following conditions applies:
- (i) The entity and the Fund are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Fund or an entity related to the Fund.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

**(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 Changes in accounting policies**

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Fund. Of these, the following developments are relevant to the Fund's financial statements:

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)

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

The impacts of the above developments are discussed below:

- HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Fund has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Fund's related party disclosures in the current and previous period. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Fund because the Fund is not a government-related entity.
- *Improvements to HKFRSs (2010)* omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. The disclosures about the Fund's financial instruments in note 12 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.



#### 4 Interest income on deposits

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

#### 5 Net (losses)/gains from investments

	2012 HK\$	2011 HK\$
Realised (losses)/gains	(208,858,130)	342,655,459
Unrealised losses	<u>(461,485,752)</u>	<u>(44,163,703)</u>
	<u>(670,343,882)</u>	<u>298,491,756</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 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 recognised on A-shares amounting to \$2,215,447 for the year ended 31 March 2012 (2011: \$12,265,403) 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:

	<b>2012</b>	<b>2011</b>
	<b>HK\$</b>	<b>HK\$</b>
PRC dividend and interest income withholding tax	5,932,435	5,901,815
PRC capital gains tax	<u>8,211,578</u>	<u>31,116,547</u>
	<u>14,144,013</u>	<u>37,018,362</u>

Taxation in the statement of assets and liabilities represents:

	<b>2012</b>	<b>2011</b>
	<b>HK\$</b>	<b>HK\$</b>
PRC withholding tax provision relating to prior year	89,975,009	55,236,173
PRC withholding tax provision for the year	14,144,013	37,018,362
Payment of PRC withholding tax	(5,600,498)	(5,117,293)
Effect of foreign exchange	<u>3,366,903</u>	<u>2,837,767</u>
	<u>101,885,427</u>	<u>89,975,009</u>

## 7 Investments at fair value through profit or loss

	<b>2012</b>	<b>2011</b>
	<b>HK\$</b>	<b>HK\$</b>
Listed equity securities		
– in Hong Kong	1,373,840,838	1,815,268,818
– outside Hong Kong	<u>1,249,301,580</u>	<u>1,638,235,476</u>
	<u>2,623,142,418</u>	<u>3,453,504,294</u>

## 8 Related party transactions

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

### (a) Management fees

The fee payable to the Manager is calculated at the rate of 1.5% per annum of the net asset value of the Fund payable monthly in arrears. Any fees payable to the Investment Adviser should be borne by the Manager. The management fee charged to the Fund in respect of the year and payable at the end of the year amounted to \$45,790,709 (2011: \$50,146,299) and \$3,539,418 (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 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 \$3,271,675 (2011: \$3,561,487) and \$313,232 (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 to the Fund in respect of the year and payable at the end of the year amounted to \$2,000,477 (2011: \$2,114,746) and \$19,334 (2011: \$20,748) respectively.

A minimum clearing reserves need to be held with the QFII custodian. As at 31 March 2012, the Fund had \$2,602,094 (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 31 March 2012 amounted to \$88,246,336 and \$173,796,120 respectively (2011: \$19,637,367 and \$157,334,302 respectively). During the year, no interest was earned from HSBC Hong Kong (2011: Nil). Interest earned from Bank of Communications Co Ltd amounted to \$2,997,028 (2011: \$1,687,623).

**(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:

	<b>2012</b>	<b>2011</b>
	<b>HK\$</b>	<b>HK\$</b>
Commission paid for the year	147,489	366,859
Average rate of commission	0.09%	0.11%
Total aggregate value of such transactions for the year	160,497,435	337,831,037
Percentage of such transactions in value to total transactions for the year	<u>1.62%</u>	<u>3.19%</u>

- (f) The Hongkong and Shanghai Banking Corporation Limited, which is a member of the HSBC Group, entered into transactions to purchase 1,922,000 units and sell 442,500 units of the Fund and incurred a net loss of \$436,058 during the year (2011: purchased 305,500 units of the Fund with nil profit or loss). As at 31 March 2012, The Hongkong and Shanghai Banking Corporation Limited held 1,785,000 units (31 March 2011: 305,500 units) of the Fund.

## 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

	2012	2011
Number of units in issue brought forward	357,034,000	371,910,000
Units repurchased during the year	<u>(7,347,000)</u>	<u>(14,876,000)</u>
Number of units in issue carried forward	<u>349,687,000</u>	<u>357,034,000</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.

## 11 Repurchase of units

During the year, the Fund repurchased 7,347,000 (2011: 14,876,000) of its own units at a total amount of \$65,357,270 (2011: \$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.

## 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 31 March 2012 are summarised below. Details of such investments held as at 31 March 2012 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 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 31 March 2012, 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 2011.

	2012			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\$
<b>Investment assets</b>						
Listed equity investments:						
– in Hong Kong	49.82	5	68,692,042	51.57	5	90,763,441
– outside Hong Kong	45.31	5	62,465,079	46.54	5	81,911,774
	<u>95.13</u>		<u>131,157,121</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.

	2012		
	1 year or less HK\$	Non-interest bearing HK\$	Total HK\$
<b>Assets</b>			
Investments at fair value through profit or loss	–	2,623,142,418	2,623,142,418
Dividend and other receivables	–	2,602,094	2,602,094
Cash and cash equivalents	<u>173,796,119</u>	<u>88,246,337</u>	<u>262,042,456</u>
<b>Total assets</b>	<u>173,796,119</u>	<u>2,713,990,849</u>	<u>2,887,786,968</u>
<b>Liabilities</b>			
Taxation	–	(101,885,427)	(101,885,427)
Amounts payable on purchases of investments	–	(24,010,793)	(24,010,793)
Accrued expenses and other payables	<u>–</u>	<u>(4,412,190)</u>	<u>(4,412,190)</u>
<b>Total liabilities</b>	<u>–</u>	<u>(130,308,410)</u>	<u>(130,308,410)</u>
<b>Total interest sensitivity gap</b>	<u>173,796,119</u>		

	<b>2011</b>		
	<b>1 year or less</b>	<b>Non-interest</b>	
	<b>HK\$</b>	<b>bearing</b>	<b>Total</b>
		<b>HK\$</b>	<b>HK\$</b>
<b>Assets</b>			
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>
<b>Total assets</b>	<u>157,334,302</u>	<u>3,482,176,421</u>	<u>3,639,510,723</u>
<b>Liabilities</b>			
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>–</u>	<u>(5,320,459)</u>	<u>(5,320,459)</u>
<b>Total liabilities</b>	<u>–</u>	<u>(119,405,822)</u>	<u>(119,405,822)</u>
<b>Total interest sensitivity gap</b>	<u>157,334,302</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 \$868,981 (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 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 statement of assets and liabilities the Fund had the following exposure:

	<b>Assets HK\$</b>	<b>Liabilities HK\$</b>	<b>Net exposure HK\$</b>
<b>31 March 2012</b>			
Renminbi	1,419,483,322	(126,142,496)	1,293,340,826
United States dollar	<u>825,978</u>	<u>(19,334)</u>	<u>806,644</u>
	<u>1,420,309,300</u>	<u>(126,161,830)</u>	<u>1,294,147,470</u>
<b>31 March 2011</b>			
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>

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 2012, 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.

	<b>HK\$</b>
<b>31 March 2012</b>	
Renminbi	<u>64,667,041</u>
<b>Total</b>	<u>64,667,041</u>
<b>31 March 2011</b>	
Renminbi	<u>83,398,377</u>
<b>Total</b>	<u>83,398,377</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 2012, 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.

The Fund invests in A-shares via the QFII investment quota obtained by the Manager. These investments are held in a segregated account with Bank of Communication Co. Ltd (the "QFII Custodian") on behalf of the Fund. Substantially all of the assets of the Fund are held by the Trustee or the QFII Custodian. Bankruptcy or insolvency of the Trustee or the QFII Custodian may cause the Fund's rights with respect to securities held by the Trustee or the QFII Custodian to be delayed or limited.

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

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

At both 31 March 2012 and 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. All financial liabilities are repayable on demand or have contractual maturities of less than three months. At both 31 March 2012 and 2011, there were no significant exposures to liquidity risk for the Fund.



**(d) Capital management**

At 31 March 2012, the Fund had \$2,757,478,558 (2011: \$3,520,104,901) of capital classified as equity.

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

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

The Fund is not subject to externally imposed capital requirements.

**13 Fair value information**

The Fund's financial instruments are measured at fair value on the date of statement of assets and liabilities. Fair value estimates are made at a specified point in time, based on market conditions and information about the financial instruments. Usually, fair values can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including amounts receivable on sale of investments, dividend and other receivables, taxation, amounts payable on purchase of investments, 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 2012 and 2011 by the level in the fair value hierarchy into which the fair value measurement is categorised.

	<b>2012</b>	
	<b>Level 1 HK\$</b>	<b>Total HK\$</b>
Listed equities	<u>2,623,142,418</u>	<u>2,623,142,418</u>

	<b>2011</b>	
	<b>Level 1 HK\$</b>	<b>Total HK\$</b>
Listed equities	<u>3,453,504,294</u>	<u>3,453,504,294</u>

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

#### 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 year.

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

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

#### 15 Possible impact of amendments and new standards issued but not yet effective for the year ended 31 March 2012

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 March 2012 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**

Amendments to HKFRS 7, <i>Financial instruments: Disclosures</i> – <i>Transfers of financial assets</i>	1 July 2011
Amendments to HKAS 1, <i>Presentation of financial statements</i> – <i>Presentation of items of other comprehensive income</i>	1 July 2012
HKFRS 13, <i>Fair value measurement</i>	1 January 2013
HKFRS 9, <i>Financial instruments</i>	1 January 2015

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 2012

<i>HSBC China Dragon Fund</i>			
	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
<b>Equities</b>			
<i>Listed investments</i>			
<i>The People's Republic of China</i>			
Anhui Conch Cement Co Ltd – A Share	2,474,550	48,052,654	1.74
Bank of Nanjing Co Ltd – A Share	2,409,906	26,084,254	0.95
Baoshan Iron & Steel Co Ltd – A Share	3,062,200	17,948,574	0.65
Beijing Capital Development Co Ltd – A Share	456,657	6,567,838	0.24
Beijing Double-Crane Pharmaceutical Co Ltd – A Share	556,900	9,669,094	0.35
Beijing Shunxin Agriculture Co Ltd – A Share	1,109,158	20,773,615	0.75
Beijing Urban Construction Investment & Development Co Ltd – A Share	549,813	8,821,631	0.32
Beijing Yanjing Brewery Co Ltd – A Share	335,134	6,070,446	0.22
Changchun FAWAY Automobile Components Co Ltd – A Share	944,428	24,526,461	0.89
China CAMC Engineering Co Ltd – A Share	1,038,827	34,435,606	1.25
China CITIC Bank Corp Ltd – A Share	2,466,900	12,910,110	0.47
China CYTS Tours Holding Co Ltd – A Share	1,280,200	25,348,561	0.92
China Merchants Bank Co Ltd – A Share	5,923,523	86,726,413	3.14
China Minsheng Banking Corp Ltd – A Share	10,560,552	81,534,913	2.96
China National Accord Medicines Corp Ltd – A Share	426,436	9,672,371	0.35
China National Chemical Engineering Co Ltd – A Share	6,532,690	46,977,981	1.70
China Oilfield Services Ltd – A Share	514,217	10,555,322	0.38
China Pacific Insurance Group Co Ltd – A Share	2,765,501	65,553,216	2.38
China Petroleum & Chemical Corp – A Share	2,180,693	19,280,062	0.70
China Shenhua Energy Co Ltd – A Share	720,168	22,701,954	0.82
China Sinoma International Engineering Co Ltd – A Share	479,570	11,798,776	0.43
China Vanke Co Ltd – A Share	5,743,800	58,562,431	2.12
Daqin Railway Co Ltd – A Share	1,088,593	9,973,048	0.36
Daye Special Steel Co Ltd – A Share	500,510	6,508,278	0.24
GD Power Development Co Ltd – A Share	4,103,138	12,984,903	0.47
Gemdale Corp – A Share	1,782,709	13,149,121	0.48
Gree Electric Appliances Inc – A Share	948,578	23,746,515	0.86
Guangxi Liugong Machinery Co Ltd – A Share	821,040	11,505,249	0.42
Haitong Securities Co Ltd – A Share	1,869,400	20,763,388	0.75
Hangzhou Binjiang Real Estate Group Co Ltd – A Share	431,789	4,402,419	0.16
Hua Xia Bank Co Ltd – A Share	1,426,020	18,823,911	0.68
Huaxin Cement Co Ltd – A Share	840,708	13,499,330	0.49

**HSBC China Dragon Fund**

	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
<b>Equities</b>			
<i>Listed investments</i>			
Huayu Automotive Systems Co Ltd – A Share	1,200,205	14,778,994	0.54
Hubei Yihua Chemical Industry Co Ltd – A Share	1,513,600	34,089,001	1.24
Jiangsu Expressway Co Ltd – A Share	1,847,163	13,306,092	0.48
Jiangsu Yueda Investment Co Ltd – A Share	823,636	11,379,355	0.41
Jiangxi Copper Co Ltd – A Share	404,977	11,918,393	0.43
Jiangxi Wannianqing Cement Co Ltd – A Share	1,024,396	13,522,348	0.49
Liaoning SG Automotive Group Co Ltd – A Share	494,000	4,063,431	0.15
New Hope Liuhe Co Ltd – A Share	1,784,700	36,678,453	1.33
PetroChina Co Ltd – A Share	719,000	8,579,108	0.31
Poly Real Estate Group Co Ltd – A Share	1,138,319	15,811,116	0.57
SAIC Motor Corp Ltd – A Share	1,656,634	30,293,013	1.10
SANY Heavy Industry Co Ltd – A Share	777,600	11,748,712	0.43
Shandong Expressway Co Ltd – A Share	3,012,671	13,169,507	0.48
Shanghai Pudong Development Bank Co Ltd – A Share	3,720,351	40,955,373	1.48
Shanxi Lanhua Sci-Tech Venture Co Ltd – A Share	255,229	13,954,120	0.51
Shenzhen Overseas Chinese Town Holding Co Ltd – A Share	2,490,690	21,499,440	0.78
Tangshan Jidong Cement Co Ltd – A Share	898,632	18,490,463	0.67
XCMG Construction Machinery Co Ltd – A Share	714,200	11,837,346	0.43
Xiamen C & D Inc – A Share	2,390,703	21,548,952	0.78
Xinjiang Ba Yi Iron & Steel Co Ltd – A Share	1,394,588	12,948,120	0.47
Xinxing Ductile Iron Pipes Co Ltd – A Share	1,424,800	13,105,813	0.48
Yantai Changyu Pioneer Wine Co Ltd – B Share	71,200	6,216,472	0.23
Youngor Group Co Ltd – A Share	1,084,650	12,928,687	0.47
Zhejiang Zhongda Group Co Ltd – A Share	851,915	10,448,286	0.38
Zhengzhou Yutong Bus Co Ltd – A Share	787,032	23,540,157	0.85
Zijin Mining Group Co Ltd – A Share	2,413,307	12,183,887	0.44
Zoomlion Heavy Industry Science & Technology Co Ltd (formerly known as Changsha Zoomlion Heavy Industry Science and Technology Development Co Ltd) – A Share	1,911,018	20,378,496	0.74
		<u>1,249,301,580</u>	<u>45.31</u>
<i>Hong Kong</i>			
Agricultural Bank of China – H Share	10,800,000	35,856,000	1.30
AIA Group Ltd	268,000	7,624,600	0.28
Bank of China Ltd – H Share	22,687,900	70,786,248	2.57
Baoxin Auto Group Ltd	838,500	7,823,205	0.28

**HSBC China Dragon Fund**

	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
<b>Equities</b>			
<i>Listed investments</i>			
BBMG Corp – H Share	824,500	5,359,250	0.19
Brilliance China Automotive Holdings Ltd – H Share	1,066,000	8,922,420	0.32
China BlueChemical Ltd – H Share	120,000	704,400	0.03
China Citic Bank Corp Ltd – H Share	2,358,000	10,988,280	0.40
China Coal Energy Co Ltd – H Share	1,259,000	10,978,480	0.40
China Communications Construction Co Ltd – H Share	2,371,000	18,398,960	0.67
China Construction Bank Corp – H Share	24,322,160	145,932,960	5.29
China Life Insurance Co Ltd – H Share	526,000	10,572,600	0.38
China Mobile Ltd – H Share	2,367,000	202,260,150	7.34
China National Building Material Co Ltd – H Share	2,352,000	23,002,560	0.83
China Overseas Grand Oceans Group Ltd	1,198,200	10,124,790	0.37
China Overseas Land & Investment Ltd	1,900,000	27,968,000	1.01
China Pacific Insurance Group Co Ltd – H Share	58,600	1,415,190	0.05
China Petroleum & Chemical Corp – H Share	5,084,000	42,959,800	1.56
China Railway Construction Corp – H Share	2,639,000	12,746,370	0.46
China Resources Enterprise Ltd – H Share	434,000	11,718,000	0.43
China Resources Land Ltd	1,346,000	17,955,640	0.65
China Resources Power Holdings Co Ltd – H Share	600,000	8,580,000	0.31
China Shanshui Cement Group Ltd – H Share	1,630,000	9,975,600	0.36
China Shenhua Energy Co Ltd – H Share	790,500	25,809,825	0.94
China Shipping Container Lines Co Ltd – H Share	3,288,000	8,778,960	0.32
CNOOC Ltd – H Share	7,176,000	114,241,920	4.14
Dah Chong Hong Holdings Ltd – H Share	1,680,000	13,792,800	0.50
Dongfeng Motor Group Co Ltd – H Share	1,380,000	19,292,400	0.70
Evergrande Real Estate Group Ltd – H Share	3,123,000	12,960,450	0.47
Galaxy Entertainment Group Ltd	870,000	18,618,000	0.68
Geely Automobile Holdings Ltd	6,305,000	19,041,100	0.69
Great Wall Motor Co Ltd – H Share	1,019,000	15,346,140	0.56
Huaneng Power International Inc – H Share	1,128,000	4,748,880	0.17
Industrial and Commercial Bank of China – H Share	29,418,245	147,385,408	5.34
Jiangxi Copper Co Ltd – H Share	1,161,000	20,712,240	0.75
Kunlun Energy Co Ltd – H Share	676,000	9,436,960	0.34
Longfor Properties Co Ltd	391,000	4,230,620	0.15
Nine Dragons Paper Holdings Ltd	456,000	2,895,600	0.11
PetroChina Co Ltd – H Share	9,330,000	102,070,200	3.70
PICC Property and Casualty Co Ltd – H Share	1,170,800	10,806,484	0.39
Ping An Insurance (Group) Co of China Ltd – H Share	510,500	30,042,925	1.09
SJM Holdings Ltd	1,069,000	16,890,200	0.61
Skyworth Digital Holdings Ltd – H Share	3,205,686	11,604,583	0.42
Tencent Holdings Ltd – H Share	41,400	8,975,520	0.33

<b>HSBC China Dragon Fund</b>		
		<b>% of total net assets attributable to unitholders</b>
<b>Holdings</b>	<b>Market value HK\$</b>	
<b>Equities</b>		
<b>Listed investments</b>		
Tingyi (Cayman Islands) Holding Corp	302,000	6,734,600
Vinda International Holdings Ltd – H Share	1,943,000	23,199,420
Yanzhou Coal Mining Co Ltd – H Share	212,000	3,561,600
Zijin Mining Group Co Ltd – H Share	4,184,000	12,844,880
Zoomlion Heavy Industry Science and Technology Co Ltd (formerly known as Changsha Zoomlion Heavy Industry Science and Technology Development Co Ltd) – H Share	693,000	7,165,620
	<u>1,373,840,838</u>	<u>49.82</u>
<b>Total investments</b> (Total cost of investments: \$2,712,186,529)	2,623,142,418	95.13
<b>Other net assets</b>	<u>134,336,140</u>	<u>4.87</u>
<b>Total net assets attributable to unitholders</b>	<u>2,757,478,558</u>	<u>100.00</u>

## Statement of movements in portfolio holdings

For the year ended 31 March 2012

	<i>% of total net asset attributable to unitholders</i>	
	<b>2012</b>	<b>2011</b>
Equities	<u>95.13</u>	<u>98.11</u>
<b>Total investments</b>	95.13	98.11
<b>Other net assets</b>	<u>4.87</u>	<u>1.89</u>
<b>Total net assets attributable to unitholders</b>	<u><u>100.00</u></u>	<u><u>100.00</u></u>

## Performance table

For the year ended 31 March 2012

### (a) *Total net asset value*

*Year/period end*

31 March 2012	HK\$2,757,478,558
31 March 2011	HK\$3,520,104,901
31 March 2010	HK\$3,403,444,993
31 March 2009	HK\$2,281,953,432

### (b) *Total net asset value per unit*

*Year/period end*

31 March 2012	HK\$7.89
31 March 2011	HK\$9.86
31 March 2010	HK\$9.15
31 March 2009	HK\$6.14



**(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\$
2012	7.21	10.28
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 2011 to 31 March 2012 will be despatched to Unitholders on or about 31 July 2012.

Hong Kong, 27 July 2012

By Order of the Board  
**HSBC Global Asset Management (Hong Kong) Limited**  
as Manager of HSBC China Dragon Fund  
**MUNRO, Joanna**  
Director of the Manager

As at the date of this announcement, the board of directors of the Manager is comprised as follows: The executive directors of the Manager are Mr. BERRY, Stuart Glenn, Mr. CONXICOEUR, Patrice Pierre Henri, Ms. KOO, Julie J, Ms. LAM, Po Yee, Ms. MUNRO, Joanna Mary and Dr. MALDONADO-CODINA, Guillermo Eduardo. The non-executive directors of the Manager are Mr. CHANDRASEKHARAN, Sridhar, Ms. CHEANG, Wai Wan Louisa, Ms. FUNG, Yuen Mei Anita, Mr. HARVEY-SAMUEL, Guy Daniel 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 <sup>1</sup>						Cumulative performance <sup>2</sup>		
	2012 year-to-date	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>3</sup>	6 months	1 year	Since August 07 <sup>3</sup>
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision)	0.49%	-26.10%	5.78%	89.66%	-59.35%	32.50%	0.49%	-20.27%	-19.75%
<i>MSCI China A</i>	5.56%	-22.89%	-4.02%	97.00%	-61.99%	20.96%	5.56%	-17.69%	-29.24%
The Fund’s non A-share and non QFII investments (gross of expenses)	3.83%	-18.91%	5.62%	69.11%	-55.17%	28.40%	3.83%	-18.40%	-13.45%
<i>MSCI China</i>	4.01%	-18.32%	5.10%	62.71%	-51.12%	23.43%	4.01%	-16.04%	-12.35%

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 <sup>1</sup>						Cumulative performance <sup>2</sup>		
	2012 year-to-date	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>3</sup>	6 months	1 year	Since August 07 <sup>3</sup>
Net asset value of the Fund (net of expenses)	1.18%	-23.31%	4.76%	75.51%	-57.82%	29.48%	1.18%	-20.48%	-22.09%

As at 30 June 2012:

Net asset value per unit of the Fund:	HK\$7.69
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$6.77
Discount / Premium to net asset value:	11.96% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 June 2012 (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  
24 July 2012

*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, Dr. MALDONADO-CODINA, Guillermo Eduardo and Ms. MUNRO, Joanna. The non-executive directors of the Manager are Mr. CHANDRASEKHARAN, Sridhar, Ms. CHEANG, Wai Wan Louisa, Mr. HARVEY-SAMUEL, Guy Daniel, Mr. PACTON, Olivier and Ms. FUNG, Yuen Mei Anita.*

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## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant, or other professional adviser.

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.

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### **HSBC CHINA DRAGON FUND**

#### **滙豐中國翔龍基金**

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

**(Stock Code: 820)**

#### **CIRCULAR TO UNITHOLDERS IN RELATION TO**

- (1) CHANGE OF INVESTMENT OBJECTIVE AND POLICIES,**
- (2) ONE-OFF REDEMPTION OFFER,**
- (3) AMENDMENTS TO THE TRUST DEED BY  
A SUPPLEMENTAL TRUST DEED  
AND**
- (4) NOTICE OF GENERAL MEETING**

**Independent Financial Adviser to the Independent Unitholders**



**SOMERLEY LIMITED**

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A letter from the Manager is set out on pages 6 to 21 of this circular. A letter from the Independent Financial Adviser is set out on pages 22 to 29 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 21 August 2012, at 10:00 a.m. is set out on pages 65 to 66 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 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 19 August 2012 or, should there be any adjournment of the General Meeting, not less than 48 hours before the time appointed for such adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the General Meeting (or any adjournment thereof) should you so wish.

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## IMPORTANT

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This Supplement is supplemental to, and forms an integral part of, the English circular to Unitholders in relation to (1) Change of Investment Objective and Policies, (2) One-off Redemption Offer, (3) amendments to the Trust Deed by a Supplemental Trust Deed and (4) notice of General Meeting of HSBC China Dragon Fund dated 20 July 2012 (the “Circular”), and may not be distributed separately. Capitalised terms used in this Supplement shall have the same meaning as those used in the Circular, unless otherwise defined in this Supplement.

If you are in any doubt about the Circular and this Supplement, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

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.

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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)**

## **SUPPLEMENT TO THE CIRCULAR TO UNITHOLDERS IN RELATION TO (1) CHANGE OF INVESTMENT OBJECTIVE AND POLICIES, (2) ONE-OFF REDEMPTION OFFER, (3) AMENDMENTS TO THE TRUST DEED BY A SUPPLEMENTAL TRUST DEED AND (4) NOTICE OF GENERAL MEETING**

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The Circular is hereby supplemented as follows:

The first sentence of the last paragraph on page 17 of the Circular shall be deleted in its entirety and replaced with the following:

“According to the above example, the One-Off Redemption Offer involves the payment of HK\$1,053,699,466 (before deduction of Redemption Levy) to the Unitholders and incurs estimated costs and expenses with respect to the realisation of the assets of the Fund of approximately HK\$21,073,989, therefore the net asset value of the Fund will be reduced by the same amount.”

The Manager accepts full responsibility for the accuracy of the information contained in this Supplement 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 as at the date of publication.

**The Circular may only be distributed if accompanied by this Supplement. The above is not relevant to the Chinese version of the Circular.**

HSBC Global Asset Management (Hong Kong) Limited

20 July 2012

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## CORPORATE INFORMATION

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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 CONXICOEUR, Patrice Pierre Henri KOO, Julie J LAM, Po Yee MUNRO, Joanna MALDONADO-CODINA, Guillermo Eduardo  <i>NON-EXECUTIVE DIRECTORS:</i> CHANDRASEKHARAN, Sridhar CHEANG, Wai Wan Louisa FUNG, Yuen Mei Anita HARVEY-SAMUEL, Guy Daniel PACTON, Olivier
Trustee	HSBC Institutional Trust Services (Asia) Limited HSBC Main Building 1 Queen's Road Central Hong Kong
Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

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## EXPECTED TIMETABLE *(note 1)*

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*The expected timetable set out below is indicative only and is subject to change. Any changes to the expected timetable will be announced separately by the Fund. All references to time are Hong Kong times and dates.*

2012

Despatch of this document and notice of the General Meeting  
and the redemption request forms . . . . . 20 July

Last date and time to lodge transfer documents for the entitlement  
to attend and vote at the General Meeting . . . . . 4:30 p.m. on 14 August

Closure of the register of Unitholders for determining Unitholders'  
entitlements to vote and attend the General Meeting *(note 2)* . . . . . 15 August to 21 August  
(both days inclusive)

Latest time to lodge form of proxy for the General Meeting . . . . . 10:00 a.m. on 19 August

General Meeting . . . . . 10:00 a.m. on 21 August

Announcement of the results of the General Meeting *(note 3)* . . . . . by 7:00 p.m. on 21 August

*The expected timetable for the One-off Redemption Offer set out below is based on the assumption that the relevant resolutions for the General Meeting will be approved by the Unitholders.*

Commencement date for lodging the redemption  
request with the Registrar . . . . . 22 August

Lodgement Date (i.e. last date for lodgement of  
One-off Redemption Offer request) . . . . . 4:30 p.m. on 4 September

Redemption Day *(note 4)* . . . . . 5 September

Time for calculating the net asset value of  
the Fund as of the Value Day . . . . . 9:30 a.m. on the Business Day immediately  
after the Redemption Day (i.e. 6 September)

Announcement of the net asset value of the Fund as of the Value Day . . by 5:00 p.m. on 6 September

Latest date for despatch of cheques to redeeming Unitholders  
and (if applicable) return of certificate(s) for Units not redeemed . . . . . 18 September

### Notes:

1. Assuming there is a quorum present at the General Meeting, and no adjournment is necessary. If an adjournment of the General Meeting is necessary, the expected timetable will be extended by approximately 15 days. However, the relevant resolutions for the General Meeting will remain the same.
2. Assuming there is a quorum present at the General Meeting, and no adjournment is necessary. If an adjournment of the General Meeting is necessary, the expected closure of the register of Unitholders will be extended by approximately 15 Business Days.
3. Assuming there is a quorum present at the General Meeting, and no adjournment is necessary.
4. Assuming no event occurs which requires a suspension of the Redemption Day.



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## DEFINITIONS

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

“Announcements”	the announcements dated 7 December 2011, 6 January 2012, 6 February 2012, 6 March 2012, 5 April 2012, 4 May 2012 and the May 2012 Announcement by the Manager in relation to, among other things, the Change of Investment Objective and Policies, the One-off Redemption Offer and amendments to the Trust Deed by the Supplemental Trust Deed
“Business Day”	a day (other than a Saturday or Sunday) on which the Stock Exchange is open for normal trading and banks are open for normal banking business in Hong Kong provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which the Stock Exchange and banks in Hong Kong are open for any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise
“CAAPs”	Chinese A share access product(s), being a security/securities (such as a note, warrant, option, participation certificate) linked to A shares or portfolios of A shares which aim to replicate synthetically the economic benefit of the relevant A shares or portfolios of A shares
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“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
“ETFs”	exchange traded funds
“Explanatory Statement”	the explanatory statement set out in Appendix 1 to this circular
“Extraordinary Resolution”	a resolution proposed as such and passed on a poll by 75% or more of the votes of those present and entitled to vote in person or by proxy at a duly convened meeting of the Unitholders
“Fund”	HSBC China Dragon Fund
“General Meeting”	the general meeting of the Unitholders to be held at Level 22, HSBC Main Building, 1 Queen’s Road Central, Hong Kong on 21 August 2012 at 10:00 a.m.
“Handbook”	the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products

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## DEFINITIONS

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“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Financial Adviser”	Somerley Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, the independent financial adviser appointed to advise the Independent Unitholders on the One-off Redemption Offer. Its registered office is 10/F, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong
“Independent Unitholder(s)”	Unitholders other than any Unitholder that has a material interest in the One-off Redemption Offer which is different from the interests of all other Unitholders
“Latest Practicable Date”	17 July 2012, being the latest practicable date prior to the despatch 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
“Lodgement Date”	the last date for lodgement of redemption requests pursuant to the One-off Redemption Offer which shall be no less than 10 Business Days after the date of the General Meeting approving the Change of Investment Objective and Policies, the One-off Redemption Offer and the amendments to the Trust Deed by the Supplemental Trust Deed
“Manager”	HSBC Global Asset Management (Hong Kong) Limited
“May 2012 Announcement”	the announcement dated 30 May 2012 by the Manager in relation to, among other things, the Change of Investment Objective and Policies, the One-off Redemption Offer and amendments to the Trust Deed by the Supplemental Trust Deed
“Offering Circular”	the offering circular of the Fund dated 6 July 2007 and includes any amendments and supplements thereto
“Overseas Unitholder(s)”	Unitholder(s) whose addresses, as shown in the register of Unitholders, are outside Hong Kong as of the Lodgement Date
“PRC” or “China”	the People’s Republic of China, but for the purposes of this circular and the Fund’s investment objective and investment approach only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Redemption Day”	the Business Day immediately following the Lodgement Date
“Redemption Levy”	the redemption fee of up to 2% of the redemption price, payable in relation to the redemption of Units by a redeeming Unitholder pursuant to the One-off Redemption Offer as described in this circular

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## DEFINITIONS

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“Registrar”	Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Relevant Period”	the period from 30 November 2011, being the date falling six months before the date of the May 2012 Announcement, up to and including the Latest Practicable Date
“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
“Supplemental Trust Deed”	the proposed supplement to the Trust Deed to include the changes described in this circular
“Trust Deed”	the trust deed dated 20 June 2007 between the Trustee and the Manager and includes any amendments and supplements thereto
“Trustee”	HSBC Institutional Trust Services (Asia) Limited
“Unit(s)”	unit(s) of the Fund
“Unitholder(s)”	holder(s) of Units
“Value Day”	the Redemption Day, being the date on which the relevant market closing price of the underlying investments of the Fund, and the Fund’s applicable operating expenses accrued or incurred to date shall be used to calculate the net asset value of the Fund to be adopted as the redemption price for the purpose of the One-off Redemption Offer

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## LETTER FROM THE MANAGER

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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)**

**Managed by  
HSBC Global Asset Management (Hong Kong) Limited**

**Directors of the Manager:**

**EXECUTIVE DIRECTORS:**

BERRY, Stuart Glenn

CONXICOEUR, Patrice Pierre Henri

KOO, Julie J

LAM, Po Yee

MUNRO, Joanna

MALDONADO-CODINA, Guillermo Eduardo

**Registered office of the Manager:**

HSBC Main Building

1 Queen's Road Central

Hong Kong

**NON-EXECUTIVE DIRECTORS:**

CHANDRASEKHARAN, Sridhar

CHEANG, Wai Wan Louisa

FUNG, Yuen Mei Anita

HARVEY-SAMUEL, Guy Daniel

PACTON, Olivier

20 July 2012

*To the Unitholders*

Dear Sir/Madam

**CIRCULAR TO UNITHOLDERS  
IN RELATION TO  
(1) CHANGE OF INVESTMENT OBJECTIVE AND POLICIES,  
(2) ONE-OFF REDEMPTION OFFER,  
(3) AMENDMENTS TO THE TRUST DEED BY  
THE SUPPLEMENTAL TRUST DEED  
AND  
(4) NOTICE OF GENERAL MEETING**

#### **I. INTRODUCTION**

Reference is made to the Announcements by the Manager in relation to, among other things, the proposed Change of Investment Objective and Policies as described on pages 7 and 8 of this circular, the proposed One-off Redemption Offer as described on pages 8 to 18 of this circular and the amendments to the Trust Deed by the Supplemental Trust Deed on page 18 of this circular. The purposes of this circular are to provide you with (i) further information regarding resolutions to be proposed at the General Meeting relating to, (a) the Change of Investment Objective and Policies; (b) the One-off Redemption Offer and; (c) the amendments to the Trust Deed by the Supplemental Trust Deed, and (ii) a letter of advice from the Independent Financial Adviser containing its advice to the Independent Unitholders as to whether the One-off Redemption Offer is fair and reasonable as to acceptance and voting and (iii) the notice of the General Meeting.

