
HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

(Stock Code: **820**)

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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 ⁽¹⁾.

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 fees 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 fees 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 ⁽²⁾							
	2013 Year-to-date	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾
		Year-to-date since 1 January up to 31 December ⁽¹⁾	Year-to-date since 1 January up to 5 September ⁽¹⁾					
The Fund's A-share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	2.86%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
MSCI China A	4.76%	9.46%	N.A.	-22.89%	-4.02%	97.00%	-61.99%	20.96%
The Fund's non A-share and non QFII investments (gross of fees)	N.A.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
MSCI China	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance ⁽⁴⁾					
	up to 29 November 2013 ⁽¹⁾			up to 5 September 2012 ⁽¹⁾		
	6 months	1 year	Since August 07 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾
The Fund’s A-share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	-6.37%	20.62%	-9.55%	N.A.	N.A.	N.A.
<i>MSCI China A</i>	-2.27%	23.12%	-23.14%	N.A.	N.A.	N.A.
The Fund’s non A-share and non QFII investments (gross of fees)	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 29 November 2013. "Net asset value of the Fund" performance figures are net of fees performance calculated according to the net asset value per unit of the Fund.

As at 29 November 2013:

	Calendar year performance ⁽²⁾							Cumulative performance ⁽⁴⁾		
	2013 year-to- date	2012 full year	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾
Net asset value of the Fund (net of fees)	1.40%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	-7.33%	18.80%	-11.65%

As at 29 November 2013:

Net asset value per unit of the Fund:	HK\$8.72
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$6.73
Discount / Premium to net asset value:	22.82% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 29 November 2013. 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 2013

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. RIKHYE, Jayant and Mr. PACTON, Olivier.

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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

29 November 2013

Dear Unitholders,

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

The 2013 Interim Report (the “Document”) of HSBC China Dragon Fund (the “Fund”) has been prepared in English and Chinese. Copies prepared in the language different from those you have received are available from Computershare Hong Kong Investor Services Limited (the Fund’s Registrar) on request, or on the Fund’s website at www.assetmanagement.hsbc.com/hk-chinadragonfund for five (5) years from the date of first publication and the HKExnews’s at www.hkexnews.hk.

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

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

Yours faithfully,

Joanna MUNRO

Director

For and on behalf of

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

各位單位持有人：

致現有單位持有人之函件 — 選擇收取公司通訊的方式及語言

滙豐中國翔龍基金(「本基金」)2013年中期報告(「該文件」)備有英文及中文版。香港中央證券登記有限公司(本基金之過戶登記處)在收到閣下的要求後，可提供閣下所收到的版本以外另一種語言編製的版本。有關文件亦將由首次刊載日期起計五(5)年內刊載於本基金網站www.assetmanagement.hsbc.com/hk-chinadragonfund內，並於香港交易所披露易網站www.hkexnews.hk登載。

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

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

代表

滙豐環球投資管理(香港)有限公司
作為滙豐中國翔龍基金之經理人

董事

文雅莉

謹啟

2013年11月29日

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

「公司通訊」指本基金發出或將予發出以供基金單位持有人參照或採取行動的任何文件，包括但不限於年報、中期報告、會議通告、上市文件、通函及代表委任表格。

Change Request Form 變更申請表格

To: HSBC China Dragon Fund (the “Fund”)
c/o Computershare Hong Kong Investor Services Limited
Hopewell Centre, 183 Queen’s Road East,
Wanchai, Hong Kong

致：滙豐中國翔龍基金(「本基金」)
經香港中央證券登記有限公司
香港灣仔皇后大道東183號
合和中心17M樓

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

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

Part A — I/We would like to receive another printed version of the Current Corporate Communications of the Fund as indicated below:
甲 部 本人／我們現在希望以下列方式收取 貴基金本次公司通訊文件之另一語言印刷本：

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

☐
☐
☐

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

Part B — I/We would like to change the choice of language and means of receipt of future Corporate Communications of the Fund as indicated below:
乙 部 本人／我們現在希望更改以下列方式收取 貴基金日後公司通訊文件之語言版本及收取途徑：

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

☐
☐
☐
☐

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

Name(s) of Unitholders[#]

基金單位持有人姓名[#]

Date

日期

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

Address[#]

地址[#]

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

Contact telephone number

聯絡電話號碼

Signature(s)