### II. CHANGE OF INVESTMENT OBJECTIVE AND POLICIES

Subject to the passing of the proposed resolutions for the One-off Redemption Offer and the amendments to the Trust Deed by the Supplemental Trust Deed in the General Meeting, the Manager wishes to convene the General Meeting to seek approvals of the Unitholders by way of the Extraordinary Resolution to approve the Change of Investment Objective and Policies.

#### **Existing Investment Objective and Policies**

Currently, 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 Fund seeks long-term capital growth through a diversified portfolio of investments in equity of and securities relating to Chinese companies or companies deriving a significant proportion of their revenue from operations in China across different industries. The Fund may invest in (i) shares and securities linked to the shares of China related companies listed or quoted in China, Hong Kong and other jurisdictions; (ii) companies which carry out a preponderant part of their economic activities in the PRC and shares of red chip companies; and (iii) in other permissible investments or securities that are allowed under the Trust Deed, including but not limited to such other investments as allowed under the qualified foreign institutional investor regime in the PRC. The underlying investment of the Fund may include but will not be limited to, A shares and B shares (and such other securities as may be available) listed on the stock exchanges in the PRC, H shares and shares of red chip companies listed on the Stock Exchange. On an ancillary basis, the Fund may acquire CAAPs as if these were the relevant A shares or portfolios of A shares.

#### **Proposed Change of Investment Objective and Policies**

The Manager proposes to change the investment objective and policies of the Fund (“**Change of Investment Objective and Policies**”) as follows:

The investment objective of the Fund is to achieve long-term capital growth by investing primarily in A shares directly through the qualified foreign institutional investor investment quota of the Manager and indirectly through investment of (i) up to 40% of its net asset value in financial derivative instruments and securities linked to A shares (such as CAAPs (including A share participation certificates/notes and/or other access products issued by third party investment banks or brokers)) and (ii) up to 40% of its net asset value in ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares; provided that the Fund’s investment in CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares will not exceed 50% in the aggregate of its net asset value. Unitholders should refer to the initial investment allocation of the Fund on page 11 below.

The Manager may consider, amongst others, profitability, prospect, outlook, valuation and volatility of the relevant securities and markets, the availability of the investments, and the economic and political environment and development affecting the relevant securities and markets in its selection criteria of investments for the Fund.

The Fund will not invest more than 10% of its net asset value in CAAPs issued by a single issuer; and the Fund’s aggregate investment in CAAPs shall not be more than 40% of its net asset value.

There is no guarantee on the availability of the quantity of A shares and financial derivative instruments and securities linked to A shares that are appropriate for the Fund. In the event that such A share investments are not available, the Fund may also invest up to 10% of its net asset value in other permissible investments or securities that are permitted under the Trust Deed, including but not limited to B shares, H shares, shares issued by red chip companies and such other investments as allowed under the qualified foreign institutional investor regime in the PRC.

The Fund may also invest in cash and cash equivalents on an ancillary basis.

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Other than CAAPs, the Fund will not invest in or use financial derivative instruments other than for hedging purposes only.

The investment portfolio of the Fund will be more concentrated in A shares and financial derivative instruments and securities linked to A shares of listed companies in the PRC subsequent to the Change of Investment Objective and Policies. Unitholders should refer to the section headed “Initial Investment Distribution” below for the illustrative asset allocation and paragraph (v) of the section headed “Key Risk Factors” below for the risk with respect to investments in CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares.

Independent Unitholders should carefully consider the risk factors described in the Offering Circular and on page 12 below before exercising their votes to approve the resolution with respect to the Change of Investment Objective and Policies.

### **Reason for the Change of Investment Objective and Policies**

The Manager believes that the proposed Change of Investment Objective and Policies to invest primarily in A shares and/or its related products will provide a better and clearer investment proposition for investors. By clearly positioning the Fund as an A shares dominated investment, potential investors have better visibility on its risks and exposures, making it more appealing to investors as one of the few products available for those investors who are bullish on A shares.

## **III. ONE-OFF REDEMPTION OFFER**

### **(a) Terms of the One-off Redemption Offer**

#### *(i) Background to the One-off Redemption Offer*

As at the Latest Practicable Date, 349,687,000 Units are in issue. Currently, Unitholders do not have the right to redeem any part of their holdings of Units.

Subject to the passing of the proposed resolution for the Change of Investment Objective and Policies and the amendments to the Trust Deed by the Supplemental Trust Deed, the Manager also wishes to offer a right to the Unitholders to redeem the whole or a part of their Units on a one-off basis (the “**One-off Redemption Offer**”) for cash subject to the terms and conditions of the One-off Redemption Offer and proposes to seek approvals of the Independent Unitholders by way of the Extraordinary Resolution at the General Meeting on the One-off Redemption Offer.

#### *(ii) Terms of the One-off Redemption Offer*

The Manager proposes to offer the Unitholders, subject to certain conditions, the One-off Redemption Offer, being a right to apply to redeem the whole or a part of their Units at, subject to a Redemption Levy, the net asset value of the Units being redeemed (calculated using the relevant market closing price of the underlying investments of the Fund and the Fund’s applicable operating expenses accrued or incurred to date on the Value Day) on a one-off basis provided that for the Fund as a whole the total number of Units to be redeemed by the Fund shall not exceed 40% of the total outstanding number of Units as at the Lodgement Date. The redemption of Units by a Unitholder pursuant to the One-off Redemption Offer will not attract Hong Kong ad valorem or fixed stamp duty. The redemption of Units by a Unitholder pursuant to the One-off Redemption Offer will not be subject to any dealing charges other than the Redemption Levy. The Redemption Levy, which is up to 2% of the net asset value of the Units being redeemed (i.e. the redemption price), incorporates commission, stamp duty, transaction cost and total market impact of implementation (i.e. the price difference during the order implementation between the execution price and the price at the time of valuation) will be deducted from the redemption price and will be retained by the Fund for the benefit of the Fund. The actual level of the Redemption Levy will be determined by the Manager according to the Manager’s estimation of the above-mentioned commission, stamp duty, transaction cost and total market impact of implementation on the Redemption Day. Each redeeming Unitholder will bear the same percentage of



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Redemption Levy, namely, the same percentage of the net asset value of the Units being redeemed. The Redemption Levy will be announced together with the net asset value of the Fund as of the Value Day by 5:00 pm on 6 September 2012.

The One-off Redemption Offer will be satisfied by the disposition by the Manager of assets of the Fund. The Manager confirms that sufficient liquid financial resources are available to the Fund to implement and to satisfy the Fund's obligations in respect of the One-off Redemption Offer in full.

(iii) *Procedures with respect to the One-off Redemption Offer*

The One-off Redemption Offer shall occur on the Redemption Day. Unitholders who wish to accept the One-off Redemption Offer must provide completed redemption requests to the Registrar no later than 4:30 p.m. on the Lodgement Date; provided that the Unitholders are only entitled to make a redemption request under the One-off Redemption Offer with respect to the Units they hold as of the Lodgement Date. Unitholders that are interested in exercising their rights under the One-off Redemption Offer shall be required to return their redemption requests forms together with the relevant certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Units in respect of which Unitholders intend to redeem, by post or by hand to the Registrar by no later than 4:30 p.m. on the Lodgement Date. No further action shall be required from the Unitholders that elect to continue to hold onto their entire holdings of Units in the Fund. Unitholders that have lost the certificates representing their Units should contact the Registrar and follow the procedure as required by the Registrar. Unitholders whose Units are held by a nominee company, including those whose interests in the Units are held through CCASS, should refer to the section headed "Nominee Registration of Units" below.

(iv) *Limits on the One-off Redemption Offer*

Unitholders should note that there is no minimum number of Units which a qualifying Unitholder can apply to redeem under the One-off Redemption Offer; however, a Unitholder may not apply to redeem more Units than such Unitholder holds as at the Lodgement Date. A Unitholder may apply to redeem the whole or a part of his or her holding of Units, redemption application with respect to Units that are in excess of his or her holdings will be disregarded by the Manager.

The total number of Units to be redeemed by the Fund shall not exceed 40% of the total outstanding number of Units as at the Lodgement Date. Regardless of the number of Units a Unitholder has validly applied to redeem, in the event that the aggregate number of Units for which applications are made under the One-off Redemption Offer exceeds 40% of the total outstanding number of Units as at the Lodgement Date, the number of Units that such Unitholder can eventually redeem will be reduced proportionally. Under such situation, the Fund will satisfy the redemption requests of Unitholders wishing to redeem their Units on a pro rata basis based on the number of Units the Unitholders have validly applied to redeem, rounded down to the nearest whole Unit.

The Fund will dispose of and acquire such investment in an orderly manner in order to effect the Change of Investment Objective and Policies. In the event that the aggregate number of Units for which applications to redeem are made under the One-off Redemption Offer exceeds 40% of the outstanding number of Units as at the Lodgement Date, the Manager shall, subject to the redemption requests complying with the requirements of the Trust Deed as amended by the Supplemental Trust Deed upon obtaining the necessary approval from the Independent Unitholders, (i) limit the number of Units to be redeemed under the One-off Redemption Offer to 40% of the outstanding number of Units as at the Lodgement Date and (ii) realise the non-A share investments of the Fund and apply all or part of such realisation proceeds to satisfy the redemption requests of Unitholders wishing to redeem their Units on a pro rata basis based on the number of Units the Unitholders have validly applied to redeem, rounded

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down to the nearest whole Unit, with the remaining realisation proceeds, if any, being invested to gain exposure to A share investments via CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares and, in the event that such A share investments are not available, other equity instruments such as B shares, H shares and shares issued by red chip companies and to invest the balance in cash and cash equivalents. Any request for the One-off Redemption Offer **which is not satisfied** shall be void and certificates representing such Units shall be returned to Unitholders within 10 Business Days after the Value Day.

If the aggregate of the actual applications for redemption by the Unitholders made under the One-off Redemption Offer is less than or equal to the aggregate maximum limit of 40% of the total outstanding number of Units as at the Lodgement Date, all Units applied to be redeemed will be redeemed. The balance between the Units actually redeemed and 40% of the total outstanding number of Units as at the Lodgement Date will neither be carried forward nor be available for any subsequent redemption by any Unitholder on any subsequent trading day of the Fund. The Manager shall, subject to the redemption requests complying with the requirements of the Trust Deed as amended by the Supplemental Trust Deed upon obtaining the necessary approval from the Independent Unitholders, (i) satisfy all such redemption requests and (ii) realise its non-A share investments and apply all or part of such realisation proceeds to satisfy such redemption requests under the One-off Redemption Offer with the remaining realisation proceeds, if any, being invested to gain exposure to A share investments via CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares and, in the event that such A share investments are not available, other equity instruments such as B shares, H shares and shares issued by red chip companies and to invest the balance in cash and cash equivalents.

The Units to be redeemed must be free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature. Accordingly, the submission of a redemption request by eligible Unitholder will be deemed to constitute a representation and warranty by him or her to the Manager and the Fund that his or her Units are sold free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the date of the May 2012 Announcement (including the right to all dividends and distributions (if any) declared, made or paid on or after the date of the May 2012 Announcement) or obligation to create or to give an encumbrance in relation to any of such Units and that no person has claimed to be entitled to an encumbrance in relation to any such Units.

The One-off Redemption Offer will be subject to certain conditions referred to in the section headed “Conditions to the One-off Redemption Offer” below and the full terms and details of the One-off Redemption Offer will be described more fully in the Explanatory Statement in Appendix 1 to this circular.

All redeemed Units will be cancelled.



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## LETTER FROM THE MANAGER

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### (b) Initial Investment Distribution

The followings illustrate the expected initial investment allocation of the Fund (expressed as a percentage of net asset value of the Fund subsequent to the Unitholders' exercise of the One-off Redemption Offer):

- (i) in the event that the aggregate number of Units redeemed under the One-off Redemption Offer is 40% of the outstanding number of Units as at the Lodgement Date:

A shares . . . . . around 65% to 85%

CAAPs . . . . . up to 30%\*

ETFs (including synthetic ETFs) authorised

by the SFC with exposure to A shares . . . . . up to 30%\*

Other equity instruments (such as B shares, H shares

and shares issued by red chips companies) . . . . . up to 10%

Cash and cash equivalents . . . . . up to 15%

\* The Fund's investment in CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares will not exceed 50% in the aggregate of its net asset value.

- (ii) in the event that the aggregate number of Units redeemed under the One-off Redemption Offer is 20% of the outstanding number of Units as at the Lodgement Date:

A shares . . . . . up to 65%

CAAPs . . . . . up to 35%\*

ETFs (including synthetic ETFs) authorised by the

SFC with exposure to A shares . . . . . up to 35%\*

Other equity instruments (such as B shares, H shares

and shares issued by red chips companies) . . . . . up to 10%

Cash and cash equivalents . . . . . up to 15%

\* The Fund's investment in CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares will not exceed 50% in the aggregate of its net asset value.

- (iii) in the event that no Units are redeemed under the One-off Redemption Offer:

A shares . . . . . around 40% to 50%

CAAPs . . . . . up to 40%\*

ETFs (including synthetic ETFs) authorised by

the SFC with exposure to A shares . . . . . up to 40%\*

Other equity instruments (such as B shares, H shares

and shares issued by red chips companies) . . . . . up to 10%

Cash and cash equivalents . . . . . up to 15%

\* The Fund's investment in CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares will not exceed 50% in the aggregate of its net asset value.

The above initial investment allocation is for reference only and may be changed from time to time according to market conditions and the availability of various types of instruments.

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### (c) Key Risk Factors

Unitholders should carefully consider the risk factors described in the Offering Circular and below before deciding on whether to apply for redemption of their Units under the One-off Redemption Offer:

- (i) under the One-off Redemption Offer, the net asset value at which the eligible Units will be redeemed shall be determined using the relevant market closing price of the underlying investments of the Fund and the Fund's applicable operating expenses accrued or incurred to date on the Value Day, and subject to the Redemption Levy and the relevant calculation method, shall be announced by the Manager no later than two Business Days after the Value Day. The Manager expects to pay the redemption proceeds, less the Redemption Levy, with respect to the eligible Units being redeemed to the Unitholders no later than 10 Business Days after the Value Day. The Redemption Levy is to be retained by the Fund for the benefit of the Fund;
- (ii) as the total number of Units to be redeemed by the Fund shall not exceed 40% of the total outstanding number of Units as a whole as at the Lodgement Date, a Unitholder may not be able to redeem all the Units he or she applies to redeem under the One-off Redemption Offer regardless of whether he or she applies to redeem more or less than 40% of the Units he or she owns at the Lodgement Date.

In the event that the aggregate number of Units for which applications to redeem are made under the One-off Redemption Offer exceeds 40% of the outstanding number of Units as at the Lodgement Date, the Manager shall apply the relevant realisation proceeds to satisfy the redemption requests of Unitholders wishing to redeem their Units on a pro rata basis based on the number of Units the Unitholders have validly applied to redeem, rounded down to the nearest whole Unit. Unitholders should refer to the section headed "Limits on the One-off Redemption Offer" above for details;

- (iii) any Units held by Unitholders that are not successfully redeemed under the One-off Redemption Offer may be in odd lots. The realisable price of such odd lot Units may be significantly lower than the traded price for such Units;
- (iv) all documents and remittances will be sent to the Unitholders through ordinary post at their own risk. These documents and remittances will be sent to the Unitholders at their respective addresses as they appear in the register of Unitholders, and in the case of joint Unitholders, to the Unitholder whose name appears first in the register of Unitholders; and
- (v) investments in CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares which use synthetic instruments to gain exposure to A shares are subject to additional risks.

CAAPs may not be listed and are subject to the terms and conditions imposed by its issuer. These terms may lead to delays in implementing the Manager's investment strategy. Investment in CAAPs can be illiquid as there may not be an active market in the CAAPs. In order to liquidate investments, the Fund relies upon the counterparty issuing the CAAPs to quote a price to unwind any part of such CAAPs.

An investment in a CAAP to gain exposure to A shares is not an investment directly in the underlying investments (such as shares) themselves. An investment in the CAAP to gain exposure to A shares neither entitles the holder of such instrument to the beneficial interest in the shares nor makes any claim against the company issuing the shares.

The Fund will be subject to the credit risk of the issuers of the CAAPs invested by the Fund. The Fund may suffer a loss if the issuers of the CAAPs becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties.

When the Fund invests in ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares, such ETFs are subject to risks similar to those mentioned above when those ETFs are synthetic instruments using financial derivative instruments to achieve their investment objectives.

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## LETTER FROM THE MANAGER

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### (d) Taxation

Unitholders should consult their professional advisers on the consequences to them of redeeming Units under the relevant laws of the jurisdictions to which they are subject, including the tax consequences and any exchange control requirements. These consequences, including the availability of, and the value of, tax relief to investors, will vary with the law and practice of the investors' country of citizenship, residence, domicile or incorporation and their personal circumstances.

The following statements regarding taxation are based on advice received by the Fund regarding the law and practice in force in Hong Kong at the Latest Practicable Date. Investors should be aware that levels and bases of taxation are subject to change and that the value of any relief from taxation depends upon the individual circumstances of the taxpayer.

#### (i) Hong Kong

- *Profits Tax*

No tax will be payable by the Unitholders in Hong Kong in respect of dividends or other distributions of the Fund or in respect of any capital gains arising on a sale or other disposal of Units, except that Hong Kong profits tax may arise where such transactions form part of a trade, profession or business carried on in Hong Kong.

- *Stamp Duty*

The redemption of Units by a Unitholder will not attract Hong Kong ad valorem or fixed stamp duty.

The trading of Hong Kong stock (including the underlying H shares and shares issued by red chip companies) by the Fund to effect the One-off Redemption Offer is subject to Hong Kong stamp duty. The Fund and the counterparty will each be liable to stamp duty at the current rate of 0.1% of the price of shares being sold and purchased.

#### (ii) The PRC

The information below is a summary of certain areas of PRC taxation which are likely to be relevant to the Fund and the Unitholders and should not be taken as a definitive, authoritative or comprehensive statement of the relevant matter. In particular, there are various other taxes, duties, levies and charges which are generally of less significance but may nevertheless be applicable to the Fund and the Unitholders.

- *Withholding tax*

Pursuant to the Corporate Income Tax Law of the PRC and its implementation rules, a foreign enterprise that does not have any establishment or site in China is subject to a withholding income tax at the rate of 10% for the interest, royalty, rental and other income (including capital gain) earned directly from sources in the PRC.

The PRC tax authorities have not clarified whether income tax are payable on capital gains arising from securities trading of qualified foreign institutional investors or from disposal of B shares, H shares or the listed shares of any red-chip company that is deemed to be a PRC resident company. There is currently no capital gain tax provision on B and H Shares as the Manager based on the advice from tax advisors believed that it is not currently necessary to make any capital gain tax provision on B and H shares.

- *Stamp tax*

Pursuant to the tentative regulations of the PRC stamp tax, stamp tax is levied on the execution or receipt within the territory of China of certain documents, including contracts for the transfer of equity interests and the sale of A Shares and B Shares on stock exchanges.

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PRC stamp duty is generally applicable on the transfer of unlisted PRC shares (equity interest) at the rate of 0.05%. The buyer and the seller of the shares will each be subject to stamp duty at the applicable rate. According to the latest notice issued by Ministry of Finance and State Administration of Taxation, the transfer of A shares and B shares each is subject to 0.1% stamp duty of the total proceeds but only on the selling side.

- *Business tax*

Pursuant to the notice Caishui [2005] No. 155 issued jointly by the State Administration of Taxation and the Ministry of Finance in December 2005, margin income made by qualified foreign institutional investors from securities trading carried out by the PRC brokers are exempted from business tax in the PRC.

(e) **Conditions to the One-off Redemption Offer**

**IF EITHER THE CHANGE OF INVESTMENT OBJECTIVE AND POLICIES, THE ONE-OFF REDEMPTION OFFER OR THE AMENDMENTS TO THE TRUST DEED BY THE SUPPLEMENTAL TRUST DEED IS NOT APPROVED BY THE INDEPENDENT UNITHOLDERS, THE ONE-OFF REDEMPTION OFFER WILL NOT BE MADE TO THE UNITHOLDERS.**

The One-off Redemption Offer will be conditional only upon obtaining the Independent Unitholders' approval by way of an Extraordinary Resolution at the General Meeting to approve the Change of Investment Objective and Policies, the One-off Redemption Offer and the amendments to the Trust Deed by the Supplemental Trust Deed. The above condition to the One-off Redemption Offer may not be waived. There are no other conditions attached to the One-off Redemption Offer.

Fellow subsidiaries and/or associated companies of the Manager that (i) trade in the Units as discretionary fund managers and/or (ii) for proprietary purposes own or control or direct the holding of voting rights and rights over the Units will need to abstain from voting at the General Meeting.

The One-off Redemption Offer will not be lapsed or conditional on any minimum number of redemption applications made by the Unitholders. If the above condition to the One-off Redemption Offer is not met, the One-off Redemption Offer will not be made to the Unitholders.

(f) **Overseas Unitholders**

Based on the register of Unitholders as at the Latest Practicable Date, there were Unitholders with registered addresses in three jurisdictions outside Hong Kong. The Fund has made enquiries regarding the legal restrictions under the applicable securities legislation of the relevant jurisdictions and the requirements of the relevant regulatory body or stock exchange with respect to the One-off Redemption Offer in relation to such Overseas Unitholders.

The Fund has obtained advice from legal advisers in Macau and Australia that no local regulatory compliance is required to be made in that jurisdiction for the Fund in extending the One-off Redemption Offer to the Unitholders who resided in those jurisdictions.

The Fund has sought legal advice from its United States (US) legal counsel. Based on that advice, the extension of the One-off Redemption Offer to a Unitholder residing in the US may constitute a tender offer in the US. To avoid the full US Securities and Exchange Commission tender offer regulatory requirements, the Fund may either exclude the Unitholders residing in the US or include such Unitholders in accordance with the relevant exemptions under the US tender offer rules that are available to the Fund.

Accordingly, the Fund will avail itself of such exemption and extend the One-off Redemption Offer to all the Overseas Unitholders.

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All Overseas Unitholders that are Independent Unitholders (i) are entitled to receive a circular and a notice of general meeting and to attend and vote at the General Meeting, whether in person or by proxy and (ii) will be offered the One-off Redemption Offer.

As the One-off Redemption Offer may be affected by foreign laws, the Overseas Unitholders should inform themselves about and observe any applicable legal requirements.

**It is the responsibility of each Overseas Unitholder who wishes to submit the redemption request to satisfy himself or herself as to the full observance of the laws of the relevant jurisdiction in that connection, including obtaining any governmental or other consents which may be required or the compliance with other necessary formalities or legal requirements.**

**(g) Dealings in Units by the Fund**

The Fund has not conducted any repurchase of any Units in the six-month period prior to the date of the May 2012 Announcement and has repurchased an aggregate of 4,885,500 Units during the 12-month period immediately preceding the date of this circular, details of which is set out in the Explanatory Statement in Appendix 1 to this circular. The Fund will not conduct any on-market repurchase of Units from the date of the May 2012 Announcement up to and including the Redemption Day or when the condition to the One-off Redemption Offer set out in paragraph (e) above is not met.

**(h) Holding Structure**

Set out below is a table showing the holding structure of the Fund prior to and after the completion of the One-off Redemption Offer on the assumptions that (i) the aggregate number of Units for which applications are made under the One-off Redemption Offer reaches 40% of the outstanding number of Units as at the Lodgement Date and all unitholders redeem the same percentage of their holdings; and (ii) the number of the Units in issue as at the Latest Practicable Date remains unchanged until the completion of the One-off Redemption Offer.

The Fund has not and will not have any parent, subsidiary, fellow subsidiary and/or associated company.

	<b>Immediately before the completion of the One-off Redemption Offer</b>		<b>Immediately after the completion of the One-off Redemption Offer</b>	
	<b>Units</b>	<b>Approx.%</b>	<b>Units</b>	<b>Approx.%</b>
Public Unitholders	347,289,500	99.3	208,373,700	99.3
Fellow subsidiaries and/or associated companies of the Manager that (i) trade in the Units as discretionary fund managers and/or (ii) for proprietary purposes own or control or direct the holding of voting rights and rights over the Units	2,397,500	0.7	1,438,500	0.7

**(i) Odd Lots Arrangements**

Currently, the Units are traded in board lots of 500 Units each. Such board lot size will not change as a result of the One-off Redemption Offer. Eligible Unitholders should note that acceptance of the One-off Redemption Offer may result in their holding of odd lots of the Units.

The Manager will not make arrangements with any designated broker to match sales and purchases of odd lot trading of Units after completion of the One-off Redemption Offer in order to enable such redeeming Unitholders to dispose of their odd lots or to top up their odd lots to whole board lots.

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**(j) Nominee Registration of Units**

Unitholders whose Units are held by a nominee company should note that the Manager will regard the nominee company as a single Unitholder according to the register of Unitholders. In order for the beneficial owners of the Units, whose investments are registered in nominee names (including those whose interests in the Units are held through CCASS) to accept the One-off Redemption Offer, they may either (i) provide instructions to their nominee agents of their intentions with regard to the One-off Redemption Offer or (ii) arrange for the Units to be registered in his/her name by the Fund through the Registrar, and send the redemption request forms duly completed together with the certificate(s) of Units to the Registrar.

**(k) Other Arrangements**

There is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Units and which might be material to the One-off Redemption Offer.

There is no agreement or arrangement to which the Fund, the Manager and any entities that are their parent, subsidiaries, fellow subsidiaries, associated companies of any of the foregoing, and companies of which such companies are associated companies which relates to circumstances in which they may or may not invoke or seek to invoke a pre-condition or a condition to the One-off Redemption Offer. None of the Fund, the Manager or any entity that is their parent, subsidiary, the Manager's fellow subsidiary, associated company of any of the foregoing, and any company of which such company is an associated companies has borrowed or lent any Units.

As at the Latest Practicable Date, no persons, including the Fund, the Manager, the Manager's parent, any of the Manager's subsidiary, the Manager's fellow subsidiary, associated company of any of the foregoing, and any company of which such company is an associated company has received any irrevocable commitment from any persons to irrevocably accept or reject the One-off Redemption Offer.

**(l) Reason for and Financial Effect of the One-off Redemption Offer**

The Manager considers that the One-off Redemption Offer is in the best interest of the Unitholders. The One-off Redemption Offer will provide the Unitholders an option to exit part of their investment in the Fund. In addition, given the Fund has been trading at an average discount of 18.9% to its net asset value over the past twelve months, the Manager believes that the Change of Investment Objective and Policies, the One-off Redemption Offer and the amendments to the Trust Deed by the Supplemental Trust Deed may potentially narrow such discount. However, there is no assurance that the Fund will be traded at a price that is equal to or at a reduced discount to its net asset value subsequent to the effecting of the Change of Investment Objective and Policies, the One-off Redemption Offer and the amendments to the Trust Deed by the Supplemental Trust Deed or that the performance of the Fund will be improved or enhanced thereafter.

The One-off Redemption Offer, if effected, will:

- (i) enable the redeeming Unitholders to receive redemption proceeds equivalent to the net asset value of the Fund attributable to their redeeming Units on the Value Day, less the Redemption Levy;
- (ii) reduce the total net asset value, and therefore size, of the Fund by an amount proportionate to the actual number of Units redeemed; and
- (iii) not materially impact the total expense ratio of the Fund.



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**(m) Net asset value**

Based on the net asset value of the Fund as at 16 July 2012 (being the last Business Day before the Latest Practicable Date), upon the completion of the One-off Redemption Offer (assuming that the aggregate number of Units for which applications are made under the One-off Redemption Offer reaches 40% of the outstanding number of Units on the Lodgement Date), the financial impact to the Fund's net asset value is expected to be as follows:

	Immediately before the One-off Redemption Offer (HK\$)	Immediately after the One-off Redemption Offer (HK\$)
Net asset value of the Fund as at 16 July 2012 (note 1)	2,634,248,664	2,634,248,664
Less: Redemption proceeds payable to Unitholders under the One-off Redemption Offer (note 2)	—	(1,032,625,477)
Less: Estimated costs and expenses with respect to the realisation of the assets of the Fund	<u>—</u>	<u>(21,073,989)</u>
	2,634,248,664	1,580,549,198
Number of Units in issue	349,687,000	209,812,200
Unaudited adjusted net asset value per Unit	HK\$7.54	HK\$7.54

**Note 1:** being the unaudited consolidated equity attributable to Unitholders as at 16 July 2012 as published by the Fund on 17 July 2012 which has included accruals of estimated expenses in relation to the Change of Investment Objective and Policies, the One-off Redemption Offer and the amendments to the Trust Deed by the Supplemental Trust Deed.

**Note 2:** The redemption proceeds payable to Unitholders is calculated as follows assuming that the costs and expenses with respect to the realisation of the assets of the Fund under the One-off Redemption Offer to be the equivalent to the Redemption Levy and assuming that the Redemption levy is being charged at 2% of the net asset value of the Units being redeemed:

Net asset value of the Units being redeemed	1,053,699,466
Less: Redemption levy retained by the Fund	<u>(21,073,989)</u>
	1,032,625,477

According to the above example, the One-Off Redemption Offer involves the payment of HK\$1,053,699,466 million (before deduction of Redemption Levy) to the Unitholders and incurs estimated costs and expenses with respect to the realisation of the assets of the Fund of approximately HK\$21,073,989 million, therefore the net asset value of the Fund will be reduced by the same amount. On the other hand, assume that the Redemption Levy to be deducted from the redemption price and retained by the Fund is equal to the estimated costs and expenses with respect to the realisation of the assets of the Fund, the net asset value of the Fund will be increased by the same amount, i.e. HK\$21,073,989. The One-off Redemption Offer will therefore reduce the unaudited adjusted net asset value and hence the working capital from HK\$2,634,248,664 to HK\$1,580,549,198 assuming that the aggregate number of Units for which applications are made under the One-off Redemption Offer reaches 40% of

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## LETTER FROM THE MANAGER

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the outstanding number of Units on the Lodgement Date. However, the net asset value per Unit is not expected to change subsequent to the One-off Redemption Offer and will remain at HK\$7.54 based on the information and assumption mentioned in the example above.

Subsequent to the Change of Investment Objective, the One-off Redemption Offer and the amendment of the Trust Deed by the Supplemental Trust Deed, the Fund will seek to achieve long-term capital growth by investing primarily in A shares and up to 50% of its net asset value in (i) financial derivative instruments and securities linked to A shares (such as CAAPs (including A share participation certificates/notes and/or other access products issued by third party investment banks or brokers)) and (ii) ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares, the Manager consider such a decrease from HK\$2,634,248,664 to HK\$1,580,549,198 in the unaudited adjusted net asset value will not affect the business of the Fund.

The Manager considers that the One-off Redemption Offer will not significantly affect the liabilities of the Fund as the redemption proceeds payable to Unitholders under the One-off Redemption Offer will be satisfied in full by the disposition by the Manager of assets of the Fund.

**(n) Future Intentions of the Fund**

Other than the Change of Investment Objective and Policies and the amendments to the Trust Deed by the Supplemental Trust Deed, the management of the Fund will remain unchanged and the Fund's listing on the Stock Exchange will be maintained upon completion of the One-off Redemption Offer. No other major changes will be introduced to the Fund.

The Manager intends to continue to meet the public float requirement with respect to the Units after the close of the One-off Redemption Offer.

**(o) Information on the Fund and the Manager**

The Fund is a unit trust constituted by the Trust Deed governed by the laws of Hong Kong. Please refer to pages 7 and 8 of this circular for the investment objective of the Fund and the Manager's intention to revise such investment objective.

The Manager of the Fund is HSBC Global Asset Management (Hong Kong) Limited. The principal business activity of the Manager is asset management.

## IV. AMENDMENTS TO THE TRUST DEED BY THE SUPPLEMENTAL TRUST DEED

The Manager wishes to convene the General Meeting to seek approvals of the Independent Unitholders by way of the Extraordinary Resolution to approve the amendments to the Trust Deed by the Supplemental Trust Deed to include the following:

- (i) in order to effect the Change of Investment Objective and Policies and the One-off Redemption Offer, certain amendments will need to be made to the Trust Deed, by way of the Supplemental Trust Deed as set out in the Explanatory Statement in Appendix 1 to this circular. The Trust Deed shall be amended to provide that (a) all fees and expenses relating to any redemption of Units shall be borne by the Fund and (b) the Redemption Levy will be charged and deducted from the redemption price and will be retained by the Fund for its own benefit; and
- (ii) in order to conform to the SFC's frequently asked questions on the Code and certain changes made to the Code with respect to the investment restrictions in collective investment schemes, certain amendments will need to be made to the Supplemental Trust Deed as set out in the Explanatory Statement in Appendix 1 to this circular to conform the Trust Deed to the Code with respect to the investment restrictions in which the Fund is subject relating to the Fund's investment in collective investment schemes.

The Manager confirms that the above amendments have been notified to the Trustee and the Trustee does not have any objection thereto.



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## LETTER FROM THE MANAGER

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### V. GENERAL

#### **Explanatory Statement**

The Manager is required to send to the Unitholders an explanatory statement (at the same time as the notice of the General Meeting) setting out the terms and conditions of the Change of Investment Objective and Policies, the One-off Redemption Offer and the amendments to the Trust Deed by the Supplemental Trust Deed and containing all other information reasonably necessary to enable the Independent Unitholders to make an informed decision on whether to vote for or against the Extraordinary Resolution to approve the Change of Investment Objective and Policies, the One-off Redemption Offer and the amendments to the Trust Deed by the Supplemental Trust Deed. The Explanatory Statement is set out in Appendix 1 to this circular.

#### **Approval Required**

The Manager proposes to seek the Independent Unitholders' approval by way of poll by way of the Extraordinary Resolution at the General Meeting to approve:

- (i) the Change of Investment Objective and Policies;
- (ii) the One-off Redemption Offer;
- (iii) the amendments to the Trust Deed by the Supplemental Trust Deed.

Unitholders should note that the Manager will not proceed to effect any of (i), (ii) or (iii) above without obtaining the necessary Independent Unitholders' approval at the General Meeting for all of the three resolutions (i), (ii) and (iii) above.

The Trustee, the custodian of the Fund, the Manager and their respective Connected Persons including, fellow subsidiaries and/or associated companies of the Manager as well as the Manager's parent company, the subsidiaries of the Manager's parent company and associated companies of the Manager's parent company and the subsidiaries of such parent company that (i) trade in Units as discretionary fund managers and/or (ii) for proprietary purposes own or control or direct the holding of voting rights and rights over the Units, will be required to abstain from voting on the Extraordinary Resolution. Only Independent Unitholders will be entitled to vote on the Extraordinary Resolution. As at the Latest Practicable Date, the Manager is unaware of any Unitholders (other than those mentioned above) that are required to abstain from voting in respect of the Extraordinary Resolution proposed at the General Meeting.

**It should be noted that dealings in the Units will continue during the period when the above conditions remain unfulfilled. Those Unitholders selling their Units and persons purchasing the Units during such period will accordingly bear the risk that the One-off Redemption Offer may not become unconditional. If any Unitholder or other person contemplating selling or purchasing any of the Units during this period is in doubt about his or her position, it is recommended that he or she should consult his or her professional adviser.**

#### **Recommendation**

The Directors are of the opinion that the Change of Investment Objective and Policies, the One-off Redemption Offer and the amendments to the Trust Deed by the Supplemental Trust Deed are in the interests of the Fund and the Unitholders as a whole and accordingly recommend the Unitholders to vote in favour of the Extraordinary Resolution with respect to the Change of Investment Objective and Policies, the One-off Redemption Offer and the amendments to the Trust Deed by the Supplemental Trust Deed to be proposed at the General Meeting.

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## LETTER FROM THE MANAGER

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Your attention is drawn to the additional information set out in the Explanatory Statement in Appendix 1 to this circular and the notice of the General Meeting. Following receipt of the relevant regulatory approvals and up to the Lodgement Date, the following documents will be available to investors for inspection, free of charge, at the registered office of the Manager and on the website of the Fund's website at [www.assetmanagement.hsbc.com/hk-chinadragonfund](http://www.assetmanagement.hsbc.com/hk-chinadragonfund):

- the letter of advice from the Independent Financial Adviser dated 20 July 2012 containing its advice to the Independent Unitholders as to whether the One-off Redemption Offer is fair and reasonable as to acceptance and voting;
- the Trust Deed;
- drafts of the Offering Circular, the key fact statement of the Fund and the Supplemental Trust Deed with the incorporation of the necessary changes to effect the Change of Investment Objective and Policies, the One-off Redemption Offer and the amendments to the Trust Deed by the Supplemental Trust Deed;
- the audited accounts of the Fund for the last two financial years for which these have been published; and
- written consent of Somerley Limited that it has given and not withdrawn its consent to the publication of its name in this circular.

### **Independent Financial Adviser**

As the non-executive directors of the Manager have a potential conflict of interests because (i) they are employees of various subsidiaries of HSBC Holdings plc and (ii) certain fellow subsidiaries and/or associated companies and shareholders of the Manager have traded in the Units for proprietary purposes and/or have undertaken transactions with the Fund such as acting as brokers for the Fund, an independent committee will not be established to advise the Independent Unitholders. The independent financial advisor will be advising the Independent Unitholders directly on the One-Off Redemption Offer.

Your attention is drawn to the letter of advice from the Independent Financial Adviser which contains, among other things, its advice to the Independent Unitholders (a) on the fairness and reasonableness of the terms of the One-off Redemption Offer, whether to vote in favour of the resolution to approve the One-off Redemption Offer and voting for or against the One-off Redemption Offer and whether it is in the interest of the Independent Unitholders as a whole as well as the principal factors and reasons considered by it in arriving such advice; and (b) whether to accept the One-off Redemption Offer. The text of the letter from the Independent Financial Adviser is set out from pages 22 to 29 of this circular.

## **VI. 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 21 August 2012, at 10:00 a.m., for the purpose of, considering and, if thought fit, passing the Extraordinary Resolutions as set out in the notice of the General Meeting, which is set out on pages 65 to 66 of this circular.

### **2. Action to be taken by the Unitholders**

You will find enclosed with this circular the notice of the General Meeting (see pages 65 to 66 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.

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## LETTER FROM THE MANAGER

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For the purposes of the General Meeting, the Chairman will demand a poll and the Extraordinary 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 Registrar in accordance with the instructions printed thereon as soon as possible and in any event not later than 10:00 a.m. on 19 August 2012 or, should there be any adjournment of the General Meeting, not less than 48 hours before the time appointed for such adjourned meeting. The form of proxy will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Fund's website at [www.assetmanagement.hsbc.com/hk-chinadragonfund](http://www.assetmanagement.hsbc.com/hk-chinadragonfund). 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 Change of Investment Objective and Policies, the One-off Redemption Offer and the amendments to the Trust Deed by the Supplemental Trust Deed are subject to approval by the Independent Unitholders at the General Meeting.

Your attention is also drawn to the principal terms of the One-off Redemption Offer as set out in the Explanatory Statement in Appendix 1 to this circular.

Independent Unitholders should note that even if he or she votes in favour of the resolution to be proposed at the General Meeting, he or she is free nonetheless to accept or not to accept the One-off Redemption Offer.

**Unitholders and potential investors should note that the One-off Redemption Offer is subject to all of the conditions being fulfilled in full and, therefore, may or may not become unconditional and the One-off Redemption Offer may or may not proceed. Unitholders and potential investors are advised to exercise caution when dealing in the Units. The Fund will publish an announcement on or about 21 August 2012 to inform the Unitholders as to whether or not the One-off Redemption Offer has become unconditional.**

### 3. Closure of the Register of Unitholders

For the purpose of determining the identity of the Independent Unitholders who are entitled to attend and vote at the General Meeting, the register of Unitholders of the Fund will be closed from 15 August 2012 to 21 August 2012 (both days inclusive), on which days 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 Registrar for registration no later than 4:30 p.m. on 14 August 2012.

## VII. RESPONSIBILITY STATEMENT

All directors of the Manager jointly and severally accept full responsibility for the accuracy of information contained in this circular and the Explanatory Statement in Appendix 1 to this circular confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular and the Explanatory Statement in Appendix 1 to this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular and the Explanatory Statement in Appendix 1 to this circular, the omission of which would make any statement in this circular and the Explanatory Statement in Appendix 1 to this circular 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 1229).

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*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the letter of advice from Somerley Limited to the Independent Unitholders, which has been prepared for the purpose of inclusion in this Circular.*



### SOMERLEY LIMITED

10th Floor  
The Hong Kong Club Building  
3A Chater Road  
Central  
Hong Kong

20 July 2012

To: the Independent Unitholders

Dear Sirs,

## ONE-OFF REDEMPTION OFFER

### INTRODUCTION

We refer to our appointment as independent financial adviser to advise the Independent Unitholders on the terms of the One-off Redemption Offer in connection with the Change of Investment Objective and Policies. Details of the One-off Redemption Offer are set out in the “Letter from the Manager” contained in the circular of the Fund to the Unitholders dated 20 July 2012 (the “Circular”), of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Pursuant to the One-off Redemption Offer, the Manager offers a right to the Unitholders to redeem the whole or a part of their Units for cash at the net asset value of the Units being redeemed (calculated using the relevant market closing prices of the underlying investments of the Fund and the Fund’s applicable operating expenses accrued or incurred to date on the Value Day) on a one-off basis, less the Redemption Levy, provided that the total number of Units to be redeemed by the Fund shall not exceed 40% of the total outstanding number of Units as at the Lodgement Date. The Unitholders are not compelled to accept any such offer and may choose to retain all their Units if they wish.

The One-off Redemption Offer is subject to the Independent Unitholders’ approval by way of the Extraordinary Resolution at the General Meeting. The Trustee, the custodian of the Fund, the Manager and their respective Connected Persons including, fellow subsidiaries and/or associated companies of the Manager as well as the Manager’s parent company, the subsidiaries of the Manager’s parent company and associated companies of the Manager’s parent company and the subsidiaries of such parent company that (i) trade in the Units as discretionary fund managers and/or (ii) for proprietary purposes, own or control or direct the holding of voting rights and rights over the Units, shall abstain from voting in respect of the Extraordinary Resolution. Only Independent Unitholders will be entitled to vote on the Extraordinary Resolution.

An independent committee will not be established to advise the Independent Unitholders. The non-executive directors of the Manager have a potential conflict of interests because (i) they are employees of various subsidiaries of HSBC Holdings plc and (ii) certain fellow subsidiaries and/or associated companies and shareholders of the Manager have traded in the Units for proprietary purposes and/or have undertaken transactions with the Fund such as acting as brokers for the Fund.

We, Somerley Limited, have been appointed to make a recommendation to the Independent Unitholders as to whether the terms of the One-off Redemption Offer are fair and reasonable so far as the Independent Unitholders are concerned and whether the Independent Unitholders should vote in favour of the resolution to approve and to accept the One-off Redemption Offer.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the Manager’s directors, staff and advisers and have assumed that such information, facts and opinions are true, accurate and complete in all material aspects and will remain so up to the time of the General Meeting. We have also sought and received confirmation from the Manager’s directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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relied on such information and consider that the information we have received is sufficient for us to reach the recommendation as set out in this letter and to justify our reliance on such information. We have no reason to believe that any material information has been withheld from us, nor to doubt the truth, accuracy or completeness of the information provided, and the reasonableness of the opinions expressed by the Manager's directors, staff and advisers. We have, however, not conducted any independent investigation into the affairs of the Fund, nor have we carried out any independent verification of the information supplied.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on whether the terms of the One-off Redemption Offer are fair and reasonable so far as the Independent Unitholders are concerned, we have taken the following principal factors and reasons into consideration:

#### 1. Background information of the Fund

Launched in July 2007, the Fund is a unit trust constituted by the Trust Deed under Hong Kong law and authorised by the SFC under the SFO. It is an actively managed fund listed on the Main Board of the Stock Exchange and aims to seek 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 growth potential and 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.

With the proposed Change of Investment Objective and Policies, which is subject to the Independent Unitholders' approval by way of the Extraordinary Resolution at the General Meeting, the Fund will primarily invest in A shares directly through the qualified foreign institutional investor investment quota of the Manager and indirectly through investment of (i) up to 40% of its net asset value in financial derivative instruments and securities linked to A shares (such as CAAPs (including A share participation certificates/notes and/or other access products issued by third party investment banks or brokers)) and (ii) up to 40% of its net asset value in ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares, provided that the Fund's total investment in CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares will not exceed 50% in the aggregate of its net asset value. Because of this change, the Manager proposes to offer the Unitholders the One-off Redemption Offer, which is a right to redeem a part (or, in the event that the total number of Units for which applications are made under the One-off Redemption Offer is less than or equal to 40% of the outstanding number of Units as at the Lodgement Date, the whole) of their Units for cash on a one-off basis. The non-A share investments of the Fund will be selected for sale to satisfy such redemption while at the same time matching the Change of Investment Objective and Policies. The Manager believes that the proposed Change of Investment Objective and Policies will provide a better and clearer investment proposition for investors.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2. Performance of the Fund

Set out below is the summary of the performance of the Fund for each of the two years ended 31 March 2011 and for the six months ended 30 September 2011 as extracted from the Fund's 2011 annual report and 2011 interim report:

	For the six months ended 30 September		For the year ended 31 March	
	2011 HK\$ (unaudited)	2010 HK\$ (unaudited)	2011 HK\$ (audited)	2010 HK\$ (audited)
Net investment (loss)/ gain	(787,808,759)	119,917,137	353,798,369	1,228,172,724
(Decrease)/increase in net assets attributable to the Unitholders for the period/year	(842,091,494)	70,516,992	233,690,838	1,121,491,561
	As at 30 September		As at 31 March	
	2011 HK\$ (unaudited)	2010 HK\$ (unaudited)	2011 HK\$ (audited)	2010 HK\$ (audited)
Total net asset value	2,625,725,116	3,393,376,016	3,520,104,901	3,403,444,993
Total net asset value per Unit	7.50	9.39	9.86	9.15

**(i) 2011 compared to 2010**

The increase in net assets attributable to the Unitholders for the year ended 31 March 2011 fell by approximately 79.2% from approximately HK\$1,121.5 million to approximately HK\$233.7 million when compared with the previous year. According to the 2011 annual report of the Fund, this was mainly attributable to a slowdown in economic activities in China resulting from the PRC Government's tightening measures to control asset prices and inflation and the deteriorating investor sentiment due to certain external factors such as the heightening civil tension in the Middle East and North Africa and the earthquake in Japan. Nevertheless, the Fund still recorded an increase in net asset value per Unit from approximately HK\$9.15 as at 31 March 2010 to approximately HK\$9.86 as at 31 March 2011 as a result of the positive net investment gain recorded and the repurchase of Units by the Fund at the then prevailing price during the year ended 31 March 2011.

**(ii) Six months ended 30 September 2011 compared to six months ended 30 September 2010**

The Fund recorded a decrease in net assets attributable to the Unitholders of approximately HK\$842.1 million for the six months ended 30 September 2011, compared to an increase in net assets attributable to the Unitholders of approximately HK\$70.5 million in the corresponding period last year. According to the 2011 interim report of the Fund, the unsatisfactory performance of Chinese equities for the six months ended 30 September 2011 primarily resulted from the uncertainty over the mid-year downgrading of the United States treasury's debt rating and investors' concerns over the European sovereign debt crisis. Accordingly, the total net asset value per Unit of the Fund decreased significantly from approximately HK\$9.86 as at 31 March 2011 to approximately HK\$7.50 as at 30 September 2011.



**3. Principal terms and conditions of the One-off Redemption Offer**

Subject to the passing of the proposed resolutions for the Change of Investment Objective and Policies and the amendments to the Trust Deed by the Supplemental Trust Deed at the General Meeting, the Manager proposes to offer a right to the Unitholders to redeem the whole or a part of their Units for cash on a one-off basis. The principal terms and conditions of this offer are set out below:

**(i) Principal terms**

- (a) the Unitholders can apply to redeem the whole or a part of their holdings as at the Lodgement Date on a one-off basis provided that the total number of Units to be redeemed by the Fund shall not exceed 40% of the total outstanding number of Units as at the Lodgement Date;
- (b) the One-off Redemption Offer shall occur on the Redemption Day at the net asset value of the Units being redeemed on the Value Day less the Redemption Levy;
- (c) in the event that the total number of Units for which applications are made under the One-off Redemption Offer exceeds 40% of the outstanding number of Units as at the Lodgement Date, the redemption requests of the Unitholders will be satisfied on a pro rata basis based on the number of Units the Unitholders have validly applied to redeem, rounded down to the nearest whole Unit;
- (d) in the event that the total number of Units for which applications are made under the One-off Redemption Offer is less than or equal to 40% of the outstanding number of Units as at the Lodgement Date, the Manager shall satisfy all such redemption requests; and
- (e) the Manager shall realise non-A share investments of the Fund and apply all or part of such realisation proceeds to satisfy redemption requests.

**(ii) Conditions to the One-off Redemption Offer**

The One-off Redemption Offer will be conditional only upon obtaining the Independent Unitholders' approval by way of the Extraordinary Resolution at the General Meeting to approve the Change of Investment Objective and Policies, the One-off Redemption Offer and the amendments to the Trust Deed by the Supplemental Trust Deed (so as to effect the One-off Redemption Offer and the Change of Investment Objective and Policies and conform to the Code's requirements). The above condition to the One-off Redemption Offer may not be waived.

If either the Change of Investment Objective and Policies, the One-off Redemption Offer or the amendments to the Trust Deed by the Supplemental Trust Deed is not approved by the Independent Unitholders, the One-off Redemption Offer will not be made to the Unitholders.

The One-off Redemption Offer will not be lapsed or conditional on any minimum number of redemption applications made by the Unitholders.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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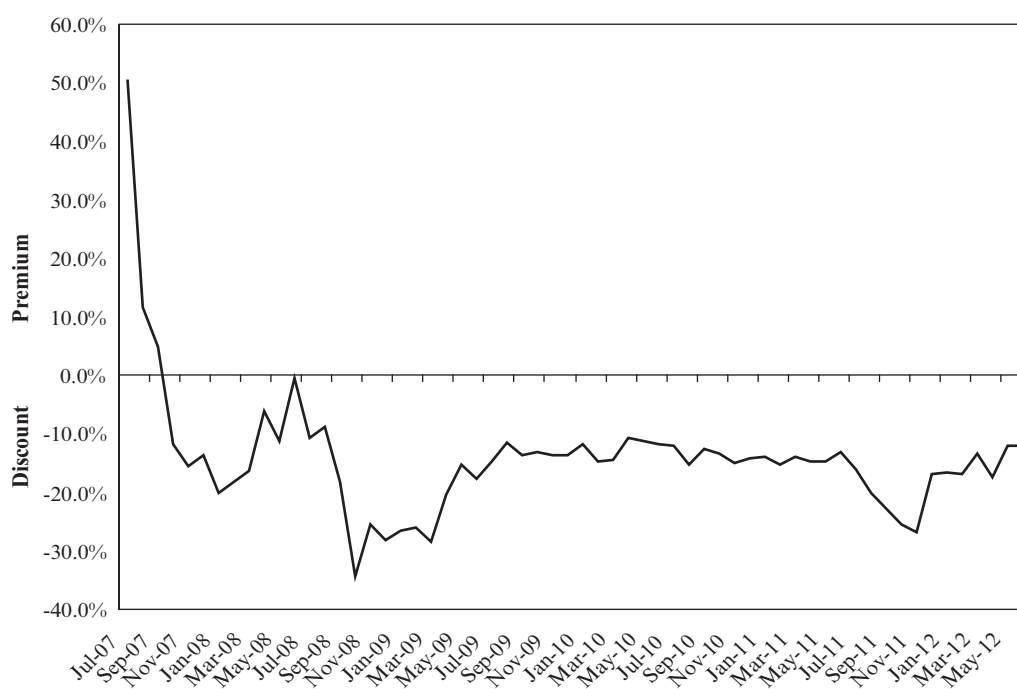
### 4. Reasons for the One-off Redemption Offer

The Manager considers the One-off Redemption Offer is beneficial to the Independent Unitholders in the following aspects:

- (i) The One-off Redemption Offer provides the Independent Unitholders an option to exit a substantial part (or, in certain circumstances, the whole) of their investments in the Fund at the net asset value of the Units being redeemed on the Value Day (subject to the Redemption Levy). Given the fact that the Fund has been trading at a discount to its net asset value since October 2007, an opportunity to redeem at the net asset value is in our view advantageous to the Independent Unitholders.

Set out below is a chart showing the discount or premium of the Fund's market price on the Stock Exchange to its monthly net asset value per Unit since it was listed in July 2007:

**Price-to-net asset value discount/premium**



Source: Bloomberg

As shown in the chart above, the Fund has in recent years traded at a discount to its net asset value. After the release of the announcement in relation to the Change of Investment Objective and Policies and the One-off Redemption Offer on 7 December 2011, the price-to-net asset value discount of the Fund improved from approximately 26.4% on 7 December 2011 to approximately 21.1% on 8 December 2011 and further to a minimum of approximately 9.9% on 25 June 2012.

The Fund has been trading at a daily average discount of approximately 18.1% and 16.3% to its net asset value during the calendar year 2011 and during the six months ended 30 June 2012, respectively. The Manager believes that the Change of Investment Objective and Policies, the One-off Redemption Offer and the amendments to the Trust Deed through the Supplemental Trust Deed may potentially narrow such discount while allowing the Independent Unitholders to realise certain Units at the net asset value of the Units being redeemed as at the Value Day; and

- (ii) The One-off Redemption Offer provides an alternative to the Independent Unitholders to diversify their portfolios after the proposed Change of Investment Objective and Policies is in place. Under the revised investment objective and policies of the Fund (which is subject to the Independent Unitholders' approval at the General Meeting), the Fund will realise certain non-A share investments and apply such realisation proceeds to satisfy the redemption requests of



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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the Unitholders pursuant to the One-off Redemption Offer (which is subject to the Independent Unitholders' approval at the General Meeting and is also conditional on the approval of the Change of Investment Objective and Policies and the amendments to the Trust Deed by the Supplemental Trust Deed). Any remaining realisation proceeds will be invested to gain exposure to A share investments. For Independent Unitholders who would like to maintain or gain more exposure to non-A share investments such as B shares, H shares and shares issued by red chip companies, the One-off Redemption Offer gives them an opportunity to have a part (or, in certain circumstances, the whole) of their Units redeemed at the net asset value and to use such redemption proceeds to invest in securities which they consider appropriate for their investment objectives.

### 5. Risk associated with the One-off Redemption Offer

Set out below are the principal risks associated with the One-Off Redemption Offer which we have considered during our assessment of the fairness and reasonableness of the One-off Redemption Offer:

*(i) The net asset value at which the eligible Units are redeemed*

Under the One-off Redemption Offer, the eligible Units will be redeemed at the net asset value on the Value Day. The net asset value per Unit of the Fund on the Value Day cannot be calculated as at the Latest Practicable Date. The net asset value per Unit of the Fund on the Value Day may possibly be lower than the then market price of the Fund on the Stock Exchange, although this has not been the case historically except for a short period just after the Fund's launch in 2007.

*(ii) The actual number of Units eventually redeemed*

A Unitholder may not be able to redeem all the Units he or she applies to redeem under the One-off Redemption Offer. As stated in the section headed "Principal terms and conditions of the One-off Redemption Offer" above, in the event that the total number of Units for which applications are made under the One-off Redemption Offer exceeds 40% of the outstanding number of Units as at the Lodgement Date, the number of Units the Unitholders can eventually redeem will be reduced proportionally based on the number of Units they have validly applied to redeem, rounded down to the nearest whole Unit.

*(iii) Existence of odd lot Units*

Any Units held by the Unitholders that are not successfully redeemed under the One-off Redemption Offer may be in odd lots, the realisable price of which may be significantly lower than the traded price of such Units on the market.

### 6. Evaluation of the principal terms of the One-off Redemption Offer

*(i) Percentage of the Fund's net asset value to be redeemed*

Under the One-off Redemption Offer, there is no minimum number of Units which a Unitholder can apply to redeem. A Unitholder may apply to redeem the whole or a part of his or her holding of Units. Redemption applications with respect to Units that are in excess of his or her holdings will be disregarded by the Manager. However, the total number of Units to be redeemed by the Fund shall not exceed 40% of the total outstanding number of Units as at the Lodgement Date.

The limit of 40% of the Fund's net asset value to be redeemed has been determined by the Manager with reference to the percentage holding of the Fund in non-A share investments (excluding cash) as at 30 September 2011 which was approximately 46.8%. Such investments will be substantially disposed of as a result of the Change of Investment Objective and Policies. Taking into account (i) the monthly average percentage holding of the Fund in non-A share investments (excluding cash) of approximately 49.6% from September 2011 to May 2012, and (ii) the fact that the Fund may invest in such non-A investments as B shares, H shares and shares issued by red chip companies up to 10% of its net asset value in the event that appropriate A share investments are not available, we consider the 40% limit reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**(ii) Redemption price**

Under the One-off Redemption Offer, each Unit will be redeemed at the net asset value per Unit of the Fund on the Value Day, subject to the Redemption Levy (as discussed in more detail below). The net asset value per Unit is arrived at by valuing the assets of the Fund, deducting the liabilities of the Fund and dividing the net assets by the number of Units in issue. Since the net asset value per Unit is the maximum amount the Unitholders are entitled to and can receive from the Fund in the event that the Fund divests all of its investments and distributes all of the proceeds to the Unitholders, we consider the basis of the redemption price fair and reasonable.

**(iii) Maximum redemption levy**

Under the One-off Redemption Offer, the Manager will pay the Unitholders the net asset value of the eligible Units to be redeemed on the Value Day less a redemption levy of up to 2% of the redemption price. The Redemption Levy, which will be deducted from the redemption price, incorporates explicit transaction costs (e.g. commission and stamp duty) and implicit costs (i.e. market impacts of implementation) incurred in the sale of the underlying investments of the Fund, and will be retained for the benefit of the Fund. Market impacts of implementation are indirect costs resulting from price slippage when orders are executed as there may be a difference between the execution price and the price at the time of order creation.

AsianInvestor has ranked top 100 fund management companies in terms of asset under management ("AUM") sourced from Asian Pacific as at 30 September 2011. Among the top 30 fund management companies, we identified nine fund management companies which have launched umbrella funds, consisting of sub-funds investing in China-related securities, for retail sales in Hong Kong, and reviewed their prospectuses. Out of these nine fund management companies, six will charge a maximum redemption levy ranging from 2% to 5%, two will charge a redemption levy ranging from 0% to 4% (subject to the length of holding) and one does not charge any redemption levy at all. As total AUM of the top 30 fund management companies ranked by AsianInvestor has accounted for approximately 73.4% of that of the top 100 fund management companies, and a majority of the top 30 fund management companies (which have launched sub-funds investing in China-related securities for retail sales in Hong Kong) will charge a maximum redemption levy with a range from 2% to 5%, we consider the Redemption Levy acceptable from the point of view of the Independent Unitholders, and that the Redemption Levy is charged in accordance with the market practice.

## DISCUSSION AND ANALYSIS

In summary, the One-off Redemption Offer is expected to bring the following benefits to the Independent Unitholders:

- (i) the One-off Redemption Offer provides the Independent Unitholders an option to exit a substantial part (or, in certain circumstances, the whole) of their investments in the Fund and to realise Units at the net asset value of the Units being redeemed. We consider this advantageous to the Independent Unitholders, given that the Fund has been trading at a significant discount to its net asset value since October 2007;
- (ii) the One-off Redemption Offer allows the Independent Unitholders to apply the redemption proceeds in purchasing securities which they consider appropriate. On the other hand, should the Change of Investment Objective and Policies be acceptable to the Independent Unitholders, the Independent Unitholders can choose not to exercise the right under the One-off Redemption Offer and allow the Manager to invest for them; and
- (iii) the redemption price represents the maximum amount the Independent Unitholders are entitled to and can receive from the Fund in the case of redemptions.

Taking into account the above factors, we consider it is in the interest of the Independent Unitholders to approve and, if the Independent Unitholders intend to exit, to accept the One-off Redemption Offer.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Taking into account the above principal factors and reasons, we consider that the terms of the One-off Redemption Offer are fair and reasonable so far as the Independent Unitholders are concerned, and are in the interest of the Independent Unitholders as a whole. Accordingly, we recommend the Independent Unitholders to vote in favour of the Extraordinary Resolution to be proposed at the General Meeting to approve, among other things, the One-off Redemption Offer and to accept the One-off Redemption Offer. However, our advice is subject to the following considerations.

If the Independent Unitholders consider the Change of Investment Objective and Policies appropriate for their own investment objectives and willingness to assume risk, they should choose not to accept the One-off Redemption Offer and allow the Manager to invest for them.

On the contrary, if the Independent Unitholders consider the Change of Investment Objective and Policies inappropriate for their own investment objectives and willingness to assume risk, or if they would like to maintain or gain more exposure to non-A share investments such as B shares, H shares and shares issued by red chip companies, they should consider accepting the One-off Redemption Offer and using such redemption proceeds to invest in securities which they consider appropriate for their own individual circumstances.

Yours faithfully,  
for and on behalf of  
**SOMERLEY LIMITED**

**Martin Sabine**  
*Chairman*

**David Ching**  
*Director*

This Appendix 1 serves as an explanatory statement to provide Unitholders with relevant information to enable you to make an informed decision whether to vote for or against the resolutions to approve the Change of Investment Objective and Policies, the One-off Redemption Offer and the amendments to the Trust Deed by the Supplemental Trust Deed.

Defined terms used in this Explanatory Statement have the same meanings given to them in the circular to Unitholders of the Fund dated 20 July 2012 and also the Trust Deed.

## 1. CHANGE OF INVESTMENT OBJECTIVE AND POLICIES

- 1.1 Subject to the passing of the proposed resolutions for the Change of Investment Objective and Policies, the One-off Redemption Offer and the amendments to the Trust Deed by the Supplemental Trust Deed in the General Meeting, the investment objective of the Fund will be changed to the following with effect from the Business Day immediately follow the Redemption Day, which is anticipated to be 6 September 2012.
- 1.2 Currently, 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 Fund seeks long-term capital growth through a diversified portfolio of investments in equity of and securities relating to Chinese companies or companies deriving a significant proportion of their revenue from operations in China across different industries. The Fund may invest in (i) shares and securities linked to the shares of China related companies listed or quoted in China, Hong Kong and other jurisdictions; (ii) companies which carry out a preponderant part of their economic activities in the PRC and shares of red chip companies; and (iii) in other permissible investments or securities that are allowed under the Trust Deed, including but not limited to such other investments as allowed under the qualified foreign institutional investor regime in the PRC. The underlying investment of the Fund may include but will not be limited to, A shares and B shares (and such other securities as may be available) listed on the stock exchanges in the PRC, H shares and shares of red chip companies listed on the Stock Exchange. On an ancillary basis, the Fund may acquire CAAPs as if these were the relevant A shares or portfolios of A shares.