簽名

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

Notes/附註：

- Please complete all your details clearly.
請 閣下清楚填妥所有資料。
- 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 hsbchinadragon.ecom@computershare.com.hk.
上述指示適用於將來寄發予本基金單位持有人之所有公司通訊，直至閣下發出合理書面通知予本基金之過戶登記處香港中央證券登記有限公司地址為香港灣仔皇后大道東183號合和中心17M樓或以電郵方式發送通知 hsbchinadragon.ecom@computershare.com.hk 另作選擇為止。
- All Future Corporate Communications in both printed English and Chinese versions will be available for inspection from the Fund’s Registrar upon request.
本基金之過戶登記處將備有所有公司通訊之英、中文印刷本以供索閱。
- The unitholders are entitled to change the choice of means of receipt or language of the Fund’s Corporate Communications at any time by reasonable notice in writing to the Fund’s Registrar.
基金單位持有人有權隨時發出合理書面通知本基金之過戶登記處，要求更改收取公司通訊之語言版本及方式。
- Any form with more than one box marked (X), with no box marked (X), with no signature or otherwise incorrectly completed will be void.
如在本表格作出超過一項選擇、或未有作出選擇、或未有簽署、或在其他方面填寫不正確，則本表格將會作廢。
- For the avoidance of doubt, we do not accept any special instructions written on this Request Form.
為免存疑，任何在本申請表格上的額外手寫指示，本公司將不予處理。

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 Freeport No. 37
香港 Hong Kong

CUDDH2912013-100

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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

2013 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 2013 to 30 September 2013.

The interim results of the Fund for the period from 1 April 2013 to 30 September 2013 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 2013 to 30 September 2013.

Manager’s report

Review

The MSCI China index gained 1.4%, and the MSCI China A index 0.6%, in USD terms over the period.

Chinese equities enjoyed a reasonable start to the period, however speculation over an end to ultra-loose monetary policy in the US saw the market slump from mid-May onwards, as investors feared this would mean a withdrawal of liquidity from Asia. This negative sentiment was exacerbated by more local issues. Chinese economic growth disappointed the market, with the authorities sending clear signals that they are willing to tolerate slower growth in the near term in order to achieve structural reform. A sharp spike in interbank lending rates, designed in part to signal reduced tolerance for shadow banking, was evidence of this.

Signs of stability and modest growth within the Chinese economy helped investor sentiment and a recovery in markets in the third quarter. The official purchasing managers' index (PMI), a leading indicator, edged into 'expansionary' territory in July, with the HSBC/Markit version following suit in August. Industrial production, electricity consumption and ports and rail cargo traffic all picked up over the quarter. The launch of the Shanghai Free Trade Zone late in the quarter has also generated interest among investors.

Outlook

The incremental improvement in macro data has helped sustain market momentum, however disappointing PMIs in September have reawakened concerns that the market may have peaked. Nevertheless, the market revised up earnings estimates by 0.4% over the past month. November's Third Plenum of the Communist Party's Central Committee remains a potential catalyst for more market movement, depending on the nature and credibility of the reform programme that result.

Chinese equities remain at attractive value relative to the region and to history. We continue to like sectors/stocks with low macro correlation and strong earnings growth prospect, and those that stand to gain from reforms, such as alternative energy, oil/gas services and equipment, selective property and consumer discretionary.

Interim statement of assets and liabilities (unaudited)

As at 30 September 2013

	Note	30 September 2013 (Unaudited) HK\$	31 March 2013 (Audited) HK\$
Assets			
Investments at fair value through profit or loss	7, 13	1,835,311,314	1,765,074,874
Other receivables	8(c)	2,677,446	2,639,732
Cash and cash equivalents	8(d)	<u>141,472,098</u>	<u>119,915,808</u>
Total assets		<u>1,979,460,858</u>	<u>1,887,630,414</u>
Liabilities			
Taxation	6(b)	113,153,742	109,832,051
Deferred tax liabilities	6(c)	34,455,308	22,706,557
Accrued expenses and other payables	8(a), (b) & (c)	<u>2,790,608</u>	<u>2,890,458</u>
Total liabilities		<u>150,399,658</u>	<u>135,429,066</u>
Net assets attributable to unitholders		<u>1,829,061,200</u>	<u>1,752,201,348</u>
Representing:			
Total equity	10	<u>1,829,061,200</u>	<u>1,752,201,348</u>
Number of units in issue	11	<u>209,812,263</u>	<u>209,812,263</u>
Net asset value per unit		<u>8.72</u>	<u>8.35</u>

Interim statement of comprehensive income (unaudited)