- 1.3 The Manager proposes a Change of Investment Objective and Policies as follows:

The investment objective of the Fund is to achieve long-term capital growth by investing primarily in A shares directly through the qualified foreign institutional investor investment quota of the Manager and indirectly through investment of (i) up to 40% of its net asset value in financial derivative instruments and securities linked to A shares (such as CAAPs (including A share participation certificates/notes and/or other access products issued by third party investment banks or brokers)) and (ii) up to 40% of its net asset value in ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares; provided that the Fund's investment in CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares will not exceed 50% in the aggregate of its net asset value.

The Manager may consider, amongst others, profitability, prospect, outlook, valuation and volatility of the relevant securities and markets, the availability of the investments, and the economic and political environment and development affecting the relevant securities and markets in its selection criteria of investments for the Fund.

The Fund will not invest more than 10% of its net asset value in CAAPs issued by a single issuer; and the Fund's aggregate investment in CAAPs shall not be more than 40% of its net asset value.

There is no guarantee on the availability of the quantity of A shares and financial derivative instruments and securities linked to A shares that are appropriate for the Fund. In the event that such A share investments are not available, the Fund may also invest up to 10% of its net asset value in other permissible investments or securities that are permitted under the Trust

Deed, including but not limited to B shares, H shares, shares issued by red chips companies and such other investments as allowed under the qualified foreign institutional investor regime in the PRC.

The Fund may also invest in cash and cash equivalents on an ancillary basis.

Other than CAAPs, the Fund will not invest in or use financial derivative instruments other than for hedging purposes only.

The investment portfolio of the Fund will be more concentrated in A shares and financial derivative instruments and securities linked to A shares of listed companies in the PRC subsequent to the Change of Investment Objective and Policies. Unitholders should refer to the section headed “Initial Investment Distribution” above for the illustrative asset allocation and paragraph (v) of sub-clause 2.19 below for the risk with respect to investments in CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares. Independent Unitholders should carefully consider the risk factors described in the Offering Circular before exercising their votes to approve the resolution with respect to the Change of Investment Objective and Policies.

- 1.4 Subject to the passing of the proposed resolutions for the Change of Investment Objective and Policies, the One-off Redemption Offer and the amendments to the Trust Deed by the Supplemental Trust Deed, the Offering Circular shall be amended and/or supplemented.
- 1.5 The Manager believes that the Change of Investment Objective and Policies to invest primarily in A shares and/or its related products will provide a better and clearer investment proposition for investors. By clearly positioning the Fund as an A shares dominated investment, potential investors have better visibility on its risks and exposures, making it more appealing to investors as one of the few products available for those investors who are bullish on A shares.
- 1.6 The Manager believes that the Change of Investment Objective and Policies is in the best interests of the Fund and the Unitholders as a whole.

## 2. ONE-OFF REDEMPTION OFFER

### Units in Issue

- 2.1 As at the Latest Practicable Date, the aggregate of Units outstanding is 349,687,000 Units. Subject to the passing of the proposed resolutions for the Change of Investment Objective and Policies and the amendments to the Trust Deed by the Supplemental Trust Deed, the Manager also wishes to offer the One-off Redemption Offer for cash and proposes to seek approvals of the Independent Unitholders by way of the Extraordinary Resolution at the General Meeting on the One-off Redemption Offer. Pursuant to the One-off Redemption Offer, Unitholders will be entitled to apply to redeem the whole or a part of their Units subject to the Trust Deed and the following provisions and a redemption request form will be despatched to all Unitholders.

### Procedures

- 2.2 On receipt by the Registrar of a redemption request from a Unitholder which complies with the requirements of sub-clause 2.4, the Manager shall, subject to sub-clauses 2.9 and 2.10, effect the redemption of the Units specified in the redemption request at the redemption price, less the Redemption Levy, as determined under sub-clause 2.5. Such Redemption Levy is to be retained by the Fund for its own benefit.
- 2.3 A redemption request complying with the requirements of sub-clause 2.4 shall be dealt with only at the close of the last market of the underlying investments of the Fund (the “**Valuation Point**”) on the Value Day in relation to the Redemption Day on which the redemption is to be effected. In order for a redemption request to be effected on the Value Day, the redemption request together with such Unitholder’s certificate of Units must be received by the Registrar not later than 4:30 p.m. (Hong Kong time) on the Lodgement Date; provided that the Unitholders are only entitled to make a redemption request under the One-off Redemption Offer with respect to the Units they hold as of the Lodgement Date. No further action shall be



required from the Unitholders that elect to continue to hold onto the entire holdings of Units in the Fund. Unitholders that have lost the certificates representing their Units should contact the Registrar and follow the procedure as required by the Registrar.

- 2.4 To be effective a redemption request must be given in writing signed by the Unitholder or any one of joint Unitholders and must specify the number of Units that are to be realised, the name or names of the Unitholder or Unitholders together with the relevant certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof). A redemption request once given cannot be revoked without the consent of the Manager.

No acknowledgement of receipt of any redemption request form or certificate(s) of Units will be given. Only one redemption request form may be submitted by each Unitholder to the Registrar. Acceptances duly received will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional.

Regardless of whether Unitholders decide to accept or not accept the One-off Redemption Offer, they should not submit their certificate(s) of Units to the Registrar before 22 August 2012. Any certificate(s) of Units received prior to 22 August 2012 may not be treated as application for the One-off Redemption Offer and all such unaccepted certificate(s) will be returned to the Unitholders (by ordinary post, at that Unitholder's own risk) as soon as practicable and in any event, no later than 7 Business Days from the date of receipt. Once the One-off Redemption Offer has become unconditional, Unitholders may resubmit their certificate(s) of Units to the Registrar before the Lodgement Date if they would like to make a redemption request under the One-off Redemption Offer with respect to the Units they hold as of the Lodgement Date.

If the One-off Redemption Offer does not become unconditional, any certificate of Units received by the Registrar will be returned and/or sent to the relevant Unitholder (by ordinary post, at that Unitholder's own risk) within 10 days from the date of the General Meeting. The Fund will make an announcement of the results of the General Meeting by 7:00 p.m. on 21 August 2012.

#### **Redemption Price and Payment of Proceeds**

- 2.5 The price per Unit shall be realised on the Value Day at the redemption price (that is, the net asset value per Unit as at the Value Day) less the Redemption Levy in accordance with the Trust Deed. Costs and expenses with respect to the realisation of the assets of the Fund, namely, commission, stamp duty, transaction cost and total market impact of implementation (i.e. the price difference during the order implementation between the execution price and the price at the time of valuation) will be offset against the Redemption Levy. The Redemption Levy which is up to 2% of the net asset value of the Units being redeemed (i.e. the redemption price) will be deducted from the redemption price and will be retained by the Fund for the benefit of the Fund. The actual level of the Redemption Levy will be determined by the Manager according to the Manager's estimation of the above-mentioned commission, stamp duty, transaction cost and total market impact of implementation on the Redemption Day. Each redeeming Unitholder will bear the same percentage of Redemption Levy, namely, the same percentage of the net asset value of the Units being redeemed. The Redemption Levy will be announced together with the net asset value of the Fund as of the Value Day by 5:00 pm on 6 September 2012.
- 2.6 Any amount payable to a Unitholder in respect of the realisation of Units shall be paid as soon as practicable in any event no later than 10 days following the Lodgement Date. Such amount shall be paid in accordance with and subject to the provisions of this clause 2.
- 2.7 Redemption proceeds will not be paid to any redeeming Unitholder until:
- (a) a valid original redemption request has been received by or on behalf of the Manager or, if relevant, the Trustee; and
  - (b) the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the Manager or its agent or, if relevant, the Trustee.

Redemption proceeds will be paid in Hong Kong dollars by cheque by ordinary post at the Unitholder's risk.

- 2.8 Where Units are to be realised on any Redemption Day the Manager shall proceed to effect any sales necessary to provide the cash required to meet the redemption request. Where the Manager (or its agent) has effected or will effect the redemption, the Manager (or its agent) shall provide the instruction to the Trustee that the Units are to be realised and cancelled in accordance with the provisions of this clause 2 and in such event the Fund shall be reduced by the cancellation of the said Units. Where the Trustee will effect the redemption, the Trustee shall promptly notify the Manager that the Units are to be realised and cancelled in accordance with the provisions of this clause 2 so that the Manager has sufficient time to effect any sales necessary to provide the cash required to meet the redemption request. The Trustee shall pay to the Unitholder, at the direction of the Manager, out of the Fund in respect of the cancellation of the Units the redemption price thereof less any deductions which the Manager, pursuant to any discretion hereunder, directs the Trustee to make or, if agreed, pay to the Manager out of the Fund the redemption price and the Manager shall (subject as otherwise provided in the Trust Deed) pay over the same to the Unitholder. The Trustee may only effect redemptions of Units if so agreed with the Manager and on the terms for the time being approved by the Manager, provided always that the Trustee shall at all times comply with the terms of the Offering Circular in connection therewith.

#### **Limits and suspension of Redemption**

- 2.9 The Manager shall, for the Fund as a whole, limit the total number of Units which Unitholders are entitled to redeem on the Redemption Day to be no more than 40% of the total outstanding Units as at the Lodgement Date, such limitation to be applied pro rata to all Unitholders of Units who have validly requested realisations to be effected on or as at the Value Day so that the proportion realised of each holding so requested to be realised is the same for all such Unitholders, rounded down to the nearest whole Unit. Any application for redemption of Units which, by virtue of the powers conferred on the Manager hereby, are not realised on the Redemption Day shall be void and the certificates representing such Units shall be returned to Unitholders.

Unitholders should note that there is no limit on the number of Units which a Unitholder can apply to redeem under the One-off Redemption Offer, however, a Unitholder may not apply to redeem more Units than such Unitholder holds as at the Lodgement Date. A Unitholder may apply to redeem the whole or a part of his or her holding of Units. However, the total number of Units to be redeemed by the Fund shall not exceed 40% of the total outstanding number of Units as at the Lodgement Date.

- 2.10 The Manager may suspend the right of the Unitholders to require the redemption of Units of the Fund on the Redemption Day under this paragraph and may accordingly delay the Value Day and the payment of any moneys in respect of any such realisation so suspended in the event that:

- (A) when either the China or the Hong Kong market is closed;
- (B) when dealings in the China or the Hong Kong market is restricted or suspended; and/or
- (C) during the existence of any state of affairs as a result of which disposal or valuation of some or all investments or other property for the time being comprised in the Fund cannot, in the opinion of the Manager, be effected normally or without seriously prejudicing the interests of Unitholders.

Such suspension (which expression shall include the right to delay payment) shall take effect upon the declaration thereof by the Manager and thereafter there shall be no realisation of Units and/or payment of moneys in respect of any such redemption until the Manager shall declare the suspension at an end, except that the suspension shall terminate on which (a) the condition giving rise to the suspension shall have ceased to exist and (b) no other condition under which suspension is authorized under this paragraph shall exist. The Manager's declaration pursuant to this paragraph shall be consistent with such current rules and regulations, if any, relating to the subject matter thereof as shall have been promulgated by

any authority having jurisdiction over the Fund (including but not limited to the Code) and subject to that it shall be conclusive. The Trustee shall, subject to and in accordance with the provisions of the Trust Deed, realise Units in respect of which it or any of its authorized agents has received a redemption request and effect redemption of such Units on the Value Day next following the termination of such suspension.

Any suspension and consequential change of the Redemption Day will be published immediately following such decision and at least once a month during the period of suspension on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) or the Fund's website at [www.assetmanagement.hsbc.com/hk-chinadragonfund](http://www.assetmanagement.hsbc.com/hk-chinadragonfund).

### **Overseas Unitholders**

- 2.11 Based on the register of Unitholders as at the Latest Practicable Date, there were Unitholders with registered addresses in three jurisdictions outside Hong Kong. The Fund has made enquiries regarding the legal restrictions under the applicable securities legislation of the relevant jurisdictions and the requirements of the relevant regulatory body or stock exchange with respect to the One-off Redemption Offer in relation to such Overseas Unitholders.

The Fund has obtained advice from legal advisers in Macau and Australia that no local regulatory compliance is required to be made in that jurisdiction for the Fund in extending the One-off Redemption Offer to the Unitholders who resided in those jurisdictions.

The Fund has sought legal advice from legal advisers in the United States (US). Based on that advice, the extension of the One-off Redemption Offer to a Unitholder residing in the US may constitute a tender offer in the US. To avoid the full US Securities and Exchange Commission tender offer regulatory requirements, the Fund may either exclude the Unitholders residing in the US or include such Unitholders in accordance with the relevant exemptions under the US tender offer rules that are available to the Fund.

Accordingly, the Fund will avail itself of such exemption and extend the One-off Redemption Offer to all the Overseas Unitholders.

All Overseas Unitholders that are Independent Unitholders (i) are entitled to receive a circular and a notice of general meeting and to attend and vote at the General Meeting, whether in person or by proxy and (ii) will be offered the One-off Redemption Offer.

As the One-off Redemption Offer may be affected by foreign laws, the Overseas Unitholders should inform themselves about and observe any applicable legal requirements.

It is the responsibility of each Overseas Unitholder who wishes to submit the redemption request to satisfy himself or herself as to the full observance of the laws of the relevant jurisdiction in that connection, including obtaining any governmental or other consents which may be required or the compliance with other necessary formalities or legal requirements.

### **Nominee Holdings**

- 2.12 If the certificates of Units in respect of a Unitholder's Units are in the name of a nominee company or some name other than his/her own, and such Unitholder wishes to accept the One-off Redemption Offer (either in full or in respect of part of his holding(s) of Units), he/she must either:
- (i) instruct the nominee company, or other nominee to accept the Offer on his/her behalf and requesting it to deliver the redemption request form duly completed together with the certificate(s) of Units to the Registrar, within such deadline (which may be earlier than the deadline specified under the One-off Redemption Offer) as may be stipulated by the nominee; or
  - (ii) arrange for the Units to be registered in his/her name by the Fund through the Registrar, and send the redemption request form duly completed together with the certificate(s) of Units to the Registrar; or



- (iii) where his/her Units have been maintained with his/her licensed securities dealer/custodian bank through CCASS, instruct his/her licensed securities dealer/custodian bank to authorize HKSCC Nominees Limited to accept the One-off Redemption Offer on his/her behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, that Unitholder should check with his/her broker/custodian bank for the timing on processing of his instruction, and submit such instruction to his broker/custodian bank as required by them; or
- (iv) if that Unitholder's Units have been lodged with his/her Investor Participant Account with CCASS, authorize his/her instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.

Unitholders with such a nominee holding of Units should ensure that they undertake the above applicable course of action promptly so as to allow their nominee(s) sufficient time to complete the acceptance procedure on their behalf by the Lodgement Date.

#### **Transfer of Units**

- 2.13 If a Unitholder has lodged transfer(s) of Units for registration in his/her name and has not yet received the certificate(s) of Units and wishes to accept the One-off Redemption Offer, he/she should nevertheless complete the redemption request form and deliver it to the Registrar together with the transfer receipt(s) duly signed by him/her. Such action will be deemed to be an authority to the Manager or its agent(s) to collect from the Manager or the Registrar on his/her behalf the relevant certificate(s) of Units when issued and to deliver such certificate(s) of Units, subject to the terms of the One-off Redemption Offer, as if it/they was/were delivered to the Registrar with the redemption request form.

#### **Lost Certificates**

- 2.14 With respect to lost or unavailable certificate(s) of Units, if the certificate(s) of Units is/are not readily available and/or is/are lost and a Unitholder wishes to accept the One-off Redemption Offer, the redemption request form should nevertheless be completed and delivered to the Registrar so as to reach the Registrar not later than the Lodgement Date and the certificate(s) of Units should be forwarded to the Registrar as soon as possible thereafter and in any event before the Lodgement Date.

Acceptances of the One-off Redemption Offer may, at the discretion of the Manager, be treated as valid even if not accompanied by the certificate(s) of Units but, in such cases, the cash consideration due will not be despatched until the relevant certificate(s) of Units has/have been received by the Registrar.

If a Unitholder has lost his/her certificate(s) of Units, he/she should write to the Registrar and request a letter of indemnity in respect of the lost certificate(s) of Units (as the case may be) which, when completed in accordance with the instructions given, should be returned, together with the redemption request form and the certificate(s) of Units which are available, to the Registrar either by post or by hand, so to arrive not later than the Lodgement Date.

In such cases, the Unitholder will be informed of the fees payable to the Registrar for which he/she will be responsible.

#### **Replacement of Redemption Request Form**

- 2.15 If a Unitholder has lost the redemption request form or such original has become unusable, and requires a replacement of such form, he/she should write to the Registrar or visit the Registrar at its office and request an additional redemption request form for completion by such Unitholder.

Alternatively, he/she could download it from the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) or the Fund's website at [www.assetmanagement.hsbc.com/hk-chinadragonfund](http://www.assetmanagement.hsbc.com/hk-chinadragonfund).

**New Unitholders**

- 2.16 With respect to any new Unitholder, a new Unitholder may collect a copy of this circular, with the form of proxy and a blank redemption request form from the Registrar during business hours between 22 August 2012 to the Lodgement Date, both days inclusive. Such Unitholder may also contact the Registrar and request a copy of this circular, the form of proxy and a blank redemption request form (as appropriate) to be sent to his/her registered address as recorded in the register of Unitholders.

**Professional Advice**

- 2.17 Unitholders should consult their professional advisers on the consequences to them of redeeming Units under the relevant laws of the jurisdictions to which they are subject, including the tax consequences and any exchange control requirements. These consequences, including the availability of, and the value of, tax relief to investors, will vary with the law and practice of the investors' country of citizenship, residence, domicile or incorporation and their personal circumstances.

Unitholders should refer to the section headed "Taxation" on page 13 of the Letter from the Manager in this circular for additional information on taxation.

**Effect of Acceptance of the Redemption Offer**

- 2.18 (a) All communications, notices, redemption request form(s), certificates of Units, transfer receipts, other documents of title or indemnity and remittances to settle the consideration payable under the One-off Redemption Offer to be delivered by or sent to or from the Unitholders will be delivered by or sent to or from them, or their designated agents, at their own risk, and none of the Fund, the Manager nor the Registrar or any of their respective agents accepts any liability for any loss in postage or any other liabilities that may arise as a result.
- (b) The provisions set out in the redemption request form form part of the terms of the One-off Redemption Offer.
- (c) The accidental omission to dispatch this circular and/or the redemption request form or any of them to any person to whom the One-off Redemption Offer is made will not invalidate the One-off Redemption Offer in any way.
- (d) The One-off Redemption Offer and all acceptances will be governed by and constructed in accordance with the laws of Hong Kong.
- (e) Due execution of the One-off Redemption Offer will constitute an authority to the Fund, the Manager or such person or persons as the Fund or the Manager may direct to complete and execute any document on behalf of the person accepting the One-off Redemption Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Fund, the Manager or such person or persons as it may direct the Units, in respect of which such person has accepted the One-off Redemption Offer.
- (f) Acceptance of the One-off Redemption Offer by any person will be deemed to constitute a warranty by such person to the Fund and the Manager that its redemption of Units on its own account or on behalf of its customer, will not breach any relevant law or regulation; and the redeeming Unitholder represents and warrants to the Fund that all Units which the redeeming Unitholder redeeming shall be sold free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the Latest Practicable Date (including the right to all dividends and distributions (if any) declared, made or paid on or after the Latest Practicable Date) or obligation to create or to give an encumbrance in relation to any of such Units and that no person has claimed to be entitled to an encumbrance in relation to any such Units.

- (g) Acceptance of the One-off Redemption by any person who is an Overseas Unitholder will be deemed to constitute a warranty by such person to the Fund and the Manager that he, she or it has observed the laws of all relevant jurisdictions, obtained all requisite governmental, exchange control or other consents, complied with all necessary formalities or legal requirements and paid any transfer or other taxes or other required payments due from him, her or it in connection with such acceptance in any jurisdiction, that he, she or it has not taken or omitted to take any action which will or may result in the Fund, the Manager or any other person acting in breach of the legal or regulatory requirements of any jurisdiction in connection with the One-off Redemption Offer or his, her, its acceptance thereof, and is permitted under all applicable laws to receive and accept the One-off Redemption Offer, and any revision thereof, and that such acceptance is valid and binding in accordance with all applicable laws.
- (h) Acceptance of the One-off Redemption Offer by any nominee will be deemed to constitute a warranty by such nominee to the Fund and the Manager that the number of Units in respect of which it is indicated in the redemption request form is the aggregate number of Units held by such nominee for such beneficial owner who is accepting the One-off Redemption Offer.
- (i) Reference to the One-off Redemption Offer in this circular and the redemption request form shall include any extension or revision thereof.
- (j) If the number of Units to be redeemed is not indicated on the redemption request form given or is not indicated in a legible manner, the relevant Unitholder shall be deemed to have accepted the One-off Redemption Offer in regard to such number of Units as supported by the certificate(s) of Units given.
- (k) If the number of Units to be redeemed as indicated on the redemption request form given is greater than the number of Units as supported by the certificate(s) of Units given, the relevant Unitholder shall be deemed to have accepted the One-off Redemption Offer in regard to such number of Units as supported by the certificate(s) of Units given.

#### **Unitholders' considerations**

- 2.19 The Manager believes that the One-off Redemption Offer is in the best interests of the Fund and the Unitholders as a whole. The Fund has been trading at an average discount of 18.9% to its net asset value over the past twelve months, the Manager believes that the Change of Investment Objective and Policies, the One-off Redemption Offer and the amendments to the Trust Deed by the Supplemental Trust Deed may potentially narrow such discount. However, there is no assurance that the Fund will be traded at a price that is equal to or at a reduced discount to its net asset value subsequent to the effecting of the Change of Investment Objective and Policies, the One-off Redemption Offer and the amendments to the Trust Deed by the Supplemental Trust Deed or that the performance of the Fund will be improved or enhanced thereafter.

Unitholders should carefully consider the risk factors described in the Offering Circular and below before deciding on whether to apply for redemption of their Units under the One-off Redemption Offer:

- (i) under the One-off Redemption Offer, the net asset value at which the eligible Units will be redeemed shall be determined using the relevant market closing price of the underlying investments of the Fund and the Fund's applicable operating expenses accrued or incurred to date on the Value Day, and subject to the Redemption Levy and the relevant calculation method, shall be announced by the Manager no later than two Business Days after the Value Day. The Manager expects to pay the redemption proceeds, less the Redemption Levy, with respect to the eligible Units being redeemed to the Unitholders no later than 10 Business Days after the Value Day. The Redemption Levy is to be retained by the Fund for the benefit of the Fund;

- (ii) as the total number of Units to be redeemed by the Fund shall not exceed 40% of the total outstanding number of Units as a whole as at the Lodgement Date, a Unitholder may not be able to redeem all the Units he or she applies to redeem under the One-off Redemption Offer regardless of whether he or she applies to redeem more or less than 40% of the Units he or she owns at the Lodgement Date.

In the event that the aggregate number of Units for which applications to redeem are made under the One-off Redemption Offer exceeds 40% of the outstanding number of Units as at the Lodgement Date, the Manager shall apply the relevant realisation proceeds to satisfy the redemption requests of Unitholders wishing to redeem their Units on a pro rata basis based on the number of Units the Unitholders have validly applied to redeem, rounded down to the nearest whole Unit. Unitholders should refer to the section headed “Limits on the One-off Redemption Offer” above for details;

- (iii) any Units held by Unitholders that are not successfully redeemed under the One-off Redemption Offer may be in odd lots. The realisable price of such odd lot Units may be significantly lower than the traded price for such Units;
- (iv) all documents and remittances will be sent to the Unitholders through ordinary post at their own risk. These documents and remittances will be sent to the Unitholders at their respective addresses as they appear in the register of Unitholders, and in the case of joint Unitholders, to the Unitholder whose name appears first in the register of Unitholders; and
- (v) investments in CAAPs and ETFs (synthetic ETFs) authorised by the SFC with exposure to A shares which use synthetic instruments to gain exposure to A shares are subject to additional risks.

CAAPs may not be listed and are subject to the terms and conditions imposed by its issuer. These terms may lead to delays in implementing the Manager’s investment strategy. Investment in CAAPs can be illiquid as there may not be an active market in the CAAPs. In order to liquidate investments, the Fund relies upon the counterparty issuing the CAAPs to quote a price to unwind any part of such CAAPs.

An investment in a CAAP to gain exposure to A shares is not an investment directly in the underlying investments (such as shares) themselves. An investment in the CAAP to gain exposure to A shares neither entitles the holder of such instrument to the beneficial interest in the shares nor makes any claim against the company issuing the shares.

The Fund will be subject to the credit risk of the issuers of the CAAPs invested by the Fund. The Fund may suffer a loss if the issuers of the CAAPs becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties.

When the Fund invests in ETFs (synthetic ETFs) authorised by the SFC with exposure to A shares, such ETFs are subject to risks similar to those mentioned above when those ETFs are synthetic instruments using financial derivative instruments to achieve their investment objectives.

### **3. AMENDMENTS TO THE TRUST DEED BY THE SUPPLEMENTAL TRUST DEED**

Subject to the passing of the proposed resolutions for the Change of Investment Objective and Policies, the One-off Redemption Offer and the amendments to the Trust Deed by the Supplemental Trust Deed, the Trust Deed shall be amended and/or supplemented by the Supplemental Trust Deed:

- (i) Clause 10 of the Trust Deed shall be deleted in its entirety and replaced with the following to provide the necessary mechanism as set out in paragraphs 2.1 to 2.10 above to effect such one-off redemption.

#### **“10. REDEMPTION OR REPURCHASE OF UNITS BY HOLDERS**

10.1 No Unitholder shall have any right to demand redemption of Units owned by him except as permitted under this clause 10.

- 10.2 Subject to the approval from the Unitholders by way of an extraordinary resolution at a Unitholders' general meeting and compliance with all applicable laws and regulations, the Manager may, at its discretion, offer a "one-off" right of redemption to the Unitholders and sub-clauses 10.3 to 10.11 shall apply in such circumstance. For the purposes of a redemption of Units pursuant to this clause 10, the Manager shall, with the approval of the Trustee, determine the Redemption Day on which such redemption may be effected (the "**Voluntary Redemption Day**").
- 10.3 On receipt by the Manager and/or, if the Manager and the Trustee so agree, the Trustee (and/or any person appointed by the Manager for such purpose) of a redemption request from a Unitholder which complies with the requirements of sub-clause 10.4, the Manager or, if the Manager and the Trustee have so agreed as aforesaid, the Trustee shall, subject to sub-clauses 10.10 and 10.11, effect the redemption of the Units specified in the redemption request at the Redemption Price on the Voluntary Redemption Day on which those Units are to be realised in accordance with the provisions of this paragraph.
- A redemption request complying with the requirements of sub-clause 10.4 shall be dealt with only on the Voluntary Redemption Day. In order for a redemption request to be effected on the Voluntary Redemption Day, it must be received by the Manager (or its agent) or, if applicable, the Trustee or the Registrar not later than 4:30 p.m. (Hong Kong time) of such number of Business Days before the Voluntary Redemption Day as determined by the Manager.
- 10.4 To be effective a redemption request must be given in writing signed by the Unitholder or any one of joint Unitholders and must specify the number of Units that are to be realised, and the name or names of the Unitholder or Unitholders together with the relevant certificate(s) and/or transfer receipt(s) and/or any other document(s) of the title (and/or any satisfactory indemnity or indemnities required in respect thereof). Subject as hereinafter provided, a redemption request once given cannot be revoked without the consent of the Manager.
- 10.5 The price per Unit shall be realised on the Voluntary Redemption Day at the Redemption Price per Unit as at the appropriate Valuation Day in relation to such Voluntary Redemption Day, less any redemption levy of up to 2% of the redemption proceeds which is to be retained by the Fund's own benefit.
- 10.6 Any amount payable to a Unitholder in respect of the realisation of Units shall be paid as soon as practicable in any event no later than such date as approved by the Commission. Such amount shall be paid in accordance with and subject to the provisions of this clause 10.
- 10.7 Redemption proceeds will not be paid to any redeeming Unitholder until:
- (a) a valid original redemption request has been received by or on behalf of the Manager or, if relevant, the Trustee; and
  - (b) the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the Manager or its agent or, if relevant, the Trustee.
- Where relevant account details have been provided, redemption proceeds will be paid in the Base Currency by cheque by ordinary post at the Unitholder's risk.
- 10.8 A Unitholder shall only be entitled to realise part of his holding of Units only if such realisation would not result in his holding fewer Units after such redemption than the Minimum Number or Value of Units.
- 10.9 Where Units are to be realised on the Voluntary Redemption Day the Manager shall proceed to effect any sales necessary to provide the cash required to meet the redemption request. Where the Manager (or its agent) has effected or will effect the redemption, the Manager (or its agent) shall notify the Trustee that the Units are to be realised and cancelled in accordance with the provisions of this clause 10



and in such event the Trust shall be reduced by the cancellation of the said Units. Where the Trustee will effect the redemption, the Trustee shall promptly notify the Manager that the Units are to be realised and cancelled in accordance with the provisions of this clause 10 so that the Manager has sufficient time to effect any sales necessary to provide the cash required to meet the redemption request or to exercise its rights under clause 9. The Trustee shall (subject as otherwise provided in this Trust Deed) pay to the Unitholder, at the direction of the Manager, out of the relevant Trust Fund in respect of the cancellation of the Units the Redemption Price thereof less any deductions which the Manager, pursuant to any discretion hereunder, directs the Trustee to make or, if agreed, pay to the Manager out of the Trust Fund the Redemption Price and the Manager shall (subject as otherwise provided in this Deed) pay over the same to the Unitholder. The Trustee may only effect redemptions of Units if so agreed with the Manager and on the terms for the time being approved by the Manager, provided always that the Trustee shall at all times comply with the terms of the Offering Circular in connection therewith.

- 10.10 The Manager may at any time suspend the right of the Unitholders to require the redemption of Units on the Voluntary Redemption Day under this paragraph and may accordingly delay the Valuation Day and the payment of any moneys in respect of any such realisation so suspended in the event that:

(A) **When relevant market closed**

any period when any market on which a substantial part of the Investments or other property for the time being comprised in the Trust is quoted, listed or dealt in is closed;

(B) **When dealings on market restricted or suspended**

any period when dealings on any such market are restricted or suspended;

(C) **When disposal cannot be effected normally or without seriously prejudicing the Unitholders' interests**

during the existence of any state of affairs as a result of which disposal or valuation of some or all investments or other property for the time being comprised in the Trust cannot, in the opinion of the Manager, be effected normally or without seriously prejudicing the interests of Unitholders.

Such suspension (which expression shall include the aforesaid right to delay payment) shall take effect forthwith upon the declaration thereof by the Manager and thereafter there shall be no realisation of Units of the Trust and/or payment of moneys in respect of any such redemption until the Manager shall declare the suspension at an end, except that the suspension shall terminate in any event on the Dealing Day following the first Business Day on which (a) the condition giving rise to the suspension shall have ceased to exist and (b) no other condition under which suspension is authorized under this paragraph shall exist. Any declaration by the Manager pursuant to this paragraph shall be consistent with such current rules and regulations, if any, relating to the subject matter thereof as shall have been promulgated by any authority having jurisdiction over the Trust (including but not limited to the Code on Unit Trusts and Mutual Funds issued by the Commission) and subject to that it shall be conclusive. The Trustee shall, subject to and in accordance with the provisions of the Trust Deed, realise Units of the Trust in respect of which it or any of its authorized agents has received a redemption request as at the Business Day next following the termination of such suspension.

- 10.11 Subject to sub-clause 10.8, the Manager shall be entitled to limit the total number of Units which Unitholders are entitled to realise on the Voluntary Redemption Day to such number or percentage as the Manager may determine in any

particular case of the total number of Units in issue (disregarding any Units which have been agreed to be issued), such limitation to be applied (subject as provided in the last sentence of this paragraph) pro rata to all Unitholders of Units who have validly requested realisations to be effected on or as at the Voluntary Redemption Day so that the proportion realised of each holding so requested to be realised is the same for all such Unitholders. Any application for redemption of Units which, by virtue of the powers conferred on the Manager hereby, are not realised on the Voluntary Redemption Day shall be void and certificates representing such Units shall be returned to Unitholders.”

- (ii) In addition, Clause 19.3(a) shall be deleted in its entirety and replaced with the following:

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

- (iii) (a) Clause 13.1.5 of the Trust Deed shall be deleted in its entirety and replaced with the following to conform to the SFC’s frequently asked questions on the Code and certain changes to the Code in relation to the restriction on the Fund’s investment in collective investment schemes:

“the Value of the Trust’s total holding of units or shares in Collective Investment Schemes which are non-recognized jurisdiction schemes (as permitted pursuant in the Code on Unit Trusts and Mutual Funds) and not authorised by the Commission would not in aggregate exceed 10% of the total Net Asset Value.

The Trust may invest in one or more underlying schemes which are either recognised jurisdiction schemes or schemes authorised by the Commission. The value of the Trust’s holding of units or shares in each such underlying scheme may not exceed 30% of its total Net Asset Value, unless the underlying scheme is authorised by the Commission, and the name and key investment information of the underlying scheme are disclosed in the Offering Memorandum.

In addition, each such underlying scheme’s objective may not be to invest primarily in any investment prohibited by Chapter 7 of the Code on Unit Trusts and Mutual Funds issued by the Commission, and where such scheme’s objective is to invest primarily in investments restricted by such chapter, such holdings may not be in contravention of the relevant limitation.

Where the Trust invests in any underlying scheme(s) managed by the Manager or its Connected Persons, all initial charges on the underlying scheme(s) must be waived.

The Manager may not obtain a rebate on any fees or charges levied by an underlying scheme or its management company.”

- (b) The following shall be inserted as sub-clause 13.1.8 of the Trust Deed:

“PROVIDED THAT exchange traded funds (“ETFs”) with the following characteristics (or such other characteristics that the Commission may determine from time to time) may be deemed as listed securities for the purposes of sub-clauses 13.1.1 and 13.1.2 and shall not be treated as collective investment schemes for the purposes of sub-clause 13.1.5:

- a) ETFs that are listed and regularly traded on recognized stock exchanges open to the public (nominal listing not accepted); and the investment objective of the ETFs is to track a securities/commodities index or the performance of the ETF is linked with a securities/commodities index. Such index should be able to comply with the acceptability requirements as stipulated under Chapter 8.6(e) of the Code on Unit Trusts and Mutual Funds published by the Commission; and/or
- b) all ETFs authorised by the Commission.”

- c) The following shall be inserted as sub-clause 13.1.9 of the Trust Deed:

“The Fund will not invest more than 10% of its Net Asset Value in securities issued by or guaranteed by any single country with a credit rating below investment grade. For the avoidance of doubt, a “single country” shall include a country, its government, a public or local authority or nationalised industry of that country.”

Except as amended by the Supplemental Trust Deed, the Trust Deed shall continue in full force and effect.

The Manager believes that the proposed changes to the Trust Deed by the Supplemental Trust Deed is in the best interests of the Fund and the Unitholders as a whole. The Manager confirms that the above mentioned amendments have been notified to the Trustee and the Trustee does not have any objective thereto.

#### 4. REPURCHASE OF UNITS

- a. During the 12-month period immediately preceding the date of this circular, the Fund repurchased an aggregate of 4,885,500 Units with details as follows:

Date	Units	Highest Price (HK\$)	Lowest Price (HK\$)
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
01 August 2011	70,000	8.10	8.01
02 August 2011	35,500	8.15	7.98
03 August 2011	89,000	7.98	7.82
04 August 2011	79,500	8.01	7.97
05 August 2011	135,500	7.61	7.51
08 August 2011	190,000	7.39	7.26
09 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	7.36	7.31
18 August 2011	750,000	7.26	7.26
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
24 August 2011	80,000	7.00	6.90
25 August 2011	37,500	7.00	6.95
26 August 2011	102,500	7.10	6.96
29 August 2011	62,500	7.10	7.08
30 August 2011	141,500	7.13	7.08
31 August 2011	32,000	7.11	7.08
01 September 2011	50,000	7.22	7.16
02 September 2011	65,000	7.10	7.03
05 September 2011	97,000	6.88	6.85
06 September 2011	60,500	6.83	6.76
07 September 2011	5,000	6.98	6.95



Date	Units	Highest Price (HK\$)	Lowest Price (HK\$)
08 September 2011	12,000	6.94	6.89
09 September 2011	12,000	6.94	6.88
12 September 2011	188,000	6.69	6.59
14 September 2011	255,000	6.67	6.57
15 September 2011	20,500	6.70	6.60
16 September 2011	26,500	6.80	6.75
19 September 2011	5,000	6.68	6.65
20 September 2011	180,000	6.65	6.48
21 September 2011	29,000	6.50	6.41
22 September 2011	59,000	6.40	6.19
23 September 2011	137,500	6.05	5.74
26 September 2011	86,500	5.96	5.68
27 September 2011	52,000	5.85	5.71
28 September 2011	48,500	5.84	5.80
30 September 2011	62,500	5.86	5.78
03 October 2011	69,500	5.61	5.54
04 October 2011	116,000	5.42	5.35
06 October 2011	87,500	5.46	5.26
07 October 2011	25,000	5.55	5.50
10 October 2011	41,500	5.60	5.40
Total	4,885,500		

- b. There has been no repurchases of Units since 11 October 2011.

## 5. DISCLOSURE OF INTERESTS AND DEALINGS

### (a) Directors' interests and short positions in the Units and the underlying Units of the Fund

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, their associates, hold any Units.

### (b) Substantial Unitholders' interests in the Fund

As at the Latest Practicable Date, to the best of the Manager's knowledge, having made all reasonable enquiries, the following person held 10% or more of the Units in issue:

Name of Unitholder	Nature of Interest	Number of Units held	Approximate percentage of the number of Units in issue
City of London Investment Management Limited	Investment Manager	102,136,500	29.21%

Save as disclosed above, as at the Latest Practicable Date, there was no other person who held 10% or more of the voting rights of the Fund or were required to be disclosed by the Takeovers Code.

The intention of City of London Investment Management Limited as regards the acceptance of the One-off Redemption Offer cannot be determined. Assuming that (i) the One-off Redemption Offer is successful and the number of Units redeemed reaches the maximum number of units to be redeemed (being 40% of the total outstanding number of Units as at the Lodgement Date); (ii) the number of Units in issue as at the Latest Practicable Date remains unchanged until the completion of the One-off Redemption Offer; and (iii) City of London Investment Management Limited does not accept the One-off Redemption in respect of its Units and has not acquired or disposed any Units from the Latest Practicable Date to the

completion of the One-off Redemption Offer, City of London Investment Management Limited will hold 102,136,500 Units, approximately 48.68% of the number of Units in issue on completion of the One-off Redemption Offer.

**(c) Interests of the Fund and the Manager**

Other than the entities set out in the following table, the Fund, the Manager and entities that are the Manager's parent, the Manager's subsidiaries, the Manager's fellow subsidiaries, associated companies of any of the foregoing, and companies of which such companies are associated companies that (i) trade in the Units as discretionary fund managers and/or (ii) for proprietary purposes have confirmed that there has been no dealing in the Units in the six months immediately prior to the date of the circular. The Fund has no parent, subsidiary, fellow subsidiary and/or associated company.

Date	Name of Entity	Units	Buy/ Sell	Highest Price (HK\$)	Lowest Price (HK\$)
31 January 2012	The Hongkong and Shanghai Banking Corporation Limited	245,500	Buy	6.72	6.72
03 February 2012	The Hongkong and Shanghai Banking Corporation Limited	118,000	Buy	7.04	7.04
07 February 2012	The Hongkong and Shanghai Banking Corporation Limited	40,000	Sell	6.71	6.70
08 February 2012	The Hongkong and Shanghai Banking Corporation Limited	45,000	Sell	6.92	6.85
09 February 2012	The Hongkong and Shanghai Banking Corporation Limited	20,000	Sell	6.98	6.97
29 February 2012	The Hongkong and Shanghai Banking Corporation Limited	32,000	Sell	7.11	7.10
06 March 2012	The Hongkong and Shanghai Banking Corporation Limited	40,000	Buy	6.84	6.84
07 March 2012	The Hongkong and Shanghai Banking Corporation Limited	61,500	Buy	6.75	6.75
08 March 2012	The Hongkong and Shanghai Banking Corporation Limited	42,500	Buy	6.90	6.90

As at the date of this circular, none of the directors of the Manager and any entities that are the Manager's parent, the Manager's subsidiaries, the Manager's fellow subsidiaries, associated companies of any of the foregoing, and companies of which such companies are

associated companies that trade in the Units as discretionary fund managers and/or for proprietary purposes (other than the entities set out in the following table) had any interests and short positions in the Fund.

As at the date of this circular, the following fellow subsidiaries and/or associated companies of the Manager that (i) trade in the Units as discretionary fund managers and/or (ii) for proprietary purposes own or control or direct the holding of voting rights and rights over the Units:

<b>Name of Entity</b>	<b>Units</b>	<b>Approx.%</b>
The Hongkong and Shanghai Banking Corporation Limited	1,785,000	0.51
HSBC International Trustee Limited	608,500	0.17
HSBC Trustee (Hong Kong) Limited	3,000	0.00
HSBC Private Trustee (Hong Kong) Limited	1,000	0.00

Each of the Manager and any entities that are the Manager's parent, the Manager's subsidiaries, the Manager's fellow subsidiaries, associated companies of any of the foregoing, and companies of which such companies are associated companies that trade as discretionary fund managers and/or for proprietary purposes also confirms that, save as disclosed above, it:

- does not own, control or direct any voting rights or other rights over the Units;
- does not hold any convertible securities, warrants or options over the Units;
- has not received any irrevocable commitment to accept the One-off Redemption Offer in respect of any Units; and
- has not entered into any outstanding derivative in respect of the Units.

During the period beginning from the date of May 2012 Announcement up to the Latest Practicable Date, the Manager confirms that neither the Manager's parent, the Manager's subsidiaries, the Manager's fellow subsidiaries, associated companies of any of the foregoing or companies of which such companies are associated companies persons have traded in the Units as discretionary fund managers and/or for proprietary purposes.

## 6. UNITS IN ISSUE

As at the Latest Practicable Date, 349,687,000 Units are in issue. Assuming that the One-off Redemption Offer is fully exercised by Unitholders, there will be 209,812,200 Units in issue upon completion of the One-off Redemption Offer. There is only one class of Units in issue and all the Units rank pari passu. There has been no payment of dividend during the two-year period preceding the Latest Practicable Date. Other than the repurchase of Units set out in clause 4. above, there has been no re-organization of capital during two financial years preceding date of May 2012 Announcement.

No Units have been issued since the end of the last financial year of the Fund. There have been no new Units issued during the two-year period immediately preceding the Redemption Day.

## 7. TRADING PRICES AND NET ASSET VALUES

The following table shows the highest and lowest prices at which the Units have been traded on the Stock Exchange as well as the net asset values on each of the last twelve months:

<b>Date</b>	<b>Highest price (HK\$)</b>	<b>Lowest price (HK\$)</b>	<b>Highest net asset value (HK\$)</b>	<b>Lowest net asset value (HK\$)</b>
July 2011	8.40	7.89	9.89	9.56
August 2011	8.24	6.70	9.65	8.53
September 2011	7.22	5.68	8.90	7.50
October 2011	6.33	5.23	8.31	7.21
November 2011	6.18	5.41	8.39	7.65
December 2011	6.40	5.70	8.00	7.43
January 2012	6.73	6.04	8.19	7.47
February 2012	7.20	6.62	8.58	7.98
March 2012	7.10	6.54	8.59	7.82
April 2012	6.90	6.60	8.30	7.90
May 2012	7.10	5.90	8.42	7.72
June 2012	6.98	6.42	7.90	7.53
July 2012 up to 16 July 2012, being the last trading date before the Latest Practicable Date	6.85	6.35	7.75	7.54

The following table shows the closing prices of the Unit on the Stock Exchange and the net asset value per Unit on 16 July 2012 (the last trading date before the Latest Practicable Date), 29 May 2012 (the last trading date before the date of the May 2012 Announcement) and the last trading date of each of the calendar months during the Relevant Period.

<b>Date</b>	<b>Closing price (HK\$)</b>	<b>Net asset value (HK\$)</b>
30 November 2011	5.59	7.65
30 December 2011	6.32	7.60
31 January 2012	6.70	8.03
29 February 2012	7.10	8.54
30 March 2012	6.84	7.89
30 April 2012	6.85	8.29
29 May 2012, the last trading date before the date of the May 2012 Announcement	6.07	7.98
31 May 2012	6.95	7.89
29 June 2012	6.77	7.69
16 July 2012, being the last trading date before the Latest Practicable Date	6.61	7.54

The highest and lowest closing price per Unit as quoted on the Stock Exchange during the Relevant Period were HK\$7.15 on 20 February 2012 and HK\$5.59 on 30 November 2011 respectively.

## 8. SECURITIES REPURCHASED BY THE FUND

The Fund has not repurchased any Units in the three-month period prior to the Latest Practicable Date and will not repurchase any Units from the date of this circular up to the Redemption Day.

## 9. CONSENT OF EXPERT

The following are the qualification of the expert who has given an opinion to in this circular:

Name	Qualification
Somerley Limited	a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

Somerley Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of the letter from Somerley Limited dated 20 July 2012 and references to its name in the form and context in which they respectively appear.

## 10. DOCUMENTS FOR INSPECTION

Following receipt of the relevant regulatory approvals and up to the Lodgement Date, the following documents will be available to investors for inspection, free of charge, at the registered office of the Manager and on the website of the Fund's website at [www.assetmanagement.hsbc.com/hk-chinadragonfund](http://www.assetmanagement.hsbc.com/hk-chinadragonfund):

- the letter of advice from the Independent Financial Adviser dated 20 July 2012 containing its advice to the Independent Unitholders as to whether the One-off Redemption Offer is fair and reasonable as to acceptance and voting;
- the Trust Deed;
- drafts of the Offering Circular, the key fact statement of the Fund and the Supplemental Trust Deed with the incorporation of the necessary changes to effect the Change of Investment Objective and Policies, the One-off Redemption Offer and the amendments to the Trust Deed by the Supplemental Trust Deed;
- the audited accounts of the Fund for the last two financial years for which these have been published; and
- written consent of Somerley Limited that it has given and not withdrawn its consent to the publication of its name in this circular.

The unaudited net asset value per Unit on the last Business Day of each calendar month is published within ten (10) Business Days in the South China Morning Post and the Hong Kong Economic Times. The Manager also publishes the unaudited net asset value per Unit of each valuation day on the Fund's website at [www.assetmanagement.hsbc.com/hk-chinadragonfund](http://www.assetmanagement.hsbc.com/hk-chinadragonfund) within one (1) Business Day after the relevant valuation day for investors' reference.

## FINANCIAL INFORMATION

## I. THREE YEAR SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the financial results of the Fund for each of three years ended 31st March 2011 as extracted from the Fund's relevant annual reports.

	<b>2011</b> <i>HK\$</i>	<b>2010</b> <i>HK\$</i>	<b>2009</b> <i>HK\$</i>
Net investment gain/(loss)	<u>353,798,369</u>	<u>1,228,172,724</u>	<u>(1,021,792,387)</u>
Profit/(loss) before taxation	270,709,200	1,150,447,794	(1,083,216,342)
Taxation	<u>(37,018,362)</u>	<u>(28,956,233)</u>	<u>(5,022,620)</u>
Increase/(decrease) in net assets attributable to unitholders and total comprehensive income for the year	<u>233,690,838</u>	<u>1,121,491,561</u>	<u>(1,088,238,962)</u>

## Notes

- (1) There were no extraordinary items, exceptional items and minority interests during each of the three years ended 31st March 2011.
- (2) The reports of the auditor of the Fund for the three years ended 31st March, 2011 do not contain any qualifications. The auditor of the Fund for all three years ended 31st March, 2011, 31st March, 2010 and 31st March, 2009 were KPMG.
- (3) The Fund does not report on earnings per Unit. No dividend has been declared for each of three years ended 31st March 2011.

## II. FINANCIAL INFORMATION OF THE FUND FOR THE YEAR ENDED 31ST MARCH 2011

Set out below is the full text of the audited financial statements of the Fund for the year ended 31st March 2011 extracted from the annual report of the Fund for the year ended 31st March 2011.

**Statement of assets and liabilities as at 31 March 2011**

(Expressed in Hong Kong dollars)

	Note	2011	2010
<b>Assets</b>			
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>
<b>Total assets</b>		<u><u>\$3,639,510,723</u></u>	<u><u>\$3,505,833,617</u></u>
<b>Liabilities</b>			
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>
<b>Total liabilities</b>		<u><u>\$119,405,822</u></u>	<u><u>\$102,388,624</u></u>
<b>Net assets attributable to unitholders</b>		<u><u>\$3,520,104,901</u></u>	<u><u>\$3,403,444,993</u></u>
<b>Representing:</b>			
Total equity		<u><u>\$3,520,104,901</u></u>	<u><u>\$3,403,444,993</u></u>
<b>Number of units in issue</b>	9	<u><u>357,034,000</u></u>	<u><u>371,910,000</u></u>
<b>Net asset value per unit</b>		<u><u>\$9.86</u></u>	<u><u>\$9.15</u></u>

The notes on pages 53 to 63 form part of these financial statements.

*Statement of comprehensive income for the year ended 31 march 2011**(Expressed in Hong Kong dollars)*

	<i>Note</i>	<b>2011</b>	<b>2010</b>
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
<b>Net investment gain</b>		<u>\$353,798,369</u>	<u>\$1,228,172,724</u>
<b>Expenses</b>			
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		<u>(1,321,499)</u>	<u>(1,806,186)</u>
<b>Operating expenses</b>		<u>\$(83,089,169)</u>	<u>\$(77,724,930)</u>
<b>Profit before taxation</b>		\$270,709,200	\$1,150,447,794
Taxation	5	<u>(37,018,362)</u>	<u>(28,956,233)</u>
<b>Increase in net assets attributable to unitholders and total comprehensive income for the year</b>		<u><u>\$233,690,838</u></u>	<u><u>\$1,121,491,561</u></u>

The notes on pages 53 to 63 form part of these financial statements.



*Statement of changes in equity for the year ended 31 March 2011**(Expressed in Hong Kong dollars)*

	<i>Note</i>	<b>2011</b>	<b>2010</b>
<b>Balance at the beginning of the year</b>		\$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	<u>(117,030,930)</u>	<u>—</u>
<b>Balance at the end of the year</b>		<u><u>\$3,520,104,901</u></u>	<u><u>\$3,403,444,993</u></u>

The notes on pages 53 to 63 form part of these financial statements.

*Cash flow statement for the year ended 31 March 2011*  
*(Expressed in Hong Kong dollars)*

	2011	2010
<b>Operating activities</b>		
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>
<b>Net cash used in operating activities</b>	<u>\$(37,585,122)</u>	<u>\$(36,056,870)</u>
<b>Investing activities</b>		
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>
<b>Net cash generated from investing activities</b>	<u>\$159,544,745</u>	<u>\$115,295,930</u>
<b>Financing activities</b>		
Payments on repurchase of units	<u>\$(117,030,930)</u>	<u>\$—</u>
<b>Net cash used in financing activities</b>	<u>\$(117,030,930)</u>	<u>\$—</u>
<b>Net increase in cash and cash equivalents</b>	\$4,928,693	\$79,239,060
<b>Cash and cash equivalents at the beginning of the year</b>	165,431,204	85,811,063
<b>Effect of foreign exchange rates changes</b>	<u>6,611,772</u>	<u>381,081</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><u>\$176,971,669</u></u>	<u><u>\$165,431,204</u></u>

The notes on pages 53 to 63 form part of these financial statements.

**Notes to the financial statements***(Expressed in Hong Kong dollars)***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
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
PRC dividend and interest income withholding tax	\$5,901,815	\$4,400,383
PRC capital gains tax	31,116,547	24,555,850
	<u>\$37,018,362</u>	<u>\$28,956,233</u>

Taxation in the statement of assets and liabilities represents:

	2011	2010
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	2,837,767	137,205
	<u>\$89,975,009</u>	<u>\$55,236,173</u>

#### 6 Investments at fair value through profit or loss

	2011	2010
Listed equity securities		
— in Hong Kong	\$1,815,268,818	\$1,763,848,759
— outside Hong Kong	1,638,235,476	1,544,032,980
	<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
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	(14,876,000)	—
Number of units in issue carried forward	357,034,000	371,910,000

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.

	<b>2011</b>			<b>2010</b>		
		<i>Effect on net assets</i>			<i>Effect on net assets</i>	
	<i>Change in</i>	<i>attributable</i>		<i>Change in</i>	<i>attributable</i>	
<i>% of total</i>	<i>equity</i>	<i>to the</i>	<i>% of total</i>	<i>equity</i>	<i>to the</i>	
<i>net assets</i>	<i>price</i>	<i>unitholders</i>	<i>net assets</i>	<i>price</i>	<i>unitholders</i>	
	<i>%</i>			<i>%</i>		
<b>Investment assets</b>						
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.

	<b>2011</b>	
	<b>1 year or less</b>	<b>Non-interest bearing</b>
		<b>Total</b>
<i>All amounts stated in Hong Kong dollars</i>		
<b>Assets</b>		
Investments at fair value through profit or loss	\$—	\$3,453,504,294
Amount receivable on sale of investments	—	5,066,276
Dividend and other receivables	—	3,968,484
Cash and cash equivalents	157,334,302	19,637,367
<b>Total assets</b>	<u>\$157,334,302</u>	<u>\$3,482,176,421</u>
<b>Liabilities</b>		
Taxation	\$—	\$(89,975,009)
Amounts payable on purchases of investments	—	(24,110,354)
Accrued expenses and other payables	—	(5,320,459)
<b>Total liabilities</b>	<u>\$—</u>	<u>\$(119,405,822)</u>
<b>Total interest sensitivity gap</b>	<u>\$157,334,302</u>	

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

## 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	Liabilities	Net exposure
<i>All amounts stated in Hong Kong dollars</i>			
<b>31 March 2011</b>			
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><u>\$1,783,824,407</u></u>	<u><u>\$(90,233,243)</u></u>	<u><u>\$1,693,591,164</u></u>
<b>31 March 2010</b>			
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><u>\$1,686,779,998</u></u>	<u><u>\$(55,496,631)</u></u>	<u><u>\$1,631,283,367</u></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.

*All amounts stated in Hong Kong dollars*

<b>31 March 2011</b>	
Renminbi	<u>\$83,398,377</u>
Total	<u><u>\$83,398,377</u></u>
<b>31 March 2010</b>	
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
Listed equities	\$3,453,504,294	\$3,453,504,294
	2010	
	Level 1	Total
Listed equities	\$3,307,881,739	\$3,307,881,739

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

**13 Segment information**

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

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

All revenues generated from 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, Financial instruments 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.

**III. INDEBTEDNESS STATEMENT**

At the close of business on 17 July 2012, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this document, the Fund did not have any outstanding borrowings, mortgages, charges, debenture or other loan capital or bank overdrafts, loans or other similar indebtedness or hire purchase commitments, liabilities under acceptances or acceptances credits or any guarantees or other material contingent liabilities.

**IV. MATERIAL CHANGE**

Save for information set out in the section headed “Financial and Trading Prospects” and financial performance of the Fund for the six-month period ended 30 September 2011 set out in the interim report of the Fund, there is no material change in the financial or trading position or outlook of the Fund subsequent to 31 March 2011, being the date to which the latest audited financial statements of the Fund were prepared, up to and including the Latest Practicable Date.

**V. FINANCIAL AND TRADING PROSPECTS**

The investment objective of the Fund will continue to achieve long-term capital growth by (subject to the passing of the Extraordinary Resolutions as set out in the notice of the General Meeting, which is set out on pages 65 to 66 of this circular) investing primarily in A shares directly through the qualified foreign institutional investor investment quota of the Manager and indirectly through investment of (i) up to 40% of its net asset value in financial derivative instruments and securities linked to A shares (such as CAAPs (including A share participation certificates/notes and/or other access products issued by third party investment banks or brokers)) and (ii) up to 40% of its net asset value in ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares; provided that the Fund’s investment in CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares will not exceed 50% in the aggregate of its net asset value.

Notwithstanding that the European financial markets have recently experienced volatility and adverse trends due to concerns about rising government debt levels of several European countries, including Greece, Spain, Ireland, Italy and Portugal, the Manager expects the PRC’s long-term economic growth to remain strong. Structural changes in the financial liberalization; assets injections to listed companies; ownership diversification; deregulation; and capital accounts liberalization, will lead to more efficient resource allocation and therefore provide the basis for earnings outperformance (vs. developed and many emerging markets economies). The growth of the middle class population implies significant investment opportunities in the consumer and services sectors. In addition, the PRC’s economic transition towards urbanization and its environmental efforts create attractive investment themes related to infrastructure, clean energy and environmental treatment. Specifically, the outlook for a number of the PRC’s industries is positive, including sectors such as infrastructure (on strong demand growth driven by fixed asset investments and urbanization), consumers (on the back of higher quality of living), equipment (PRC’s technology upgrading), banks (on further widening and cross-selling of product scope), alternative energy (natural demand and government efforts) and nonferrous metals (positive pricing outlook and potential acquisitions).

**VI. LITIGATION**

As at the Latest Practicable Date, neither the Manager nor the Trustee (as trustee of the Fund) was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance to be pending or threatened against the Manager or the Trustee (as trustee of the Fund).

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## NOTICE OF GENERAL MEETING

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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 notice, 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 notice.

### 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**

### NOTICE OF GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a general meeting (“**General Meeting**”) of the Unitholders of HSBC China Dragon Fund (the “**Fund**”) will be held at Level 22, HSBC Main Building, 1 Queen’s Road Central, Hong Kong on 21 August 2012 at 10:00 a.m. to consider and, if thought fit, pass the following resolutions:

### EXTRAORDINARY RESOLUTIONS

**THAT:**

- (a) subject to the approval of resolutions (b) and (c) below, the Change of Investment Objective and Policies be approved in accordance with and subject to the terms set out in the circular to Unitholders of the Fund dated 20 July 2012 (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) subject to the approval of resolution (a) above and resolution (c) below, the One-off Redemption Offer be approved in accordance with and subject to the terms set out in the circular to Unitholders of the Fund dated 20 July 2012 (a copy of which is produced to this meeting marked “A” and signed by the Chairman of this meeting for the purpose of identification);
- (c) subject to the approval of resolutions (a) and (b) above, amendments to the Trust Deed by the Supplemental Trust Deed to effect the Change of Investment Objective and Policies and One-off Redemption Offer and changes to the Code be approved as set out in the circular to Unitholders of the Fund dated 20 July 2012 (a copy of which is produced to this meeting marked “A” and signed by the Chairman of this meeting for the purpose of identification).

**HSBC Global Asset Management (Hong Kong) Limited**  
*Manager of HSBC China Dragon Fund*

20 July 2012

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## NOTICE OF GENERAL MEETING

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*Registered Office of the Manager:*

HSBC Main Building  
1 Queen's Road Central  
Hong Kong

**Notes:**

- (a) A Unitholder 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 Unitholder of the Fund.
- (b) For the purpose of determining the identity of the Unitholders who are entitled to attend and vote at the General Meeting, the register of Unitholders will be closed from 15 August 2012 to 21 August 2012 (both dates inclusive), on which days 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 Registrar for registration no later than 4:30 p.m. on 14 August 2012.
- (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 Registrar, 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 Unitholders of a Unit, any one of such Unitholders 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 Unitholders is present at the meeting personally or by proxy, that one of such Unitholders so present whose name stands first on the register of Unitholders in respect of such Unit shall alone be entitled to vote in respect thereof.

As at the date of this notice, 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, Ms. MUNRO, Joanna and Dr. MALDONADO-CODINA, Guillermo Eduardo. The non-executive directors of the Manager are Mr. CHANDRASEKHARAN, Sridhar, Ms. CHEANG, Wai Wan Louisa, Ms. FUNG, Yuen Mei Anita, Mr. HARVEY-SAMUEL, Guy Daniel 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 redemption form, 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 redemption form. 香港聯合交易所有限公司、香港交易及結算所有限公司、香港中央結算有限公司及香港證券及期貨事務監察委員會對本贖回表格的內容概不負責，亦不對其準確性或完整性作出任何申述，並且明確地表明不承擔就由於或依賴本贖回表格的全部或任何部分內容所引起的任何損失承擔任何責任。

Unless the context otherwise requires, terms used in this form shall bear the same meanings as those defined in the CIRCULAR TO UNITHOLDERS IN RELATION TO (1) CHANGE OF INVESTMENT OBJECTIVE AND POLICIES, (2) ONE-OFF REDEMPTION OFFER, (3) AMENDMENTS TO THE TRUST DEED BY THE SUPPLEMENTAL TRUST DEED AND (4) NOTICE OF GENERAL MEETING dated 20 July 2012 (“Unitholder Circular”) issued by HSBC GLOBAL ASSET MANAGEMENT (HONG KONG) LIMITED as manager of HSBC CHINA DRAGON FUND. 除文義另有所指外，本表格所用詞彙與滙豐環球投資管理(香港)有限公司(作為滙豐中國翔龍基金的經理人)向單位持有人所發出有關(1)更改投資目標及政策、(2)一次性贖回要約、(3)透過補充信託契據修訂信託契據及(4)持有人大會通告的日期為2012年7月20日的通函(「單位持有人通函」)所界定者具有相同涵義。

REDEMPTION FORM — FOR USE IF YOU WANT TO ACCEPT THE ONE-OFF REDEMPTION OFFER UNDER THE UNITHOLDER CIRCULAR. 贖回表格 — 在閣下欲接納單位持有人通函下的一次性贖回要約時適用。

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)

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  
(股份代號：820)

Receiving Agent 收款代理	FOR THE CONSIDERATION stated below, the holder(s) (“Unitholder(s)”) of unit(s) (“Units”) of the Fund named below hereby participate in the One-Off Redemption Offer subject to the terms and conditions contained herein and in the Unitholder Circular. 在本表格及單位持有人通函所載條款及條件的規限下，名列下方的本基金的單位(「單位」)的持有人(「單位持有人」)謹此按下列代價參與一次性贖回要約。		
Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong 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17樓 1712–1716號舖	Number of Unit(s) (Note) 單位數目(附註)	FIGURE 數目	WORDS 大寫
	Certificate number(s) 證書號碼		
	Unitholder(s) name(s) and address(es) in full 單位持有人 全名及地址 (EITHER TYPEWRITTEN OR WRITTEN IN BLOCK CAPITALS) (請用打字機或正楷填寫)	Family name(s) or company name(s): 姓氏或公司名稱：	Forename(s): 名字：
		Registered Address: 登記地址：	Telephone number: 電話號碼：
	CONSIDERATION 代價	The net asset value per Unit of the HSBC CHINA DRAGON FUND as at the Redemption Date less the Redemption Levy (i.e. up to 2% of the net asset value of the Units being redeemed) 滙豐中國翔龍基金於贖回日期的每單位資產淨值減贖回徵費(即最高為被贖回單位資產淨值的2%)	
Signed by the Unitholder(s) in the presence of: 單位持有人在下列見 證人見證下簽署：			ALL JOINT REGISTERED UNITHOLDERS MUST SIGN HERE 所有聯名登記單位持有人 均須在此簽署
SIGNED by the Unitholder(s), this _____ day of _____, 2012 由單位持有人於2012年_____月_____日簽署			

SIGNATURE OF WITNESS 見證人簽署

NAME OF WITNESS 見證人姓名

Address of Witness 見證人地址

Occupation 職業

Note: Insert the total number of Units for which the One-off Redemption Offer is accepted.  
附註：請填上接納一次性贖回要約的相關單位總數。

**THIS REDEMPTION FORM IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to any aspect of this redemption form or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Units, you should at once hand this redemption form and the accompanying Unitholder Circular to the purchaser(s) or the transferee(s) or to the bank or the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

The making of the One-Off Redemption Offer to certain persons resident in jurisdictions outside Hong Kong may be affected by the laws of the relevant jurisdictions. If you are a citizen or resident or national of a jurisdiction outside Hong Kong, you should inform yourself about or obtain appropriate legal advice regarding the implications of the One-Off Redemption Offer in the relevant jurisdictions and observe any applicable regulatory or legal requirements. It is your responsibility if you wish to accept the One-Off Redemption Offer to satisfy yourself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities, regulatory or legal requirements and the payment of any transfer or cancellation or other taxes due in respect of such jurisdiction.

#### HOW TO COMPLETE THIS FORM

This redemption form should be read in conjunction with the Unitholder Circular. The defined terms under the section "Definitions" in the Unitholder Circular are incorporated into and form part of this redemption form.

To accept the One-Off Redemption Offer made by the Fund, you should duly complete and sign this redemption form and forward this form, together with the relevant certificate(s) representing the Units and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Units which is/are in your name which you intend to accept the One-Off Redemption Offer, by post or by hand, marked "HSBC CHINA DRAGON FUND — One-off Redemption Offer" on the envelope, to the Receiving Agent, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event so as to reach the Receiving Agent no later than 4:30 p.m. on 4 September 2012 (or such later time and/or date(s) as the Fund may determine and announce with the consent of the Trustee of the Fund and HSBC Global Asset Management (Hong Kong) Limited).

If the number of Units to be redeemed is not indicated on this redemption form or is not indicated in a legible manner, the relevant Unitholder shall be deemed to have accepted the One-Off Redemption Offer in regard to such number of Units as supported by the certificate(s) of Units given.

If the number of Units to be redeemed as indicated on this redemption form is greater than the number of Units as supported by the certificate(s) of Units given, the relevant Unitholder shall be deemed to have accepted the One-off Redemption Offer in regard to such number of Units as supported by the certificate(s) of Units given.