For the period ended 30 September 2013

	Note	Period from 1 April 2013 to 30 September 2013 (Unaudited) HK\$	Period from 1 April 2012 to 30 September 2012 (Unaudited) HK\$
Dividend income		37,187,575	71,441,423
Interest income on deposits	4, 8(d)	288,783	479,587
Net gains/(losses) from investments	5	74,235,216	(215,987,665)
Net foreign exchange gain/(loss)		290,081	(74,047)
Redemption levy	12	—	1,398,747
Net investment income/(loss)		112,001,655	(142,741,955)
Management fees	8(a)	(13,852,916)	(19,179,947)
Transaction costs		(1,799,752)	(6,634,161)
Trustee's fees	8(b)	(1,031,912)	(1,387,644)
Custodian fees	8(c)	(840,563)	(879,639)
Auditor's remuneration		(237,516)	(221,656)
Legal and professional fees		(135,296)	(189,154)
Other operating expenses		(331,575)	(4,680,656)
Operating expenses		(18,229,530)	(33,172,857)
Profit/(loss) before taxation		93,772,125	(175,914,812)
Taxation	6(a)	(16,912,273)	(8,830,678)
Increase/(decrease) in net assets attributable to unitholders and total comprehensive income for the period		76,859,852	(184,745,490)

Interim statement of changes in equity (unaudited)

For the period ended 30 September 2013

	Note	Period from 1 April 2013 to 30 September 2013 (Unaudited) HK\$	Period from 1 April 2012 to 30 September 2012 (Unaudited) HK\$
Balance at the beginning of the period		1,752,201,348	2,757,478,558
Increase/(decrease) in net assets attributable to unitholders and total comprehensive income for the period		76,859,852	(184,745,490)
Redemption of units during the period	12	—	(1,000,104,370)
Balance at the end of period		1,829,061,200	1,572,628,698

Interim cash flow statement (unaudited)

For the period ended 30 September 2013

	Period from 1 April 2013 to 30 September 2013 (Unaudited) HK\$	Period from 1 April 2012 to 30 September 2012 (Unaudited) HK\$
Operating activities		
Interest income received	288,783	479,587
Dividend income received	37,187,575	69,741,104
Management fees paid	(13,597,406)	(20,746,756)
Trustee's fees paid	(1,069,959)	(1,461,985)
Tax paid	(3,367,485)	(6,929,761)
Proceeds from sale of investments	573,567,696	2,514,238,339
Payments on purchase of investments	(569,568,920)	(1,609,772,664)
Other operating expenses paid	(3,851,116)	(12,841,040)
Net cash generated from operating activities	<u>19,589,168</u>	<u>932,706,824</u>
Financing activities		
Payments on redemption of units	<u>—</u>	<u>(998,705,623)</u>
Net cash used in financing activities	<u>—</u>	<u>(998,705,623)</u>
Net increase/(decrease) in cash and cash equivalents	19,589,168	(65,998,799)
Cash and cash equivalents at the beginning of the period	119,915,808	262,042,456
Effect of exchange rate fluctuations on cash and cash equivalents	<u>1,967,122</u>	<u>(134,371)</u>
Cash and cash equivalents at the end of the period	<u>141,472,098</u>	<u>195,909,286</u>

Notes on the unaudited interim financial statements

For the period ended 30 September 2013

1 Background

HSBC China Dragon Fund (“the Fund”) is a closed-ended unit trust governed by its Trust Deed dated 20 June 2007 (“the Trust Deed”), as amended. The Fund is authorised by the Hong Kong Securities and Futures Commission (“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 HSBC Global Asset Management (Hong Kong) Limited (“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 Chinese A Share access products, 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 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 2013 and 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. There were no units redeemed during the period ended 30 September 2013.

2 Significant accounting policies

(a) Statement of compliance

These interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance 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 2013, except for the accounting policy changes that are expected to be reflected in the 2013 interim financial statements. Details of these changes in accounting policies are set out in note 3.

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 have 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 2013 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 auditor has expressed an unqualified opinion on the financial statements for the year ended 31 March 2013 in their report dated 19 July 2013.

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

The functional and presentation currency of the Fund is the Hong Kong dollar 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 bonds, 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 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 rate method.

(iv) Fair value measurement principles

Policy applicable until 1 April 2013

The fair value of financial instruments is based on their quoted market prices at the date of the statement of assets and liabilities without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

If a quoted market price is not available on a recognised stock exchange or from a broker/dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where pricing models are used, inputs are based on market data at the date of the statement of assets and liabilities. Fair values for unquoted equity instruments are estimated, if possible, using applicable price/earning ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

Net gains/(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.

Policy applicable from 1 April 2013

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument provided such price is within the bid-ask spread. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. In circumstances where the quoted price is not within the bid-ask spread, the Manager will determine the points within the bid-ask spread that are most representative of the fair value.