#### FORM OF ACCEPTANCE OF THE ONE-OFF REDEMPTION OFFER

To: The HSBC China Dragon Fund and HSBC Global Asset Management (Hong Kong) Limited

1. My/Our execution of this redemption form (whether or not such form is dated), which shall be binding on my/our successors and assignees, shall constitute:
  - (a) my/our irrevocable acceptance of the One-off Redemption Offer made by HSBC Global Asset Management (Hong Kong) Limited as manager of the Fund, as contained in the Unitholder Circular, for the consideration and subject to the terms and conditions therein and herein mentioned, in respect of the number of Units specified in this redemption form;
  - (b) my/our irrevocable instruction and authority to HSBC Global Asset Management (Hong Kong) Limited and/or the Fund, the Receiving Agent and/or their respective agent(s) to send (i) with respect to the portion of my/our Units redeemed under the One-off Redemption Offer, a cheque crossed "Not negotiable – account payee only" drawn in my/our favour for the cash consideration to which I/we shall have become entitled under the terms of the One-off Redemption Offer, by ordinary post at my/our risk to the person and the address stated below or, if no name and address is stated below, to me or the first-named of us (in the case of joint registered Unitholders) at the registered address shown in the register of Unitholders within 10 Business Days after the Value Day and (ii) with respect to the portion of my/our Units NOT redeemed under the One-off Redemption Offer, the relevant certificate(s) representing such number of Units which is/are in my/our name, by ordinary post at my/our risk to the person and the address stated below or, if no name and address is stated below, to me or the first-named of us (in the case of joint registered Unitholders) at the registered address shown in the register of Unitholders within 10 Business Days after the Value Day:  
*(Insert name and address of the person to whom the cheque is to be sent if different from the registered Unitholder or the first-named of joint registered Unitholders.)*  
Name: (in block capitals) \_\_\_\_\_  
Address: (in block capitals) \_\_\_\_\_
  - (c) my/our irrevocable instruction and authority to HSBC Global Asset Management (Hong Kong) Limited and/or the Fund or such person or persons as they may direct to complete, amend and execute any document on my/our behalf including without limitation to insert a date in this redemption form or, if I/we or any other person shall have inserted a date, to delete such date and insert another date in this redemption form and to do any other act that may be necessary or expedient for the purpose of vesting in the Fund or such person or persons as they may direct my/our Unit(s) tendered for acceptance of the One-off Redemption Offer;
  - (d) my/our undertaking to execute such further documents and to do such acts and things by way of further assurance as may be necessary or desirable to redeem my/our Unit(s) tendered for acceptance under the One-off Redemption Offer to the Fund, HSBC Global Asset Management (Hong Kong) Limited or such person or persons as they may direct free from all third party rights, liens, charges, equities, adverse interests and encumbrances whatsoever and together with all rights attaching thereto as at the date of the May 2012 Announcement or subsequently becoming attached to them;
  - (e) my/our agreement to ratify each and every act or thing which may be done or effected by HSBC Global Asset Management (Hong Kong) Limited and/or the Fund or their respective agents or such person or persons as it/they may direct on the exercise of any of the authorities contained herein;
  - (f) my/our irrevocable instruction and authority to HSBC Global Asset Management (Hong Kong) Limited and/or the Fund or their respective agent(s) to collect from HSBC Global Asset Management (Hong Kong) Limited or the Fund or the Receiving Agent on my/our behalf the certificate(s) in respect of the Units due to be issued to me/us in accordance with, and against surrender of, the enclosed other document(s) of title (if any) (and/or any satisfactory indemnity or indemnities required in respect thereof), which has/have been duly signed by me/us, and to deliver the same to the Receiving Agent and to authorise and instruct the Receiving Agent to hold such certificate(s) subject to the terms and conditions of the One-off Redemption Offer as if it/they were certificate(s) delivered to the Receiving Agent together with this Redemption Form; and
  - (g) my/our appointment of HSBC Global Asset Management (Hong Kong) Limited and/or the Fund as my/our attorney in respect of all the Unit(s) to which this redemption form relates, such power of attorney to take effect from the date and time on which the One-off Redemption Offer becomes unconditional in all respects and thereafter be irrevocable.
2. I/We understand that acceptance of the One-off Redemption Offer by me/us will constitute a warranty by me/us to HSBC Global Asset Management (Hong Kong) Limited and/or the Fund that (i) the number of Unit(s) specified in this redemption form will be redeemed free from all third party rights, liens, charges, equities, adverse interests and encumbrances whatsoever and together with all rights attaching thereto as at the date of the May 2012 Announcement or subsequently becoming attached to them; and (ii) if my/our registered address is located in a jurisdiction outside Hong Kong, I/we have fully observed the laws of all relevant jurisdictions, obtained all requisite governmental, exchange control or other consents, complied with all necessary regulatory formalities or legal requirements and paid any transfer or other taxes by whomsoever payable, that I/we have not taken or omitted to take any action which will or may result in HSBC Global Asset Management (Hong Kong) Limited and/or the Fund or any other person acting in breach of the legal or regulatory requirements of any jurisdiction in connection with the One-off Redemption Offer or my/our acceptance thereof, and am/are permitted under all applicable laws to receive and accept the One-off Redemption Offer, and any revision thereof, and that such acceptance is valid and binding in accordance with all applicable laws.
3. In the event that my/our acceptance is not valid, or is treated as invalid, in accordance with the terms of the One-off Redemption Offer, all instructions, authorisations and undertakings contained in paragraph 1 above shall cease and in which event, I/we authorise and request you to return to me/us my/our certificate(s) representing the number of Units which is/are in my/our name and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), together with this redemption form duly cancelled, by ordinary post at my/our risk to the person and address stated in paragraph 1(b) above or, if no name and address is stated, to me or the first-named of us (in the case of joint registered Unitholders) at the registered address shown in the register of Unitholders.
4. I/We enclose the relevant certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the whole or part of my/our holding of Unit(s) which are to be held by you on the terms and conditions of the One-off Redemption Offer. I/We understand that no acknowledgement of receipt of any redemption form, certificate(s) representing the Units and/or other document(s) of title (and/or satisfactory indemnity or indemnities required in respect thereof) will be given. I/we further understand that all documents will be sent at my/our own risk.
5. I/We warrant that I/we are the registered holder(s) of the number of Units specified in this redemption form and I/we have the full right, power and authority to sell and pass the title and ownership of such Units to the Fund by way of acceptance of the One-off Redemption Offer.
6. I/We warrant to HSBC Global Asset Management (Hong Kong) Limited and the Fund that I/we have satisfied the laws of the jurisdiction where my/our address is stated in the register of Unitholders in connection with my/our acceptance of the One-off Redemption Offer, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with necessary formalities, regulatory or legal requirements.
7. I/We warrant to HSBC Global Asset Management (Hong Kong) Limited and the Fund that I/we shall be fully responsible for payment of any transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction where my/our address is stated in the register of Unitholders in connection with my/our acceptance of the One-off Redemption Offer.
8. I/We acknowledge that, save as expressly provided in the Unitholder Circular and this redemption form, all acceptances, instructions, authorities and undertakings hereby given shall be irrevocable and unconditional.
9. I/We acknowledge that my/our Units redeemed pursuant to the One-off Redemption Offer will be cancelled after the redemption.
10. I/We irrevocably undertake, represent, warrant and agree to and with HSBC Global Asset Management (Hong Kong) Limited and the Fund (so as to bind my/our successors and assigns) that in respect of the Units which are accepted or deemed to have been accepted under the One-off Redemption Offer, which acceptance has not been validly withdrawn, and which have not been cancelled, to give an authority to the Fund and/or its agents from me/us to send any notice, circular, warrant or other document or communication which may be required to be sent to me/us as a Unitholder (including any relevant certificate(s) representing my/our Units) to the attention of "HSBC China Dragon Fund" at Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
11. The Fund reserves the right to treat as valid any acceptance of the One-off Redemption Offer which is not entirely in order or which is not accompanied by the relevant certificate(s) of the Units and/or other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof), but, in such cases, the consideration due will not be despatched until the relevant certificate(s) and/ other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof) has/have been received by the Receiving Agent.

If you have questions in relation to the One-off Redemption Offer, please telephone the Unitholder Helpline at (852) 2862 8646. The Unitholder Helpline is available from 9:00 a.m. to 6:00 p.m. Monday to Friday (other than public holidays) and will remain open until 4 September 2012. Please note that, the Unitholder Helpline will only be able to provide information contained in this document and information relating to the Fund's register of Unitholders and will be unable to give advice on the merits of the One-off Redemption Offer or to provide financial, legal, tax or investment advice.

**本贖回表格乃重要文件，請即處理。**閣下如對本贖回表格的任何內容或應採取的行動有任何疑問，應諮詢閣下的持牌證券交易商或註冊證券機構、銀行經理、律師、專業會計師或其他專業顧問。

閣下如已將名下的單位全數出售或轉讓，應立即將本贖回表格及隨附的單位持有人通函送交買家或承讓人，或經手出售或轉讓的銀行或持牌證券交易商或註冊證券機構或其他代理人，以便轉交買家或承讓人。

向居住於香港境外司法管轄區的若干人士提出一次性贖回要約可能會受有關司法管轄區的法例影響。倘閣下為香港境外司法管轄區的公民或居民或國民，應自行瞭解一次性贖回要約於有關司法管轄區的影響或就此尋求適當法律意見，並遵守任何適用的監管或法律規定。閣下如欲接納一次性贖回要約，須自行負責令自己信納，就此全面遵守有關司法管轄區的法例，包括就有關司法管轄區取得可能規定所需的任何政府、外匯管制或其他同意，或符合其他必要手續、監管或法律規定，及支付應付的任何轉讓稅、註銷稅或其他稅項。

#### 本表格填寫方法

本贖回表格應與單位持有人通函一併閱讀。單位持有人通函「定義」一節的界定詞彙，已納入本贖回表格並構成本贖回表格的一部分。

閣下如欲接納本基金提出的一次性贖回要約，應填妥及簽署本贖回表格，連同代表閣下有意接納一次性贖回要約的相關名下單位的證書及／或任何其他所有權文件(及／或就此所需並令人滿意的任何彌償保證)，以郵遞方式或由專人盡快送交收款代理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17樓1712-1716號舖，信封面請註明「**滙豐中國翔龍基金**——一次性贖回要約」，惟無論如何不得遲於2012年9月4日下午4時30分(或本基金獲本基金受託人及滙豐環球投資管理(香港)有限公司同意而可能決定及公佈的較後時間及／或日期)送達收款代理。

倘將予贖回的單位數目並未列明於本贖回表格或並未清晰列明，則相關單位持有人將被視為已就所給予單位證書所證明的有關單位數目接納一次性贖回要約。

倘本贖回表格中列明的將予贖回單位數目大於所給予單位證書所證明的單位數目，則相關單位持有人將被視為已就所給予單位證書所證明的有關單位數目接納一次性贖回要約。

#### 一次性贖回要約的接納表格

致： 滙豐中國翔龍基金及滙豐環球投資管理(香港)有限公司

1. 本人／吾等一經簽立本贖回表格(不論該表格是否已註明日期)，本人／吾等的繼承人及受讓人即受此約束，且有關簽立構成：

- 本人／吾等按單位持有人通函及本表格所述代價並在其條款及條件的規限下，就本贖回表格所註明的單位數目，不可撤回地接納由滙豐環球投資管理(香港)有限公司(作為本基金經理人)提出、載於單位持有人通函的一次性贖回要約；
- 本人／吾等不可撤回地指示及授權滙豐環球投資管理(香港)有限公司及／或本基金、收款代理及／或彼等各自的代理人，(i)就本人／吾等根據一次性贖回要約贖回的該部分，於計值日後的10個營業日內，以「不得轉讓——只准入抬頭人賬戶」方式向本人／吾等開出劃線支票，作為本人／吾等根據一次性贖回要約的條款應有權收取的現金代價，有關支票按以下地址以平郵方式寄予以下人士，或如無於下欄填上姓名及地址，則按單位持有人名冊所示登記地址以平郵方式寄予本人或吾等當中名列首位者(如屬聯名登記單位持有人)，郵誤風險概由本人／吾等承擔，並且(ii)就本人／吾等根據一次性贖回要約不贖回該部分的單位，於計值日後的10個營業日內，將代表本人／吾等名下該等單位數目的相關證書按以下地址以平郵方式寄予以下人士，或如無於下欄填上姓名及地址，則按單位持有人名冊所示登記地址以平郵方式寄予本人或吾等當中名列首位者(如屬聯名登記單位持有人)，郵誤風險概由本人／吾等承擔：

(倘收取支票的人士並非登記單位持有人或名列首位的聯名登記單位持有人，則請於下欄填上該名人士的姓名及地址。)

姓名：(請用正楷填寫) \_\_\_\_\_

地址：(請用正楷填寫) \_\_\_\_\_

- 本人／吾等不可撤回地指示及授權滙豐環球投資管理(香港)有限公司及／或本基金或彼等可能指定的有關人士，代表本人／吾等填妥、修訂及簽立任何文件，包括但不限於在本贖回表格填上日期，或(如本人／吾等或任何其他人士已在本贖回表格填上日期)刪去該日期然後填上另一日期，以及作出任何其他可能必需或權宜的行動，以將本人／吾等接納一次性贖回要約而提交的單位轉歸本基金或彼等可能指定的有關人士所有；
  - 本人／吾等承諾於必需或合宜時簽立其他有關文件及以進一步保證的方式作出有關行動及事宜，以贖回本人／吾等根據接納一次性贖回要約而提交予本基金、滙豐環球投資管理(香港)有限公司或彼等可能指定的有關人士的單位，該等被贖回單位不附帶任何性質的一切第三方權利、留置權、押記、衡平權、不利權益及產權負擔，並連同於2012年5月公告日期附於、或將於其後附於該等單位的一切權利；
  - 本人／吾等同意追認滙豐環球投資管理(香港)有限公司及／或本基金或彼等各自的代理人或彼／彼等可能指定的有關人士於行使本表格所載任何權限時可能作出或進行的各種行動或事宜；
  - 本人／吾等不可撤回地指示及授權滙豐環球投資管理(香港)有限公司及／或本基金或彼等各自的代理人，在交回隨附經本人／吾等正式簽署的其他所有權文件(如有)(及／或任何就此所需並令人滿意的彌償保證)後，憑此代表本人／吾等向滙豐環球投資管理(香港)有限公司或本基金或收款代理領取本人／吾等就單位應獲發的證書，並將有關證書送交收款代理，且授權及指示收款代理在一次性贖回要約的條款及條件的規限下持有有關證書，猶如有關證書連同本贖回表格一併送交收款代理；及
  - 本人／吾等委任滙豐環球投資管理(香港)有限公司及／或本基金為本人／吾等就本贖回表格所涉全部單位的受權人，該授權書於一次性贖回要約在所有方面成為無條件的日期及時間起生效，並隨後不得撤回。
2. 本人／吾等明白，本人／吾等接納一次性贖回要約，將構成本人／吾等向滙豐環球投資管理(香港)有限公司及／或本基金保證：(i)本贖回表格所註明的單位數目，將在不附帶任何性質的一切第三方權利、留置權、押記、衡平權、不利權益及產權負擔，並連同於2012年5月公告日期附於、或將於其後附於該等單位的一切權利的情況下贖回；及(ii)倘本人／吾等的註冊地址位於香港境外的司法管轄區，本人／吾等已全面遵守所有有關司法管轄區的法例，取得所有所需的政府、外匯管制或其他同意，符合所有必要的監管手續或法律規定，及已支付任何人士應付的任何轉讓稅或其他稅項，本人／吾等並無採取或不採取任何行動而將引致或可能引致滙豐環球投資管理(香港)有限公司及／或本基金或任何其他人士違反與一次性贖回要約或本人／吾等接納一次性贖回要約有關的任何司法管轄區的法律或監管規定，且本人／吾等根據所有適用法例獲准收取及接納一次性贖回要約(及其任何修改)，而按照所有適用法例，該接納為有效及具有約束力。
3. 倘按一次性贖回要約的條款本人／吾等的接納屬無效或被視為無效，則上文第1段所載的所有指示、授權及承諾均會失效；在此情況下，本人／吾等授權並要求你們將代表本人／吾等名下單位數目的證書及／或任何其他所有權文件(及／或任何就此所需並令人滿意的彌償保證)連同已正式註銷的本贖回表格，以平郵方式寄予上文第1(b)段所列的人士及地址以交還本人／吾等，或如未有列明姓名及地址，則按單位持有人名冊所示登記地址以平郵方式寄予本人或吾等當中名列首位者(如為聯名登記單位持有人)以交還本人／吾等，郵誤風險概由本人／吾等承擔。
4. 本人／吾等茲附上將由你們按一次性贖回要約的條款及條件持有的本人／吾等所持全部或部份單位的有關證書及／或其他所有權文件(及／或任何就此所需並令人滿意的彌償保證)。本人／吾等明白，概不會就任何提交的贖回表格、代表單位的證書及／或其他所有權文件(及／或就此所需並令人滿意的彌償保證)發出認收書。本人／吾等亦了解，寄發一切文件的郵誤風險概由本人／吾等自行承擔。
5. 本人／吾等保證，本人／吾等為本贖回表格所列數目的單位的登記持有人，且本人／吾等有十足權利、權力及授權，可以接納一次性贖回要約的方式向本基金出售有關單位及轉移有關單位的所有權及擁有權。
6. 本人／吾等向滙豐環球投資管理(香港)有限公司及本基金保證，本人／吾等已遵守於單位持有人名冊所列本人／吾等地址的所在司法管轄區關於本人／吾等接納一次性贖回要約的法例，包括取得可能規定所需的任何政府、外匯管制或其他同意，及符合必要手續、監管或法律規定。
7. 本人／吾等向滙豐環球投資管理(香港)有限公司及本基金保證，本人／吾等將全面負責支付於單位持有人名冊所列本人／吾等地址的所在有關司法管轄區、關於本人／吾等接納一次性贖回要約而應付的任何轉讓稅、註銷稅或其他稅項或徵稅。
8. 本人／吾等確認，除單位持有人通函及本贖回表格明文規定外，據此作出的所有接納、指示、授權及承諾均不可撤回及為無條件。
9. 本人／吾等確認，本人／吾等根據一次性贖回要約贖回的單位將於贖回後註銷。
10. 本人／吾等向及對滙豐環球投資管理(香港)有限公司及本基金不可撤回地承諾、聲明、保證及同意(本人／吾等的繼承人及承讓人亦受此約束)，就根據一次性贖回要約獲接納或被視為已獲接納的(接納未被有效撤回)以及未註銷的單位而言，本人／吾等授權本基金及／或其代理人，將可能須向本人／吾等(作為單位持有人)寄發的任何通告、通函、保證書或其他文件或通訊(包括代表本人／吾等單位的任何有關證書)寄送至香港中央證券登記有限公司(收件人：「滙豐中國翔龍基金」)，地址為香港灣仔皇后大道東183號合和中心17樓1712-1716號舖。
11. 本基金保留將任何並不完全恰當或無隨附有關單位證書及／或其他所有權文件(及／或任何就此所需並令人滿意的彌償保證)的一次性贖回要約的接納視為有效的權利，惟在該等情況下，應付的代價將不會寄發，直至收款代理已收到有關證書及／或其他所有權文件(及／或任何就此所需並令人滿意的彌償保證)為止。

閣下如對一次性贖回要約有任何疑問，請致電單位持有人熱線(852) 2862 8646，單位持有人熱線的開放時間為星期一至五上午九時正至下午六時正(公眾假期除外)，單位持有人熱線將一直開放至2012年9月4日止。請注意，單位持有人熱線將僅能提供本文件所載資料及有關本基金單位持有人名冊的資料，而不能就一次性贖回要約的利弊給予意見或提供財務、法律、稅務或投資意見。



## PERSONAL DATA

### Personal Information Collection Statement

The main provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the "Privacy Ordinance") came into effect in Hong Kong on 20 December 1996. This personal information collection statement informs you of the policies and practices of HSBC Global Asset Management (Hong Kong) Limited and/or the Fund, and the Receiving Agent in relation to personal data and the Privacy Ordinance.

#### 1. Reasons for the collection of your personal data

To accept the One-off Redemption Offer for your Units, you must provide the personal data requested. Failure to supply the requested data may result in the processing of your acceptance being rejected or delayed.

It is important that you inform HSBC Global Asset Management (Hong Kong) Limited and/or the Fund and/or the Receiving Agent immediately of any inaccuracies in the data supplied.

#### 2. Purposes

The personal data which you provide on this form may be used, held and/or stored (by whatever means) for the following purposes:

- processing your acceptance and verification or compliance with the terms and application procedures set out in this redemption form and the Unitholder Circular;
- cancelling the Unit(s) registered in your name;
- maintaining or updating the relevant register of holders of the Unit(s);
- conducting or assisting to conduct signature verifications, and any other verification or exchange of information;
- establishing your entitlements under the One-off Redemption Offer;
- distributing communication from HSBC Global Asset Management (Hong Kong) Limited and/or the Fund and/or their respective agents, such as the Receiving Agent;
- compiling statistical information and profiles of the Unitholders;
- making disclosures as required by laws, rules or regulations (whether statutory or otherwise);
- disclosing relevant information to facilitate claims or entitlements;
- any other purpose in connection with the business of HSBC Global Asset Management (Hong Kong) Limited and/or the Fund and/or the Receiving Agent; and
- any other incidental or associated purposes relating to the above and/or to enable HSBC Global Asset Management (Hong Kong) Limited and/or the Fund and/or the Receiving Agent to discharge their obligations to the

Unitholders and/or regulators and any other purpose to which the Unitholders may from time to time agree to or be informed of.

#### 3. Transfer of personal data

The personal data provided in this form will be kept confidential but HSBC Global Asset Management (Hong Kong) Limited and/or the Fund and the Receiving Agent may, to the extent necessary for achieving the purposes above or any of them, make such enquiries as they consider necessary to confirm the accuracy of the personal data and, in particular, they may disclose, obtain, transfer (whether within or outside Hong Kong) such personal data to, from or with any and all of the following persons and entities:

- HSBC Global Asset Management (Hong Kong) Limited's and/or the Fund's advisers and/or agent(s), such as financial advisers, legal advisers and the Receiving Agent;
- any agents, contractors or third party service providers who offer administrative, telecommunications, computer, payment or other services to HSBC Global Asset Management (Hong Kong) Limited and/or the Fund and/or the Receiving Agent in connection with the operation of its business;
- the Stock Exchange, the SFC and any other regulatory or governmental bodies;
- any other persons or institutions with which you have or propose to have dealings, such as your bankers, solicitors, accountants, licensed securities dealers or registered institutions in securities; and
- any other persons or institutions whom HSBC Global Asset Management (Hong Kong) Limited and/or the Fund and/or the Receiving Agent consider(s) to be necessary or desirable in the circumstances.

#### 4. Access to and correction of personal data

The Privacy Ordinance provides you with rights to ascertain whether HSBC Global Asset Management (Hong Kong) Limited and/or the Fund and/or the Receiving Agent holds your personal data, to obtain a copy of that data, and to correct any data that is incorrect.

In accordance with the Privacy Ordinance, HSBC Global Asset Management (Hong Kong) Limited and/or the Fund and/or the Receiving Agent have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices and the kinds of data held should be addressed to HSBC Global Asset Management (Hong Kong) Limited and/or the Fund and/or the Receiving Agent (as the case may be).

**BY SIGNING THIS REDEMPTION FORM YOU AGREE TO ALL OF THE ABOVE**

## 個人資料

### 收集個人資料聲明

香港法例第486章《個人資料(私隱)條例》(「《私隱條例》」)的主要條文於1996年12月20日在香港生效。本收集個人資料聲明旨在知會閣下有關滙豐環球投資管理(香港)有限公司及／或本基金及收款代理關於個人資料及《私隱條例》的政策及慣例。

#### 1. 收集閣下個人資料的原因

如欲接納閣下單位的一次性贖回要約，閣下須提供所需的個人資料，倘閣下未能提供所需資料，則可能導致閣下的接納被拒或延誤處理。

倘所提供的資料有任何不準確之處，務請立刻知會滙豐環球投資管理(香港)有限公司及／或本基金及／或收款代理。

#### 2. 用途

閣下於本表格提供的個人資料可為下列用途而予以使用、持有及／或保存(以任何方式)：

- 處理閣下的接納及核實或遵循本贖回表格及單位持有人通函載列的條款及申請程序；
- 註銷以閣下名義登記的單位；
- 存置或更新有關的單位持有人名冊；
- 核實或協助核實簽名，以及進行任何其他資料核實或交換；
- 確定閣下根據一次性贖回要約所享有的權利；
- 發佈由滙豐環球投資管理(香港)有限公司及／或本基金及／或彼等各自的代理人(如收款代理)發出的通訊；
- 編製統計資料及單位持有人資料；
- 按法例、規則或規例(無論是法定或其他規定)的要求作出披露；
- 披露有關資料以利便處理權利要求或享有權；
- 有關滙豐環球投資管理(香港)有限公司及／或本基金及／或收款代理的業務的任何其他用途；及
- 有關上文所述任何其他附帶或關連用途及／或以便滙豐環球投資管理(香港)有限公司及／或本基金及／或收款

代理履行彼等對單位持有人及／或監管機構的義務及單位持有人可能不時同意或被告知的任何其他用途。

#### 3. 轉交個人資料

於本表格提供的個人資料將予以保密，惟滙豐環球投資管理(香港)有限公司及／或本基金及收款代理為達致上述用途或其中任何用途，可在必要範圍內作出彼等認為必需的查詢，以確認個人資料的準確性，尤其可向、自或與任何及所有下列人士及實體披露、獲取、轉交(無論在香港境內或境外)該等個人資料：

- 滙豐環球投資管理(香港)有限公司的及／或本基金的顧問及／或代理人，如財務顧問、法律顧問及收款代理；
- 為滙豐環球投資管理(香港)有限公司及／或本基金及／或收款代理的業務經營提供行政、電訊、電腦、付款或其他服務的任何代理人、承包商或第三方服務供應商；
- 聯交所、證監會及任何其他監管或政府機構；
- 與閣下進行或擬進行交易的任何其他人士或機構，如閣下的銀行、律師、會計師、持牌證券交易商或註冊證券機構；及
- 滙豐環球投資管理(香港)有限公司及／或本基金及／或收款代理認為於有關情況下必要或合宜的任何其他人士或機構。

#### 4. 查閱及更正個人資料

根據《私隱條例》的規定，閣下有權確認滙豐環球投資管理(香港)有限公司及／或本基金及／或收款代理是否持有閣下的個人資料，並有權獲取有關資料的副本，以及更正任何不正確資料。

根據《私隱條例》的規定，滙豐環球投資管理(香港)有限公司及／或本基金及／或收款代理有權就處理任何資料查閱的要求收取合理手續費。查閱資料或更正資料或索取有關政策及慣例及所持資料類型的資料的所有要求，須交予滙豐環球投資管理(香港)有限公司及／或本基金及／或收款代理(視乎情況而定)。

**閣下一經簽署本贖回表格，即表示同意上述所有內容**

# HSBC CHINA DRAGON FUND

## 滙豐中國翔龍基金

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

(Stock Code: 820)

### FORM OF PROXY FOR USE BY UNITHOLDERS AT THE GENERAL MEETING TO BE HELD ON 21 AUGUST 2012

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 unitholders of the Fund to be held at Level 22, HSBC Main Building, 1 Queen’s Road Central, Hong Kong on 21 August 2012 at 10 a.m. and at any adjournment thereof in respect of the resolutions 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 20 July 2012.

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

	EXTRAORDINARY RESOLUTIONS	FOR	AGAINST
(a)	Subject to the approval of resolutions (b) and (c) below, to approve the Change of Investment Objective and Policies		
(b)	Subject to the approval of resolution (a) above and resolution (c) below, to approve the One-off Redemption Offer		
(c)	Subject to the approval of resolutions (a) and (b) above, to approve the amendments to the Trust Deed by the Supplemental Trust Deed to effect the Change of Investment Objective and Policies and One-off Redemption Offer and changes to the Code		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2012

Unitholder’s Signature: \_\_\_\_\_

*Notes:*

1. Full name(s) and address(es) to be inserted in BLOCK CAPITALS.
2. A Unitholder 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 Unitholder.
3. A Unitholder 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 Unitholder. If any proxy other than the Chairman of the General Meeting is preferred, a Unitholder 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 Unitholders 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 Unitholders 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 Unitholders in respect of such unit shall alone be entitled to vote in respect thereof.
6. For the purpose of determining the identity of the Unitholders who are entitled to attend and vote at the General Meeting, the register of Unitholders will be closed from 15 August 2012 to 21 August 2012, 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 Registrar, 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 14 August 2012.
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 Registrar, 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 Extraordinary Resolutions will be decided accordingly.
10. On a poll every holder who is present in person or by proxy shall have one vote for every unit of which he/she is the holder. A person entitled to more than one vote need not use all his/her votes or cast them in the same way.
11. ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALLED BY THE PERSON WHO SIGNS IT.

*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 notice, 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 notice.*

## **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**

### **NOTICE OF GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that a general meeting (“**General Meeting**”) of the Unitholders of HSBC China Dragon Fund (the “**Fund**”) will be held at Level 22, HSBC Main Building, 1 Queen’s Road Central, Hong Kong on 21 August 2012 at 10:00 a.m. to consider and, if thought fit, pass the following resolutions:

### **EXTRAORDINARY RESOLUTIONS**

#### **THAT:**

- (a) subject to the approval of resolutions (b) and (c) below, the Change of Investment Objective and Policies be approved in accordance with and subject to the terms set out in the circular to Unitholders of the Fund dated 20 July 2012 (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) subject to the approval of resolution (a) above and resolution (c) below, the One-off Redemption Offer be approved in accordance with and subject to the terms set out in the circular to Unitholders of the Fund dated 20 July 2012 (a copy of which is produced to this meeting marked “A” and signed by the Chairman of this meeting for the purpose of identification);
- (c) subject to the approval of resolutions (a) and (b) above, amendments to the Trust Deed by the Supplemental Trust Deed to effect the Change of Investment Objective and Policies and One-off Redemption Offer and changes to the Code be approved as set out in the circular to Unitholders of the Fund dated 20 July 2012 (a copy of which is produced to this meeting marked “A” and signed by the Chairman of this meeting for the purpose of identification).

**HSBC Global Asset Management (Hong Kong) Limited**  
*Manager of HSBC China Dragon Fund*

20 July 2012

*Registered Office of the Manager:*  
HSBC Main Building  
1 Queen's Road Central  
Hong Kong

*Notes:*

- (a) A Unitholder 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 Unitholder of the Fund.
- (b) For the purpose of determining the identity of the Unitholders who are entitled to attend and vote at the General Meeting, the register of Unitholders will be closed from 15 August 2012 to 21 August 2012 (both dates inclusive), on which days 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 Registrar for registration no later than 4:30 p.m. on 14 August 2012.
- (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 Registrar, 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 Unitholders of a Unit, any one of such Unitholders 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 Unitholders is present at the meeting personally or by proxy, that one of such Unitholders so present whose name stands first on the register of Unitholders in respect of such Unit shall alone be entitled to vote in respect thereof.

*As at the date of this notice, 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, Ms. MUNRO, Joanna and Dr. MALDONADO-CODINA, Guillermo Eduardo. The non-executive directors of the Manager are Mr. CHANDRASEKHARAN, Sridhar, Ms. CHEANG, Wai Wan Louisa, Ms. FUNG, Yuen Mei Anita, 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)

20 July 2012

Dear Unitholders,

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

The Circular to Unitholders in relation to (1) Change of Investment Objective and Policies; (2) One-Off Redemption Offer; (3) Amendments to the Trust Deed by a Supplemental Trust Deed and (4) 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](http://www.assetmanagement.hsbc.com/hk-chinadragonfund) for five (5) years from the date of first publication and the HKExnews’s at [www.hkexnews.hk](http://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](mailto: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

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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」)致單位持有關於(1)更改投資目標及政策、(2)一次性贖回要約、(3)透過補充信託契據修訂信託契據及(4)持有人大會通告的通函(「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](http://www.assetmanagement.hsbc.com/hk-chinadragonfund)內，並於香港交易所披露易網站[www.hkexnews.hk](http://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](mailto: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

2012年7月20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<sup>#</sup>

基金單位持有人姓名<sup>#</sup>

Date

日期

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

Address<sup>#</sup>

地址<sup>#</sup>

(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

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

Notes/附註：

- Please complete all your details clearly.  
請閣下清楚填妥所有資料。
- By selection to read the Website Version of the Corporate Communications published on the Fund’s website in place of receiving printed copies, you have expressly consented to waive the right to receive the Corporate Communications in printed form, including the right to receive notice of meeting by post or delivery at your address pursuant to the trust deed constituting the Fund.  
在選擇瀏覽在本基金網站發表之公司通訊網上版本以代替收取印刷本後，閣下已明示同意放棄收取公司通訊印刷本的權利，包括根據成立本基金的信託契據以郵寄或送遞予閣下之地址的方式收取大會通告之權利。
- If your units are held in joint names, the Unitholder whose name stands first on the register of members of the Fund in respect of the joint holding should sign on this Change Request Form in order to be valid.  
如屬聯名基金單位持有人，則本變更申請表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 [hshcchinadragon.ecom@computershare.com.hk](mailto:hshcchinadragon.ecom@computershare.com.hk).  
上述指示適用於將來寄發予本基金單位持有人之所有公司通訊，直至閣下發出合理書面通知予本基金之過戶登記處香港中央證券登記有限公司地址為香港灣仔皇后大道東183號合和中心17M樓或以電郵方式發送通知 [hshcchinadragon.ecom@computershare.com.hk](mailto:hshcchinadragon.ecom@computershare.com.hk) 另作選擇為止。
- All Future Corporate Communications in both printed English and Chinese versions will be available for inspection from the Fund’s Registrar upon request.  
本基金之過戶登記處將備有所有公司通訊之英、中文印刷本以供索閱。
- The unitholders are entitled to change the choice of means of receipt or language of the Fund’s Corporate Communications at any time by reasonable notice in writing to the Fund’s Registrar.  
基金單位持有人有權隨時發出合理書面通知本基金之過戶登記處，要求更改收取公司通訊之語言版本及方式。
- Any form with more than one box marked (X), with no box marked (X), with no signature or otherwise incorrectly completed will be void.  
如在本表格作出超過一項選擇、或未有作出選擇、或未有簽署、或在其他方面填寫不正確，則本表格將會作廢。
- For the avoidance of doubt, we do not accept any special instructions written on this Request Form.  
為免存疑，任何在本申請表格上的額外手寫指示，本公司將不予處理。

閣下寄回此變更申請表格時，請將郵寄標籤剪貼於信封上。

如在本港投寄毋須貼上郵票。

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

No postage stamp necessary if posted in Hong Kong.

郵寄標籤 MAILING LABEL

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

HCDH-2007/2012-107

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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**

#### **DESPATCH OF CIRCULAR FOR THE CHANGE OF INVESTMENT OBJECTIVE AND POLICIES, THE PROPOSED ONE-OFF REDEMPTION OFFER AND THE AMENDMENT TO THE TRUST DEED BY A SUPPLEMENT TRUST deed**

The circular for the Change of Investment Objective and Policies, the proposed One-off Redemption Offer and the amendment to the Trust Deed by a supplement trust deed has been dispatched to the Unitholders of the Fund on 20 July 2012.

**It should be noted that dealings in the Units will continue during the period when the conditions mentioned in the circular dated 20 July 2012 remain unfulfilled. Those Unitholders selling their Units and persons purchasing the Units during such period will accordingly bear the risk that the One-off Redemption Offer may not become unconditional.**

**If any Unitholder or other person contemplating selling or purchasing any of the Units during this period is in doubt about his or her position, it is recommended that he or she should consult his or her professional adviser.**

Reference is made to (i) the announcement dated 18 June 2012 (the "Announcement") by HSBC Global Asset Management (Hong Kong) Limited (the "Manager") of HSBC China Dragon Fund (the "Fund") in relation to, among other things, the proposed Change of Investment Objective and Policies, the proposed One-off Redemption Offer and the amendment to the Trust Deed by a supplement trust deed and (ii) the circular issued by the Manager dated 20 July 2012 (the "Circular").

Capitalised terms used herein shall, unless otherwise defined, have the same meanings ascribed to them in the Circular.

The Circular containing, among other things, (i) further details of the proposed Change of Investment Objective and Policies, the proposed One-off Redemption Offer and the amendment to the Trust Deed by a supplement trust deed, (ii) a letter of advice from the independent financial adviser to the Unitholders and (iii) a notice convening the General Meeting, has been dispatched to the Unitholders on 20 July 2012.

**It should be noted that dealings in the Units will continue during the period when the conditions mentioned in the Circular remain unfulfilled. Those Unitholders selling their Units and persons purchasing the Units during such period will accordingly bear the risk that the One-off Redemption Offer may not become unconditional.**

**If any Unitholder or other person contemplating selling or purchasing any of the Units during this period is in doubt about his or her position, it is recommended that he or she should consult his or her professional adviser.**

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 1229).

HSBC Global Asset Management (Hong Kong) Limited  
*Manager of HSBC China Dragon Fund*  
20 July 2012

*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, Ms. MUNRO, Joanna and Dr. MALDONADO-CODINA, Guillermo Eduardo. The non-executive directors of the Manager are Mr. CHANDRASEKHARAN, Sridhar, Ms. CHEANG, Wai Wan Louisa, Ms. FUNG, Yuen Mei Anita, Mr. HARVEY-SAMUEL, Guy Daniel 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 <sup>1</sup>						Cumulative performance <sup>2</sup>		
	2012 year-to-date	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>3</sup>	6 months	1 year	Since August 07 <sup>3</sup>
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision)	7.42%	-26.10%	5.78%	89.66%	-59.35%	32.50%	3.89%	-11.83%	-14.22%
<i>MSCI China A</i>	11.45%	-22.89%	-4.02%	97.00%	-61.99%	20.96%	3.63%	-10.56%	-25.30%
The Fund’s non A-share and non QFII investments (gross of expenses)	1.71%	-18.91%	5.62%	69.11%	-55.17%	28.40%	3.98%	-22.88%	-15.21%
<i>MSCI China</i>	1.81%	-18.32%	5.10%	62.71%	-51.12%	23.43%	4.22%	-20.79%	-14.20%

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 <sup>1</sup>						Cumulative performance <sup>2</sup>		
	2012 year-to-date	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>3</sup>	6 months	1 year	Since August 07 <sup>3</sup>
Net asset value of the Fund (net of expenses)	3.82%	-23.31%	4.76%	75.51%	-57.82%	29.48%	3.14%	-18.83%	-20.06%

As at 31 May 2012:

Net asset value per unit of the Fund:	HK\$7.89
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$6.95
Discount / Premium to net asset value:	11.91% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 May 2012 (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 June 2012

*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, Dr. MALDONADO-CODINA, Guillermo Eduardo and Ms. MUNRO, Joanna. The non-executive directors of the Manager are Mr. CHANDRASEKHARAN, Sridhar, Ms. CHEANG, Wai Wan Louisa, Mr. HARVEY-SAMUEL, Guy Daniel, Mr. PACTON, Olivier and Ms. FUNG, Yuen Mei Anita.*

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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**

## **DELAY IN DESPATCH OF CIRCULAR AND REVISED EXPECTED TIMETABLE FOR THE ONE-OFF REDEMPTION OFFER**

### **DELAY IN DESPATCH OF CIRCULAR**

As additional time is required for the Fund to finalise the information contained in the circular including, amongst other things, the financial information of the Fund, the Manager has made an application to the SFC for, and has been granted, an extension of the despatch date of the circular from 18 June 2012 to 20 July 2012.

### **EXPECTED REVISED TIMETABLE OF THE ONE-OFF REDEMPTION OFFER**

As a result of the delay in the despatch of the circular, the Manager announces that the expected timetable of the One-off Redemption Offer has been revised as disclosed in this announcement.

Reference is made to the announcement dated 30 May 2012 (the "Announcement") by HSBC Global Asset Management (Hong Kong) Limited (the "Manager") of HSBC China Dragon Fund (the "Fund") in relation to, among other things, the proposed Change of Investment Objective and Policies, the proposed One-off Redemption Offer and the amendment to the Trust Deed by a supplement trust deed. Capitalised terms used herein shall, unless otherwise defined, have the same meanings ascribed to them in the Announcement.

### **Delay in despatch of the circular**

As stated in the Announcement, a circular, containing, among other things, (i) further details of the proposed One-off Redemption Offer, (ii) a letter of advice from the independent financial adviser to the Unitholders and (iii) a notice convening the General Meeting, will be despatched to the Unitholders on or before 18 June 2012. As additional time is required for the Manager to finalise the information contained in the circular including, amongst other things, the financial information of the Fund, the Manager has made an application to the SFC for, and has been granted, an extension of the despatch date of the circular from 18 June to 20 July 2012.

The Manager will make an announcement upon the despatch of the circular.

## Revised expected timetable of the One-off Redemption Offer

As a result of delay in the despatch of the circular, the Manager announces that the expected timetable for the One-off Redemption Offer has been revised as follows:

Posting of the notice of general meeting and the circular in relation to the Change of Investment Objective, the One-off Redemption Offer and the amendments to the Trust deed by a supplemental Trust Deed on the Fund's website and/or by post to Unitholders	20 July 2012
Target date of the General Meeting to approve the Extraordinary Resolution	21 August 2012
Commencement date for lodging the redemption request with the Registrar	22 August 2012
Lodgement Date (i.e. last date for lodgment of One-off Redemption Offer request)	4 September 2012
Redemption Day	5 September 2012
Date of announcement of the net asset value as of the Redemption Day	6 September 2012
Return of certificates representing request that do not satisfy One-off Redemption Offer	18 September 2012
Target payment date of the One-off Redemption Offer and the Registrar to dispatch the balanced certificates to the Unitholders (by ordinary post)	18 September 2012

The revised timetable is prepared on the assumption that there would be a quorum present at the General Meeting and no adjournment would be necessary.

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  
18 June 2012

*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, Ms. MUNRO, Joanna and Dr. MALDONADO-CODINA, Guillermo Eduardo. The non-executive directors of the Manager are Mr. CHANDRASEKHARAN, Sridhar, Ms. CHEANG, Wai Wan Louisa, Ms. FUNG, Yuen Mei Anita, Mr. HARVEY-SAMUEL, Guy Daniel and Mr. PACTON, Olivier*

<b>IMPORTANT</b>
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**HSBC CHINA DRAGON FUND**

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**Announcement**

**Change of Director**

HSBC Global Asset Management (Hong Kong) Limited, as the Manager of the Fund, hereby announces that Dr. MALDONADO-CODINA, Guillermo Eduardo has been appointed as Director of the Manager with effect from 5 June 2012.

The Offering Circular of the Fund has been revised accordingly. A copy of the Supplement to the Offering Circular dated 5 June 2012 has been posted on the Fund's website on 5 June 2012.

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  
5 June 2012

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## **HSBC CHINA DRAGON FUND**

### **滙豐中國翔龍基金**

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**(Stock Code: 820)**

### **Announcement**

## **PROPOSED CHANGE OF INVESTMENT OBJECTIVE AND POLICIES, PROPOSED ONE-OFF REDEMPTION OFFER AND PROPOSED AMENDMENTS TO THE TRUST DEED BY A SUPPLEMENTAL TRUST DEED**

This announcement is made pursuant to Chapter 11.1B of the Code 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.

The Manager intends to seek Independent Unitholders' approval (a) to effect the Change of Investment Objective and Policies, (b) to offer the One-off Redemption Offer and (c) to effect the amendments to the Trust Deed by a supplemental Trust Deed.

### **(a) Change of Investment Objective and Policies**

Currently, 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.

Subject to the Independent Unitholders' approval of the One-off Redemption Offer and the amendments to the Trust Deed by a supplemental Trust Deed, the Manager would like to change the Fund's investment objective and policies as follows: to achieve long-term capital growth by investing primarily in A shares directly through the qualified foreign institutional investor investment quota of the Manager and indirectly through investment of (i) up to 40% of its net asset value in financial derivative instruments and securities linked to A shares (such as CAAPs (including A share participation certificates/notes and/or other access products issued by third party investment banks or brokers)) and (ii) up to 40% of its net asset value in ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares; provided that the Fund's investment in CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares will not exceed 50% in the aggregate of its net asset value.

### **(b) One-off Redemption Offer**

Subject to the Independent Unitholders' approval of the Change of Investment Objective and Policies and the amendments to the Trust Deed by a supplemental Trust Deed, the Manager also wishes to offer Unitholders, subject to certain conditions, the One-off Redemption Offer to redeem for cash the whole or a part of each Unitholder's Units at, subject to a Redemption Levy, the net asset value of the Units as at the Redemption Day being redeemed on a one-off basis.

There is no minimum number of Units which a qualifying Unitholder can apply to redeem under the One-off Redemption Offer; however, a Unitholder may not apply to redeem more Units than such Unitholder holds as of the Lodgement Date. A Unitholder may apply to redeem the whole or a part of his or her holding of Units. The total number of Units to be redeemed by the Fund shall not exceed 40% of the total outstanding number of Units as at the Lodgement Date. Regardless of the number of Units a Unitholder has validly applied to redeem, in the event that the aggregate number of Units for which applications are made under the One-off Redemption Offer exceeds 40% of the total outstanding number of Units as at the Lodgement Date, the number of Units that such Unitholder can eventually redeem will be reduced proportionally. Under such situation, the Fund will satisfy the redemption requests of Unitholders wishing to redeem their Units on a pro rata basis based on the number of Units the Unitholders have validly applied to redeem, rounded down to the nearest whole Unit.

The One-off Redemption Offer will be conditional upon the following conditions being fulfilled:

- (i) the Independent Unitholders' approval by way of an Extraordinary Resolution at the General Meeting by way of a poll to approve the Change of Investment Objective and Policies, the One-off Redemption Offer and the amendments to the Trust Deed by a supplemental Trust Deed; and
- (ii) the SFC's approval of the Change of Investment Objective and Policies, the One-off Redemption Offer and the amendments to the Trust Deed by a supplemental Trust Deed.

The One-off Redemption Offer will not be conditional on any minimum number of redemption applications being received from the Unitholders.

- (c) Amendments to the Trust Deed by a supplemental Trust Deed

The Manager also wishes to seek approvals of the Independent Unitholders to approve the amendments to the Trust Deed by a supplemental Trust Deed and will convene a General Meeting:

- (i) in order to effect the One-off Redemption Offer; and
- (ii) in order to conform to the SFC's frequently asked questions on the Code and certain changes made to the Code with respect to the investment restrictions in collective investment schemes.

**Unitholders should note that the Manager will not proceed to effect any of (a) the Change of Investment Objective and Policies, (b) the One-off Redemption Offer or (c) amendments to the Trust Deed by a supplemental Trust Deed without obtaining the necessary Independent Unitholders' approval at the General Meeting for all of the three resolutions (a), (b) and (c) above.**

**It should be noted that dealings in the Units will continue during the period when the above conditions remain unfulfilled. Those Unitholders selling their Units and persons purchasing the Units during such period will accordingly bear the risk that the One-off Redemption Offer may not become unconditional or may be delayed. If any Unitholder or other person contemplating selling or purchasing any of the Units during this period is in doubt about his or her position, it is recommended that he or she should consult his or her professional adviser.**

**WARNING: As the proposed Change of Investment Objective and Policies, the proposed One-off Redemption Offer and the proposed amendments to the Trust Deed by a supplemental Trust Deed are subject to approvals from the Independent Unitholders, such proposals may or may not proceed, Unitholders and prospective investors of the Fund are advised to exercise caution when dealing in the Units. If in doubt, please seek professional advice.**

## A. INTRODUCTION

Reference is made to the announcements dated 7 December 2011, 6 January 2012, 6 February 2012, 6 March 2012, 5 April 2012 and 4 May 2012 by the Manager in relation to, among other things, the proposed Change of Investment Objective and Policies (defined below) and the proposed One-off Redemption Offer (defined below). The purpose of this announcement is to provide you with further information in this regard.

## B. CHANGE OF INVESTMENT OBJECTIVE AND POLICIES

### *Existing Investment Objective and Policies*

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 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 Fund seeks long-term capital growth through a diversified portfolio of investments in equity of and securities relating to Chinese companies or companies deriving a significant proportion of their revenue from operations in China across different industries. The Fund may invest in (i) shares and securities linked to the shares of China related companies listed or quoted in China, Hong Kong and other jurisdictions; (ii) companies which carry out a preponderant part of their economic activities in the PRC and shares of red chip companies; and (iii) in other permissible investments or securities that are allowed under the Trust Deed, including but not limited to such other investments as allowed under the qualified foreign institutional investor regime in the PRC. The underlying investment of the Fund may include but will not be limited to, A shares and B shares (and such other securities as may be available) listed on the stock exchanges in the PRC, H shares and shares of red chip companies listed on the Stock Exchange. On an ancillary basis, the Fund may acquire CAAPs as if these were the relevant A shares or portfolios of A shares.

### *Proposed Change of Investment Objective and Policies*

Subject to the passing of the proposed resolution for the One-off Redemption Offer and the amendments to the Trust Deed by a supplemental Trust Deed in the General Meeting, the Manager proposes to change the investment objective and policies of the Fund (the "**Change of Investment Objective and Policies**") as follows:

The investment objective of the Fund is to achieve long-term capital growth by investing primarily in A shares directly through the qualified foreign institutional investor investment quota of the Manager and indirectly through investment of (i) up to 40% of its net asset value in financial derivative instruments and securities linked to A shares (such as CAAPs (including A share participation certificates/notes and/or other access products issued by third party investment banks or brokers)) and (ii) up to 40% of its net asset value in ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares; provided that the Fund's investment in CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares will not exceed 50% in the aggregate of its net asset value. Unitholders should refer to the initial investment allocation of the Fund on pages 7 and 8 below.

The Fund will not invest more than 10% of its net asset value in CAAPs issued by a single issuer; and the Fund's aggregate investment in CAAPs shall not be more than 40% of its net asset value.

There is no guarantee on the availability of the quantity of A shares and financial derivative instruments and securities linked to A shares that are appropriate for the Fund. In the event that such A share investments are not available, the Fund may also invest up to 10% of its net asset value in other permissible investments or securities that are permitted under the Trust Deed, including but not limited to B shares, H shares, shares issued by red chip companies and such other investments as allowed under the qualified foreign institutional investor regime in the PRC.

The Fund may also invest in cash and cash equivalents on an ancillary basis.

Other than CAAPs, the Fund will not invest in or use financial derivative instruments other than for hedging purposes only.

The investment portfolio of the Fund will be more concentrated in A shares and financial derivative instruments and securities linked to A shares of listed companies in the PRC subsequent to the Change of Investment Objective and Policies. Unitholders should refer to the section headed "Initial Investment Distribution" below for the illustrative asset allocation and paragraph (v) of the section headed "Key Risk Factors" below for the risk with respect to investments in CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares.

Independent Unitholders should carefully consider the risk factors described in the Offering Circular and page 8 below before exercising their votes to approve the resolution with respect to the Change of Investment Objective and Policies.

### ***Reason for the Change of Investment Objective and Policies***

The Manager believes that the proposed Change of Investment Objective and Policies to invest primarily in A shares and/or its related products will provide a better and clearer investment proposition for investors. By clearly positioning the Fund as an A shares dominated investment, potential investors have better visibility on its risks and exposures, making it more appealing to investors as one of the few products available for those investors who are bullish on A shares.

## **C. ONE-OFF REDEMPTION OFFER**

### ***(a) Terms of the One-off Redemption Offer***

#### **(i) Background to the One-off Redemption Offer**

As at the date of this announcement, 349,687,000 Units are in issue. Currently, Unitholders do not have the right to redeem any part of their holdings of Units.

Subject to the passing of the proposed resolution for the Change of Investment Objective and Policies and the amendments to the Trust Deed by a supplemental Trust Deed, the Manager also wishes to offer a right to the Unitholders to redeem the whole or a part of their Units on a one-off basis (the "**One-off Redemption Offer**") for cash subject to the terms and conditions of the One-off Redemption Offer and proposes to seek approvals of the Independent Unitholders by way of an Extraordinary Resolution at the General Meeting on the One-off Redemption Offer.

#### **(ii) Terms of the One-off Redemption Offer**

The Manager proposes to offer the Unitholders, subject to certain conditions, the One-off Redemption Offer, being a right to apply to redeem the whole or a part of their Units at, subject to a Redemption Levy, the net asset value of the Units being redeemed (calculated using the relevant market closing price of the underlying investments of the Fund and the Fund's applicable operating expenses accrued or incurred to date on the Value Day) on a one-off basis provided that for the Fund as a whole the total number of Units to be redeemed by the Fund shall not exceed 40% of the total outstanding

number of Units as at the Lodgement Date. The redemption of Units by a Unitholder pursuant to the One-off Redemption Offer will not attract Hong Kong ad valorem or fixed stamp duty. The redemption of Units by a Unitholder pursuant to the One-off Redemption Offer will not be subject to any dealing charges other than the Redemption Levy. The Redemption Levy, which is up to 2% of the net asset value of the Units being redeemed (i.e. the redemption price), incorporates commission, stamp duty, transaction cost and total market impact of implementation (i.e. the price difference during the order implementation between the execution price and the price at the time of valuation) will be deducted from the redemption price and will be retained by the Fund for the benefit of the Fund.

The One-off Redemption Offer will be satisfied by the disposition by the Manager of assets of the Fund. The Manager confirms that sufficient liquid financial resources are available to the Fund to implement and to satisfy the Fund's obligations in respect of the One-off Redemption Offer in full.

(iii) Procedures with respect to the One-off Redemption Offer

The One-off Redemption Offer shall occur on the Redemption Day. Unitholders who wish to accept the One-off Redemption Offer must provide completed redemption requests to the Registrar no later than 4:30 p.m. on the Lodgement Date; provided that the Unitholders are only entitled to make a redemption request under the One-off Redemption Offer with respect to the Units they hold as of the Lodgement Date. Unitholders that are interested in exercising their rights under the One-off Redemption Offer shall be required to return their redemption requests forms together with the relevant certificate(s) and/ or transfer receipt(s) and / or any other document(s) of title (and / or any satisfactory indemnity or indemnities required in respect thereof) for the number of Units in respect of which Unitholders intend to redeem, by post or by hand to the Registrar by no later than 4:30 p.m. on the Lodgement Date. No further action shall be required from the Unitholders that elect to continue to hold onto their entire holdings of Units in the Fund. Unitholders that have lost the certificates representing their Units should contact the Registrar and follow the procedure as required by the Registrar. Unitholders whose Units are held by a nominee company, including those whose interests in the Units are held through CCASS, should refer to the section headed "Nominee Registration of Units" below.

(iv) Limits on the One-off Redemption Offer

Unitholders should note that there is no minimum number of Units which a qualifying Unitholder can apply to redeem under the One-off Redemption Offer; however, a Unitholder may not apply to redeem more Units than such Unitholder holds as at the Lodgement Date. A Unitholder may apply to redeem the whole or a part of his or her holding of Units, redemption application with respect to Units that are in excess of his or her holdings will be disregarded by the Manager.

The total number of Units to be redeemed by the Fund shall not exceed 40% of the total outstanding number of Units as at the Lodgement Date. Regardless of the number of Units a Unitholder has validly applied to redeem, in the event that the aggregate number of Units for which applications are made under the One-off Redemption Offer exceeds 40% of the total outstanding number of Units as at the Lodgement Date, the number of Units that such Unitholder can eventually redeem will be reduced proportionally. Under such situation, the Fund will satisfy the redemption requests of Unitholders wishing to redeem their Units on a pro rata basis based on the number of Units the Unitholders have validly applied to redeem, rounded down to the nearest whole Unit.

The Fund will dispose of and acquire such investment in an orderly manner in order to effect the Change of Investment Objective and Policies. In the event that the aggregate number of Units for which applications to redeem are made under the One-off Redemption Offer exceeds 40% of the outstanding number of Units as at the Lodgement Date, the Manager shall, subject to the redemption requests complying with the requirements of the Trust Deed as amended by a supplemental Trust Deed upon obtaining the necessary approval from the Independent Unitholders, (i) limit the number of

Units to be redeemed under the One-off Redemption Offer to 40% of the outstanding number of Units as at the Lodgement Date and (ii) realise the non-A share investments of the Fund and apply all or part of such realisation proceeds to satisfy the redemption requests of Unitholders wishing to redeem their Units on a pro rata basis based on the number of Units the Unitholders have validly applied to redeem, rounded down to the nearest whole Unit, with the remaining realisation proceeds, if any, being invested to gain exposure to A share investments via CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares and, in the event that such A share investments are not available, other equity instruments such as B shares, H shares and shares issued by red chip companies and to invest the balance in cash and cash equivalents. Any request for the One-off Redemption Offer **which is not satisfied** shall be void and certificates representing such Units shall be returned to Unitholders within 10 Business Days after the Value Day.

If the aggregate of the actual applications for redemption by the Unitholders made under the One-off Redemption Offer is less than or equal to the aggregate maximum limit of 40% of the total outstanding number of Units as at the Lodgement Date, all Units applied to be redeemed will be redeemed. The balance between the Units actually redeemed and 40% of the total outstanding number of Units as at the Lodgement Date will neither be carried forward nor be available for any subsequent redemption by any Unitholder on any subsequent trading day of the Fund. The Manager shall, subject to the redemption requests complying with the requirements of the Trust Deed as amended by a supplemental Trust Deed upon obtaining the necessary approval from the Independent Unitholders, (i) satisfy all such redemption requests and (ii) realise its non-A share investments and apply all or part of such realisation proceeds to satisfy such redemption requests under the One-off Redemption Offer with the remaining realisation proceeds, if any, being invested to gain exposure to A share investments via CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares and, in the event that such A share investments are not available, other equity instruments such as B shares, H shares and shares issued by red chip companies and to invest the balance in cash and cash equivalents.

The Units to be redeemed must be free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature. Accordingly, the submission of a redemption request by eligible Unitholder will be deemed to constitute a representation and warranty by him or her to the Manager and the Fund that his or her Units are sold free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the date of this announcement (including the right to all dividends and distributions (if any) declared, made or paid on or after the date of this announcement).

The One-off Redemption Offer will be subject to certain conditions referred to in the section headed "Conditions to the One-off Redemption Offer" below and the full terms and details of the One-off Redemption Offer will be described more fully in a circular to Unitholders.

All redeemed Units will be cancelled.

#### (v) Indicative Timetable

The expected timetable for the One-off Redemption Offer set out below is indicative only and is subject to change. Any changes to the expected timetable will be announced separately by the Fund. All references to time are Hong Kong dates. This timetable is prepared on the assumption that there would be a quorum present at the General Meeting and no adjournment would be necessary.

Target SFC approval date for the circular and a notice of general meeting to Unitholders

12 June 2012

Posting of the notice of general meeting and the circular in relation to the Change of Investment Objective, the

18 June 2012

One-off Redemption Offer and the amendments to the Trust deed by a supplemental Trust Deed on the Fund's website and/or by post to Unitholders

Target date of the General Meeting to approve the Extraordinary Resolution	19 July 2012
Commencement date for lodging the redemption request with the Registrar	20 July 2012
Lodgement Date (i.e. last date for lodgment of One-off Redemption Offer request)	2 August 2012
Redemption Day	3 August 2012
Date of announcement of the net asset value as of the Redemption Day	6 August 2012
Return of certificates representing request that do not satisfy One-off Redemption Offer	16 August 2012
Target payment date of the One-off Redemption Offer and the Registrar to dispatch the balanced certificates to the Unitholders (by ordinary post)	16 August 2012

***(b) Initial Investment Distribution***

The followings illustrate the expected initial investment allocation of the Fund (expressed as a percentage of net asset value of the Fund subsequent to the Unitholders' exercise of the One-off Redemption Offer):

- (i) in the event that the aggregate number of Units redeemed under the One-off Redemption Offer is 40% of the outstanding number of Units as at the Lodgement Date:

A shares	around 65% to 85%
CAAPs	up to 30%*
ETFs (including synthetic ETFs) authorised by the SFC with exposures to A shares	up to 30%*
Other equity instruments (such as B shares, H shares and shares issued by red chip companies)	up to 10%
Cash and cash equivalents	up to 15%

\*The Fund's investment in CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares will not exceed 50% in the aggregate of its net asset value.

- (ii) in the event that the aggregate number of Units redeemed under the One-off Redemption Offer is 20% of the outstanding number of Units as at the Lodgement Date:

A shares	up to 65%
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CAAPs	up to 35%*
ETFs (including synthetic ETFs) authorised by the SFC with exposures to A shares	up to 35%*
Other equity instruments (such as B shares, H shares and shares issued by red chip companies)	up to 10%
Cash and cash equivalents	up to 15%

\*The Fund's investment in CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares will not exceed 50% in the aggregate of its net asset value.

(iii) in the event that no Units are redeemed under the One-off Redemption Offer

A shares	around 40% to 50%
CAAPs	up to 40%*
ETFs (including synthetic ETFs) authorised by the SFC with exposures to A shares	up to 40%*
Other equity instruments (such as B shares, H shares and shares issued by red chip companies)	up to 10%
Cash and cash equivalents	up to 15%

\*The Fund's investment in CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares will not exceed 50% in the aggregate of its net asset value.

The above initial investment allocation is for reference only and may be changed from time to time according to market conditions and the availability of various types of instruments.

***(c) Key Risk Factors***

Unitholders should carefully consider the risk factors described in the Offering Circular and below before deciding on whether to apply for redemption of their Units under the One-off Redemption Offer:

- (i) under the One-off Redemption Offer, the net asset value at which the eligible Units will be redeemed shall be determined using the relevant market closing price of the underlying investments of the Fund and the Fund's applicable operating expenses accrued or incurred to date on the Value Day, and subject to the Redemption Levy and the relevant calculation method, shall be announced by the Manager no later than two Business Days after the Value Day. The Manager expects to pay the redemption proceeds, less the Redemption Levy, with respect to the eligible Units being redeemed to the Unitholders no later than 10 Business Days after the Value Day. The Redemption Levy is to be retained by the Fund for the benefit of the Fund;



- (ii) as the total number of Units to be redeemed by the Fund shall not exceed 40% of the total outstanding number of Units as a whole as at the Lodgement Date, a Unitholder may not be able to redeem all the Units he or she applies to redeem under the One-off Redemption Offer regardless of whether he or she applies to redeem more or less than 40% of the Units he or she owns at the Lodgement Date.

In the event that the aggregate number of Units for which applications to redeem are made under the One-off Redemption Offer exceeds 40% of the outstanding number of Units as at the Lodgement Date, the Manager shall apply the relevant realisation proceeds to satisfy the redemption requests of Unitholders wishing to redeem their Units on a pro rata basis based on the number of Units the Unitholders have validly applied to redeem, rounded down to the nearest whole Unit. Unitholders should refer to the section headed "Limits on the One-off Redemption Offer" above for details;

- (iii) any Units held by Unitholders that are not successfully redeemed under the One-off Redemption Offer may be in odd lots. The realisable price of such odd lot Units may be significantly lower than the traded price for such Units;
- (iv) all documents and remittances will be sent to the Unitholders through ordinary post at their own risk. These documents and remittances will be sent to the Unitholders at their respective addresses as they appear in the register of Unitholders, and in the case of joint Unitholders, to the Unitholder whose name appears first in the register of Unitholders; and
- (v) investments in CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares which use synthetic instruments to gain exposure to A shares are subject to additional risks.

CAAPs may not be listed and are subject to the terms and conditions imposed by its issuer. These terms may lead to delays in implementing the Manager's investment strategy. Investment in CAAPs can be illiquid as there may not be an active market in the CAAPs. In order to liquidate investments, the Fund relies upon the counterparty issuing the CAAPs to quote a price to unwind any part of such CAAPs.

An investment in a CAAP to gain exposure to A shares is not an investment directly in the underlying investments (such as shares) themselves. An investment in the CAAP to gain exposure to A shares neither entitles the holder of such instrument to the beneficial interest in the shares nor makes any claim against the company issuing the shares.

The Fund will be subject to the credit risk of the issuers of the CAAPs invested by the Fund. The Fund may suffer a loss if the issuers of the CAAPs becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties.

When the Fund invests in ETFs (including synthetic ETFs) authorised by the SFC with exposure to A shares, such ETFs are subject to risks similar to those mentioned above when those ETFs are synthetic instruments using financial derivative instruments to achieve their investment objectives.

#### ***(d) Taxation***

**Unitholders should consult their professional advisers on the consequences to them of redeeming Units under the relevant laws of the jurisdictions to which they are subject, including the tax consequences and any exchange control requirements. These consequences, including the availability of, and the value of, tax relief to investors, will vary with the law and practice of the investors' country of citizenship, residence, domicile or incorporation and their personal circumstances.**

The following statements regarding taxation are based on advice received by the Fund regarding the law and practice in force in Hong Kong at the date of this announcement. Investors should be aware that levels and bases of taxation are subject to change and that the value of any relief from taxation depends upon the individual circumstances of the taxpayer.

(i) Hong Kong

- Profits Tax

No tax will be payable by the Unitholders in Hong Kong in respect of dividends or other distributions of the Fund or in respect of any capital gains arising on a sale or other disposal of Units, except that Hong Kong profits tax may arise where such transactions form part of a trade, profession or business carried on in Hong Kong.

- Stamp Duty

The redemption of Units by a Unitholder will not attract Hong Kong ad valorem or fixed stamp duty.

The trading of Hong Kong stock (including the underlying H shares and shares issued by red chip companies) by the Fund to effect the One-off Redemption Offer is subject to Hong Kong stamp duty. The Fund and the counterparty will each be liable to stamp duty at the current rate of 0.1% of the price of shares being sold and purchased.

(ii) The PRC

The information below is a summary of certain areas of PRC taxation which are likely to be relevant to the Fund and the Unitholders and should not be taken as a definitive, authoritative or comprehensive statement of the relevant matter. In particular, there are various other taxes, duties, levies and charges which are generally of less significance but may nevertheless be applicable to the Fund and the Unitholders.

- Withholding tax

Pursuant to the Corporate Income Tax Law of the PRC and its implementation rules, a foreign enterprise that does not have any establishment or site in China is subject to a withholding income tax at the rate of 10% for the interest, royalty, rental and other income (including capital gain) earned directly from sources in the PRC.

The PRC tax authorities have not clarified whether income tax are payable on capital gains arising from securities trading of qualified foreign institutional investors or from disposal of B shares, H shares or the listed shares of any red-chip company that is deemed to be a PRC resident company. There is currently no capital gain tax provision on B and H Shares as the Manager based on the advice from tax advisors believed that it is not currently necessary to make any capital gain tax provision on B and H shares.

- Stamp tax

Pursuant to the tentative regulations of the PRC stamp tax, stamp tax is levied on the execution or receipt within the territory of China of certain documents, including contracts for the transfer of equity interests and the sale of A Shares and B Shares on stock exchanges.

PRC stamp duty is generally applicable on the transfer of unlisted PRC shares (equity interest) at the rate of 0.05%. The buyer and the seller of the shares will each be subject to stamp duty at the applicable rate. According to the latest notice issued by Ministry of Finance and State Administration of Taxation, the transfer of A shares and B shares each is subject to 0.1% stamp duty of the total proceeds but only on the selling side.

- Business tax

Pursuant to the notice Caishui [2005] No. 155 issued jointly by the State Administration of Taxation and the Ministry of Finance in December 2005, margin income made by qualified foreign institutional investors from securities trading carried out by the PRC brokers are exempted from business tax in the PRC.

*(e) Conditions to the One-off Redemption Offer*

The One-off Redemption Offer will be conditional upon the following conditions being fulfilled:

- (i) the Independent Unitholders' approval by way of an Extraordinary Resolution at the General Meeting to approve the Change of Investment Objective and Policies, the One-off Redemption Offer and the amendments to the Trust Deed by a supplemental Trust Deed; and
- (ii) the SFC's approval of the Change of Investment Objective and Policies, the One-off Redemption Offer and the amendments to the Trust Deed by a supplemental Trust Deed.

The One-off Redemption Offer will not be lapsed or conditional on any minimum number of redemption applications made by the Unitholders. The above conditions (e)(i) and (ii) to the One-off Redemption Offer may not be waived.

*(f) Overseas Unitholders*

Based on the register of Unitholders as at the date of this announcement, there were Unitholders with registered addresses in three jurisdictions outside Hong Kong. The Fund has made enquiries regarding the legal restrictions under the applicable securities legislation of the relevant jurisdictions and the requirements of the relevant regulatory body or stock exchange with respect to the One-off Redemption Offer in relation to such Overseas Unitholders.

The Fund has obtained advice from legal advisers in Macau and Australia that no local regulatory compliance is required to be made in that jurisdiction for the Fund in extending the One-off Redemption Offer to the Unitholders who resided in those jurisdictions.

The Fund has sought legal advice from its United States (US) legal counsel. Based on that advice, the extension of the One-off Redemption Offer to a Unitholder residing in the US may constitute a tender offer in the US. To avoid the full US Securities and Exchange Commission tender offer regulatory requirements, the Fund may either exclude the Unitholders residing in the US or include such Unitholders in accordance with the relevant exemptions under the US tender offer rules that are available to the Fund.

Accordingly, the Fund will avail itself of such exemption and extend the One-off Redemption Offer to all the Overseas Unitholders.

All Overseas Unitholders that are independent Unitholders (i) are entitled to receive a circular and a notice of general meeting and to attend and vote at the General Meeting, whether in person or by proxy and (ii) will be offered the One-off Redemption Offer.

As the One-off Redemption Offer may be affected by foreign laws, the Overseas Unitholders should inform themselves about and observe any applicable legal requirements.

**It is the responsibility of each Overseas Unitholder who wishes to submit the redemption request to satisfy himself or herself as to the full observance of the laws of the relevant jurisdiction in that connection, including obtaining any governmental or other consents which may be required or the compliance with other necessary formalities or legal requirements.**

***(g) Dealings in Units by the Fund, the Manager and any entities that are their parent, their subsidiaries, their fellow subsidiaries, associated companies of any of the foregoing, and companies of which such companies are associated companies***

The Fund has not repurchased any Units in the six-month period prior the date of this announcement and will not repurchase any Units from the date of this announcement up to the Redemption Day.

Other than the entities set out in the following table, the Fund, the Manager and entities that are the Manager's parent, the Manager's subsidiaries, the Manager's fellow subsidiaries, associated companies of any of the foregoing, and companies of which such companies are associated companies that trade in the Units as discretionary fund managers and/or for proprietary purposes have confirmed that there has been no dealing in the Units in the six months immediately prior to the date of this announcement. The Fund has no parent, subsidiary, fellow subsidiary and/or an associated company.

As at the date of this announcement, none of the directors of the Manager and any entities that are the Manager's parent, the Manager's subsidiaries, the Manager's fellow subsidiaries, associated companies of any of the foregoing, and companies of which such companies are associated companies that trade in the Units as discretionary fund managers and/or for proprietary purposes (other than the entities set out in the following table) had any interests and short positions in the Fund.

As at the date of this announcement, the following fellow subsidiaries and/or associated companies of the Manager that trade in the Units as discretionary fund managers and/or for proprietary purposes own or control or direct the holding of voting rights and rights over the Units:

Name of Entity	Units	Approx.%
The Hongkong and Shanghai Banking Corporation Limited	1,785,000	0.51
HSBC International Trustee Limited	608,500	0.17
HSBC Trustee (Hong Kong) Limited	4,000	0.00

Each of the Manager and any entities that are the Manager's parent, the Manager's subsidiaries, the Manager's fellow subsidiaries, associated companies of any of the foregoing, and companies of which such companies are associated companies that trade as discretionary fund managers and/or for proprietary purposes also confirms that, save as disclosed above, it:

- does not own, control or direct any voting rights or other rights over the Units;
- does not hold any convertible securities, warrants or options over the Units;
- has not received any irrevocable commitment to accept the One-off Redemption Offer in respect of any Units; and
- has not entered into any outstanding derivative in respect of the Units.

The Manager has not entered into any undertaking to accept or not to accept the One-off Redemption Offer from any Unitholder.

Commencing from the Business Day following the date of this Announcement up to the Business Day following the Lodgement Date, any dealings in the Units by the Manager and any entities that are the Manager's parent, the Manager's subsidiaries, the Manager's fellow subsidiaries, associated companies of any of the foregoing, and companies of which such companies are associated companies that trade as discretionary fund managers and/or for proprietary purposes from the date of this Announcement

up to the Lodgement Date will be filed with the Manager no later than 10 a.m. on the Business Day following the date of transaction. The Manager will then submit such dealing information to the SFC and such dealing information will be disclosed on the Fund's website as soon as practicable. Such information will be maintained on the website for a period of five years following the Lodgement Date.

***(h) Holding Structure***

Set out below is a table showing the holding structure of the Fund prior to and after the completion of the One-off Redemption Offer on the assumptions that (i) the aggregate number of Units for which applications are made under the One-off Redemption Offer reaches 40% of the outstanding number of Units as at the Lodgement Date; and (ii) the number of the Units in issue as at the date of this announcement remains unchanged until the completion of the One-off Redemption Offer.

The Fund has not and will not have any parent, subsidiary, fellow subsidiary and/or associated company.

	Immediately before the completion of the One-off Redemption Offer		Immediately after the completion of One-off Redemption Offer	
	<i>Units</i>	<i>Approx.%</i>	<i>Units</i>	<i>Approx.%</i>
Public Unitholders	347,289,500	99.3	208,373,700	99.3
Fellow subsidiaries and/or associated companies of the Manager that trade in the Units as discretionary fund managers and/or for proprietary purposes own or control or direct the holding of voting rights and rights over the Units	2,397,500	0.7	1,438,500	0.7

***(i) Odd Lots Arrangements***

Currently, the Units are traded in board lots of 500 Units each. Such board lot size will not change as a result of the One-off Redemption Offer. Eligible Unitholders should note that acceptance of the One-off Redemption Offer may result in their holding of odd lots of the Units.

The Manager will not make arrangements with any designated broker to match sales and purchases of odd lot trading of Units after completion of the One-off Redemption Offer in order to enable such redeeming Unitholders to dispose of their odd lots or to top up their odd lots to whole board lots.

***(j) Nominee Registration of Units***

Unitholders whose Units are held by a nominee company should note that the Manager will regard the nominee company as a single Unitholder according to the register of Unitholders. In order for the beneficial owners of the Units whose investments are registered in nominee names (including those whose interests in the Units are held through CCASS) to accept the One-off Redemption Offer, it is essential that they provide instructions to their nominee agents of their intentions with regard to the One-off Redemption Offer.

***(k) Other Arrangements***

There is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Units and which might be material to the One-off Redemption Offer.

There is no agreement or arrangement to which the Fund, the Manager and any entities that are their parent, subsidiaries, fellow subsidiaries, associated companies of any of the foregoing, and companies of which such companies are associated companies which relates to circumstances in which they may or may not invoke or seek to invoke a pre-condition or a condition to the One-off Redemption Offer. None of the Fund, the Manager or any entity that is their parent, subsidiary, the Manager's fellow subsidiary, associated company of any of the foregoing, and any company of which such company is an associated companies has borrowed or lent any Units.

***(l) Reason for and Financial Effect of the One-off Redemption Offer***

The Manager considers that the One-off Redemption Offer is in the best interest of the Unitholders. The One-off Redemption Offer will provide the Unitholders an option to exit part of their investment in the Fund. In addition, given the Fund has been trading at an average discount of 19.3% to its net asset value over the past twelve months, the Manager believes that the Change of Investment Objective and Policies, the One-off Redemption Offer and the amendments to the Trust Deed by a supplemental Trust Deed may potentially narrow such discount. However, there is no assurance that the Fund will be traded at a price that is equal to or at a reduced discount to its net asset value subsequent to the effecting of the Change of Investment Objective and Policies, the One-off Redemption Offer and the amendments to the Trust Deed by a supplemental Trust Deed or that the performance of the Fund will be improved or enhanced thereafter.

The One-off Redemption Offer, if effected, will:

- (i) enable the redeeming Unitholders to receive redemption proceeds equivalent to the net asset value of the Fund attributable to their redeeming Units on the Value Day, less the Redemption Levy;
- (ii) reduce the total net asset value, and therefore size, of the Fund by an amount proportional to the actual number of Units redeemed; and
- (iii) not materially impact the total expense ratio of the Fund.

***(m) Future Intentions of the Fund***

Other than the Change of Investment Objective and Policies and the amendments to the Trust Deed by a supplemental Trust Deed, the management of the Fund will remain unchanged and the Fund's listing on the Stock Exchange will be maintained upon completion of the One-off Redemption Offer. No other major changes will be introduced to the Fund.

**D. AMENDMENTS TO THE TRUST DEED BY A SUPPLEMENTAL TRUST DEED**

The Manager wishes to convene the General Meeting to seek approvals of the Independent Unitholders by way of an Extraordinary Resolution to approve the amendments to the Trust Deed by a supplemental Trust Deed to include the following:

- (i) in order to effect the One-off Redemption Offer and the Change of Investment Objective and Policies, certain amendments will need to be made to the Trust Deed by way of a supplemental Trust Deed. The Trust Deed shall be amended to provide that (a) all fees and expenses relating to any redemption of Units shall be borne by the Fund and (b) the

Redemption Levy will be charged and deducted from the redemption price and will be retained by the Fund for its own benefit; and

- (ii) in order to conform to the SFC's frequently asked questions on the Code and certain changes made to the Code with respect to the investment restrictions in collective investment schemes, certain amendments will need to be made to a supplemental Trust Deed to conform the Trust Deed to the Code with respect to the investment restrictions in which the Fund is subject relating to the Fund's investment in collective investment schemes, including the following:

- ETFs with the following characteristics (or such other characteristics that the SFC may determine from time to time) may be deemed as listed securities and shall not be treated as collective investment schemes for the purposes of the investment restrictions of the Fund:
  - a) ETFs that are listed and regularly traded on recognized stock exchanges open to the public (nominal listing not accepted); and the investment objective of the ETFs is to track a securities/commodities index or the performance of the ETF is linked with a securities/commodities index. Such index should be able to comply with the acceptability requirements as stipulated under Chapter 8.6(e) of the Code published by the SFC; and/or
  - b) all ETFs authorised by the SFC.
- the value of the Fund's total holding of units or shares in collective investment schemes which are non-recognized jurisdiction schemes and not authorised by the SFC would not in aggregate exceed 10% of the total net asset value;
- the Fund may invest in one or more underlying schemes which are either recognised jurisdiction schemes (as permitted pursuant to the Code) or schemes authorised by the SFC. The value of the Fund's holding of units or shares in each such underlying scheme may not exceed 30% of its total net asset value, unless the underlying scheme is authorised by the SFC, and the name and key investment information of the underlying scheme are disclosed in the Offering Circular.

In addition, each such underlying scheme's objective may not be to invest primarily in any investment prohibited by Chapter 7 of the Code issued by the SFC, and where such scheme's objective is to invest primarily in investments restricted by such chapter, such holdings may not be in contravention of the relevant limitation.

Where the Fund invests in any underlying scheme(s) managed by the Manager or its Connected Persons, all initial charges on the underlying scheme(s) must be waived.

The Manager may not obtain a rebate on any fees or charges levied by an underlying scheme or its management company.

## **E. CIRCULAR AND THE GENERAL MEETING**

### ***Circular***

Details, including the terms and conditions, of the proposed Change of Investment Objective and Policies, the proposed One-off Redemption Offer, the proposed amendments to the Trust Deed by a supplemental Trust Deed, the General Meeting and all other information reasonably necessary to enable the Independent Unitholders to make an informed decision on whether to vote for or against the resolutions proposed, shall be set out in a circular, together with the notice of the General

Meeting, to be despatched to all Unitholders within 21 days of the date of this announcement. Copies of the circular will be sent to all Unitholders.

### ***Approval Required***

The Manager proposes to seek the Independent Unitholders' approval by way of an Extraordinary Resolution at the General Meeting to approve:

- (i) the Change of Investment Objective and Policies;
- (ii) the One-off Redemption Offer; and
- (iii) the amendments to the Trust Deed by a supplemental Trust Deed.

Unitholders should note that the Manager will not proceed to effect any of (i), (ii) or (iii) above without obtaining the necessary Independent Unitholders' approval at the General Meeting for all of the three resolutions (i), (ii) and (iii) above.

The Trustee, the custodian of the Fund, the Manager and their respective Connected Persons will be required to abstain from voting on the Extraordinary Resolution. Only Independent Unitholders will be entitled to vote on the Extraordinary Resolution.

**It should be noted that dealings in the Units will continue during the period when the above conditions remain unfulfilled. Those Unitholders selling their Units and persons purchasing the Units during such period will accordingly bear the risk that the One-off Redemption Offer may not become unconditional. If any Unitholder or other person contemplating selling or purchasing any of the Units during this period is in doubt about his or her position, it is recommended that he or she should consult his or her professional adviser.**

### ***Independent Financial Adviser***

An independent committee will not be established to advise the Independent Unitholders. The independent financial advisor will be advising the Independent Unitholders directly on the One-Off Redemption Offer. The non-executive directors of the Manager have a potential conflict of interests because (i) they are employees of HSBC and (ii) certain fellow subsidiaries and/or associated companies and shareholders of the Manager have traded in the Units for proprietary purposes and/or have undertaken transactions with the Fund such as acting as brokers for the Fund.

Somerley Limited has been appointed as the independent financial adviser to advise the Unitholders (a) on the fairness and reasonableness of the terms of the One-off Redemption Offer and whether to vote in favour of the resolution to approve the One-off Redemption Offer; and (b) whether to accept the One-off Redemption Offer. A letter of advice from Somerley Limited as the independent financial adviser will be set out in the circular to be despatched to the Unitholders.

## **F. GENERAL**

**As the proposed Change of Investment Objective and Policies, the proposed One-off Redemption Offer and the proposed amendments to the Trust Deed by a supplemental Trust Deed are subject to approvals from the Independent Unitholders, such proposals may or may not proceed, Unitholders and prospective investors of the Fund are advised to exercise caution when dealing in the Units. If in doubt, please seek professional advice.**

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

The listing of the Funds on the Stock Exchange 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. 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).

## **G. DEFINITIONS**

"Business Day"	a day (other than a Saturday or Sunday) on which the Stock Exchange is open for normal trading and banks are open for normal banking business in Hong Kong provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which the Stock Exchange and banks in Hong Kong are open for any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise
"CAAPs"	Chinese A share access product(s), being a security/securities (such as a note, warrant, option, participation certificate) linked to A shares or portfolios of A shares which aim to replicate synthetically the economic benefit of the relevant A shares or portfolios of A shares
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"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
"ETFs"	exchange traded funds
"Extraordinary Resolution"	a resolution proposed as such and passed on a poll by 75% or more of the votes of those present and entitled to vote in person or by proxy at a duly convened meeting of the Unitholders

"General Meeting"	the general meeting of the Unitholders to be held
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HSBC"	HSBC Holdings plc.
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Unitholder(s)"	Unitholders other than any Unitholder that has a material interest in the One-off Redemption Offer which is different from the interests of all other Unitholders
"Lodgement Date"	the last date for lodgement of redemption requests pursuant to the One-off Redemption Offer which shall be no less than 14 days after the date of the General Meeting approving the Change of Investment Objective and Policies, the One-off Redemption Offer and the amendments to the Trust Deed by a supplemental Trust Deed
"Manager"	HSBC Global Asset Management (Hong Kong) Limited
"Offering Circular"	the offering circular of the Fund dated 6 July 2007 and includes any amendments and supplements thereto
"Overseas Unitholder(s)"	Unitholder(s) whose addresses, as shown in the register of Unitholders, are outside Hong Kong as of the Lodgement Date
"PRC" or "China"	the People's Republic of China, but for the purposes of this announcement and the Fund's investment objective and investment approach only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"Redemption Day"	the Business Day immediately following the Lodgement Date
"Redemption Levy"	the redemption fee of up to 2% of the redemption price, payable in relation to the redemption of Units by a redeeming Unitholder pursuant to the One-off Redemption Offer as described in this announcement
"Registrar"	Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
"SFC"	the Securities and Futures Commission 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 and supplements thereto

"Trustee"	HSBC Institutional Trust Services (Asia) Limited
"Unit(s)"	unit(s) of the Fund
"Unitholder(s)"	unitholder(s) of Units
"Value Day"	the Redemption Day, being the date on which the relevant market closing price of the underlying investments of the Fund, and the Fund's applicable operating expenses accrued or incurred to date shall be used to calculate the net asset value of the Fund to be adopted as the redemption price for the purpose of the One-off Redemption Offer

HSBC Global Asset Management (Hong Kong) Limited  
*Manager of HSBC China Dragon Fund*  
30 May 2012

*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 Mr. CHANDRASEKHARAN, Sridhar, Ms. CHEANG, Wai Wan Louisa, Mr. HARVEY-SAMUEL, Guy Daniel, Mr. PACTON, Olivier and Ms. FUNG, Yuen Mei Anita.*

# 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 <sup>1</sup>						Cumulative performance <sup>2</sup>		
	2012 year-to-date	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>3</sup>	6 months	1 year	Since August 07 <sup>3</sup>
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision)	7.09%	-26.10%	5.78%	89.66%	-59.35%	32.50%	-2.04%	-15.96%	-14.48%
<i>MSCI China A</i>	11.17%	-22.89%	-4.02%	97.00%	-61.99%	20.96%	-3.07%	-16.11%	-25.48%
The Fund’s non A-share and non QFII investments (gross of expenses)	12.02%	-18.91%	5.62%	69.11%	-55.17%	28.40%	4.76%	-15.77%	-6.61%
<i>MSCI China</i>	13.69%	-18.32%	5.10%	62.71%	-51.12%	23.43%	6.75%	-11.11%	-4.19%

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 <sup>1</sup>						Cumulative performance <sup>2</sup>		
	2012 year-to-date	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>3</sup>	6 months	1 year	Since August 07 <sup>3</sup>
Net asset value of the Fund (net of expenses)	9.08%	-23.31%	4.76%	75.51%	-57.82%	29.48%	0.73%	-16.93%	-16.01%

As at 30 April 2012:

Net asset value per unit of the Fund:	HK\$8.29
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$6.85
Discount / Premium to net asset value:	17.37% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 April 2012 (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 May 2012

*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 Mr. CHANDRASEKHARAN, Sridhar, Ms. CHEANG, Wai Wan Louisa, Mr. HARVEY-SAMUEL, Guy Daniel, Mr. PACTON, Olivier and Ms. FUNG, Yuen Mei Anita.*

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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**

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

Reference is made to the announcements by the Manager on 7 December 2011 (the "**Announcement**"), 6 January 2012, 6 February 2012, 6 March 2012 and 5 April 2012 in relation to the Change of Investment Objective and the One-off Redemption Offer. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Manager wishes to update the Holders that the Manager is still considering the Change of Investment Objective and the 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 the Change of Investment Objective and the One-Off Redemption Offer. The Manager will make further announcement(s) to update the Holders on the status of the possible Change of Investment Objective and the One-off Redemption Offer as and when necessary and on a monthly basis until then or an announcement not to proceed with the considering of such Change of Investment Objective and the 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.**

**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  
4 May 2012

*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 Mr. CHANDRASEKHARAN, Sridhar, Ms. CHEANG, Wai Wan Louisa, Mr. HARVEY-SAMUEL, Guy Daniel, Mr. PACTON, Olivier and Ms. FUNG, Yuen Mei Anita.*

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## HSBC CHINA DRAGON FUND

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### Voluntary Announcement – Fund Performance

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

The following table demonstrates the performance of different asset classes of the Fund. “The Fund’s A-share and other QFII investments” represents the indicative performance of the Fund’s investments in China A-shares and other QFII (Qualified Foreign Institutional Investor) investments. “The Fund’s non A-share and non QFII investments” represents the indicative performance of the Fund’s other investments such as H-shares, red chips and B-shares. The relevant figures are gross of expenses 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 <sup>1</sup>						Cumulative performance <sup>2</sup>		
	2012 year-to-date	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>3</sup>	6 months	1 year	Since August 07 <sup>3</sup>
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision)	0.37%	-26.10%	5.78%	89.66%	-59.35%	32.50%	-3.58%	-22.28%	-19.85%
<i>MSCI China A</i>	4.39%	-22.89%	-4.02%	97.00%	-61.99%	20.96%	-4.91%	-21.74%	-30.03%
The Fund’s non A-share and non QFII investments (gross of expenses)	8.02%	-18.91%	5.62%	69.11%	-55.17%	28.40%	15.84%	-15.84%	-9.95%
<i>MSCI China</i>	9.88%	-18.32%	5.10%	62.71%	-51.12%	23.43%	18.51%	-12.81%	-7.40%

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 <sup>1</sup>						Cumulative performance <sup>2</sup>		
	2012 year-to-date	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>3</sup>	6 months	1 year	Since August 07 <sup>3</sup>
Net asset value of the Fund (net of expenses)	3.82%	-23.31%	4.76%	75.51%	-57.82%	29.48%	5.20%	-19.98%	-20.06%

As at 30 March 2012:

Net asset value per unit of the Fund:	HK\$7.89
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$6.84
Discount / Premium to net asset value:	13.31% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 March 2012 (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 April 2012

*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 Mr. CHANDRASEKHARAN, Sridhar, Ms. CHEANG, Wai Wan Louisa, Mr. HARVEY-SAMUEL, Guy Daniel, Mr. PACTON, Olivier and Ms. FUNG, Yuen Mei Anita.*

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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**

Reference is made to the announcements by the Manager on 7 December 2011 (the "**Announcement**"), 6 January 2012, 6 February 2012 and 6 March 2012 in relation to the Change of Investment Objective and the One-off Redemption Offer. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Manager wishes to update the Holders that the Manager is still considering the Change of Investment Objective and the 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 the Change of Investment Objective and the One-Off Redemption Offer. The Manager will make further announcement(s) to update the Holders on the status of the possible Change of Investment Objective and the One-off Redemption Offer as and when necessary and on a monthly basis until then or an announcement not to proceed with the considering of such Change of Investment Objective and the 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.**

**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  
5 April 2012

*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 Mr. CHANDRASEKHARAN, Sridhar, Ms. CHEANG, Wai Wan Louisa, Mr. HARVEY-SAMUEL, Guy Daniel, Mr. PACTON, Olivier and Ms. FUNG, Yuen Mei Anita.*

**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 <sup>1</sup>						Cumulative performance <sup>2</sup>		
	2012 year-to-date	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>3</sup>	6 months	1 year	Since August 07 <sup>3</sup>
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision)	8.20%	-26.10%	5.78%	89.66%	-59.35%	32.50%	-8.46%	-17.34%	-13.59%
<i>MSCI China A</i>	12.06%	-22.89%	-4.02%	97.00%	-61.99%	20.96%	-8.56%	-16.65%	-24.88%
The Fund’s non A-share and non QFII investments (gross of expenses)	17.22%	-18.91%	5.62%	69.11%	-55.17%	28.40%	1.58%	-2.22%	-2.28%
<i>MSCI China</i>	17.88%	-18.32%	5.10%	62.71%	-51.12%	23.43%	5.70%	-1.62%	-0.66%

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 <sup>1</sup>						Cumulative performance <sup>2</sup>		
	2012 year-to-date	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>3</sup>	6 months	1 year	Since August 07 <sup>3</sup>
Net asset value of the Fund (net of expenses)	12.37%	-23.31%	4.76%	75.51%	-57.82%	29.48%	-4.15%	-11.04%	-13.48%

As at 29 February 2012:

Net asset value per unit of the Fund:	HK\$8.54
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$7.10
Discount / Premium to net asset value:	16.86% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 29 February 2012 (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 March 2012

*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 Mr. CHANDRASEKHARAN, Sridhar, Ms. CHEANG, Wai Wan Louisa, Mr. HARVEY-SAMUEL, Guy Daniel, Mr. PACTON, Olivier and Ms. FUNG, Yuen Mei Anita.*

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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**

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

Reference is made to the announcements by the Manager on 7 December 2011 (the "**Announcement**"), 6 January 2012 and 6 February 2012 in relation to the Change of Investment Objective and the One-off Redemption Offer. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Manager wishes to update the Holders that the Manager is still considering the Change of Investment Objective and the 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 the Change of Investment Objective and the One-Off Redemption Offer. The Manager will make further announcement(s) to update the Holders on the status of the possible Change of Investment Objective and the One-off Redemption Offer as and when necessary and on a monthly basis until then or an announcement not to proceed with the considering of such Change of Investment Objective and the One-off Redemption Offer.

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**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.**

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HSBC Global Asset Management (Hong Kong) Limited  
Manager of HSBC China Dragon Fund  
6 March 2012

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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 <sup>1</sup>						Cumulative performance <sup>2</sup>		
	2012 year-to-date	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>3</sup>	6 months	1 year	Since August 07 <sup>3</sup>
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision)	2.07%	-26.10%	5.78%	89.66%	-59.35%	32.50%	-16.79%	-19.25%	-18.49%
<i>MSCI China A</i>	3.70%	-22.89%	-4.02%	97.00%	-61.99%	20.96%	-18.50%	-17.64%	-30.49%
The Fund’s non A-share and non QFII investments (gross of expenses)	9.86%	-18.91%	5.62%	69.11%	-55.17%	28.40%	-14.04%	-10.46%	-8.42%
<i>MSCI China</i>	10.65%	-18.32%	5.10%	62.71%	-51.12%	23.43%	-10.09%	-9.40%	-6.75%

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 <sup>1</sup>						Cumulative performance <sup>2</sup>		
	2012 year-to-date	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>3</sup>	6 months	1 year	Since August 07 <sup>3</sup>
Net asset value of the Fund (net of expenses)	5.66%	-23.31%	4.76%	75.51%	-57.82%	29.48%	-16.00%	-16.18%	-18.64%

As at 31 January 2012:

Net asset value per unit of the Fund:	HK\$8.03
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$6.70
Discount / Premium to net asset value:	16.56% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 January 2012 (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 February 2012

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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**

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

Reference is made to the announcements by the Manager on 7 December 2011 (the "**Announcement**") and 6 January 2012 in relation to the Change of Investment Objective and the One-off Redemption Offer. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Manager wishes to update the Holders that the Manager is still considering the Change of Investment Objective and the 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 the Change of Investment Objective and the One-Off Redemption Offer. The Manager will make further announcement(s) to update the Holders on the status of the possible Change of Investment Objective and the One-off Redemption Offer as and when necessary and on a monthly basis until then or an announcement not to proceed with the considering of such Change of Investment Objective and the 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.**

**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.**

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HSBC Global Asset Management (Hong Kong) Limited  
*Manager of HSBC China Dragon Fund*  
6 February 2012

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# IMPORTANT

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## HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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### Voluntary Announcement – Fund Performance

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The following table demonstrates the performance of different asset classes of the Fund. “The Fund’s A-share and other QFII investments” represents the indicative performance of the Fund’s investments in China A-shares and other QFII (Qualified Foreign Institutional Investor) investments. “The Fund’s non A-share and non QFII investments” represents the indicative performance of the Fund’s other investments such as H-shares, red chips and B-shares. The relevant figures are gross of expenses 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 <sup>1</sup>					Cumulative performance <sup>2</sup>		
	2011 year-to-date	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>3</sup>	6 months	1 year	Since August 07 <sup>3</sup>
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision)	-26.10%	5.78%	89.66%	-59.35%	32.50%	-20.66%	-26.10%	-20.14%
<i>MSCI China A</i>	-22.89%	-4.02%	97.00%	-61.99%	20.96%	-22.03%	-22.89%	-32.97%
The Fund’s non A-share and non QFII investments (gross of expenses)	-18.91%	5.62%	69.11%	-55.17%	28.40%	-21.41%	-18.91%	-16.64%
<i>MSCI China</i>	-18.32%	5.10%	62.71%	-51.12%	23.43%	-19.28%	-18.32%	-15.73%

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 <sup>1</sup>					Cumulative performance <sup>2</sup>		
	2011 year-to-date	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>3</sup>	6 months	1 year	Since August 07 <sup>3</sup>
Net asset value of the Fund (net of expenses)	-23.31%	4.76%	75.51%	-57.82%	29.48%	-21.41%	-23.31%	-23.00%

As at 30 December 2011:

Net asset value per unit of the Fund:	HK\$7.60
Closing price of the Fund on the Stock Exchange of Hong Kong :	HK\$6.32
Discount / Premium to net asset value:	16.84% discount

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

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

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HSBC Global Asset Management (Hong Kong) Limited  
Manager of HSBC China Dragon Fund  
18 January 2012

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## **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)**

**Announcement**

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

Reference is made to the announcement by the Manager on 7 December 2011 (the "**Announcement**") in relation to the Change of Investment Objective and the One-off Redemption Offer. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Manager wishes to update the Holders that the Manager is still considering the Change of Investment Objective and the One-off Redemption Offer.

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HSBC Global Asset Management (Hong Kong) Limited  
Manager of HSBC China Dragon Fund  
6 January 2012

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<b>IMPORTANT</b>
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**HSBC CHINA DRAGON FUND**

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

**(Stock Code: 820)**

**Announcement**

**Change of Director**

HSBC Global Asset Management (Hong Kong) Limited, as the Manager of the Fund, hereby announces that Mr. CHANDRASEKHARAN, Sridhar has been appointed as Director of the Manager and Mr. FLINT, John Michael has resigned as Director of the Manager with effect from 6 January 2012.

The Offering Circular of the Fund has been revised accordingly. A copy of the Supplement to the Offering Circular dated 6 January 2012 has been posted on the Fund's website on 6 January 2012.

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  
6 January 2012

*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 Mr. CHANDRASEKHARAN, Sridhar, Ms. CHEANG, Wai Wan Louisa, Ms. FUNG, Yuen Mei Anita, Mr. HARVEY-SAMUEL, Guy Daniel and Mr. PACTON, Olivier*