When there is no quoted price in an active market, the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Fund determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Fund measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Fund on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Fund recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(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, using the effective interest method. Interest income on bank deposits is disclosed separately in 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 dividends 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 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 gain/(loss) is the 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 new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Fund. Of these, the following development is relevant to the Fund's financial statements:

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. As a result, the Fund has adopted a new definition of fair value, as set out in note 2(c)(iv). The change had no impact on the measurements of the Fund's assets and liabilities. The Fund has included new disclosures in the financial statements which are required under HKFRS 13.

The Fund has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 16).

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 2013 to 30 September 2013 HK\$	Period from 1 April 2012 to 30 September 2012 HK\$
Net gains/(losses) from investments		
– Realised losses	(29,820,380)	(278,804,835)
– Unrealised gains	<u>104,055,596</u>	<u>62,817,170</u>
	<u>74,235,216</u>	<u>(215,987,665)</u>

Gains and losses presented above exclude dividend income.

6 Taxation

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

Under the current general provisions of the PRC Corporate Income Tax Law and published tax circulars, the Fund would be subject to PRC withholding tax at the rate of 10% in respect of its PRC sourced income earned, including capital gains realised on the sale of PRC A Shares, B Shares and H Shares listed companies, dividend income derived from PRC A Shares, B Shares and H Shares 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 Shares, B Shares and H Shares and interest income from PRC bank deposits and corporate bonds in the financial statements.

The Manager has determined that it is also appropriate to provide for PRC taxation at the withholding tax rate of 10% on unrealized gains on A Shares with effect from 26 July 2013. After such change, the Manager believes that the latest tax provision level of the Fund can more closely reflect the latest market value and performance of relevant securities on an on-going basis. The Fund has recognised deferred tax liabilities in respect of unrealised gains recognised on A Shares amounting to \$34,455,308 for the period ended 30 September 2013 (as at 31 March 2013: \$22,706,557).

(a) Taxation in the statement of comprehensive income represents:

	Period from 1 April 2013 to 30 September 2013 HK\$	Period from 1 April 2012 to 30 September 2012 HK\$
PRC dividend and interest income withholding tax	3,861,799	7,371,909
PRC capital gains tax – current	1,301,723	1,458,769
PRC capital gains tax – deferred	11,748,751	—
	<u>16,912,273</u>	<u>8,830,678</u>

(b) Taxation in the statement of assets and liabilities represents:

	30 September 2013 HK\$	31 March 2013 HK\$
PRC withholding tax provision relating to prior year	109,832,051	101,885,427
PRC withholding tax provision for the period/year	5,163,522	13,399,396
Payment of PRC withholding tax	(3,367,485)	(6,928,268)
Effect of foreign exchange	<u>1,525,654</u>	<u>1,475,496</u>
	<u>113,153,742</u>	<u>109,832,051</u>

(c) The movement of deferred tax liabilities in respect of unrealised gains recognised on A-shares:

	Period from 1 April 2013 to 30 September 2013 HK\$	Period from 1 April 2012 to 30 September 2012 HK\$
Balance at the beginning of the period	22,706,557	—
Charged to profit or loss	<u>11,748,751</u>	<u>—</u>
Balance at the end of the period	<u>34,455,308</u>	<u>—</u>

7 Investments at fair value through profit or loss

	30 September 2013 HK\$	31 March 2013 HK\$
Listed bonds		
– outside Hong Kong	—	12,075,887
Listed equities		
– in Hong Kong	57,098,321	133,169,345
– outside Hong Kong	1,519,277,239	1,413,412,967
Equity-linked instruments		
– warrants	222,238,220	188,517,878
– participation note	<u>36,697,534</u>	<u>17,898,797</u>
	<u>1,835,311,314</u>	<u>1,765,074,874</u>

8 Related party transactions

The following is a summary of transactions with related parties for the period. 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. The management fee charged to the Fund in respect of the period and payable at the end of the period amounted to \$13,852,916 (for the period from 1 April 2012 to 30 September 2012: \$19,179,947) and \$2,350,541 (as at 31 March 2013: \$2,095,031) 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 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, of the Fund, 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 \$1,031,912 (for the period from 1 April 2012 to 30 September 2012: \$1,387,644) and \$200,949 (as at 31 March 2013: \$238,996) 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 \$840,563 (for the period from 1 April 2012 to 30 September 2012: \$879,639) and \$1,721 (as at 31 March 2013: \$699) respectively.

A minimum clearing reserve is required to be held with the QFII custodian. As at 30 September 2013, the Fund had \$2,677,446 (as at 31 March 2013: \$2,639,732) 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 2013 amounted to \$1,449,413 and \$140,022,685 respectively (as at 31 March 2013: \$29,934 and \$119,885,874 respectively). During the period, no interest was earned from HSBC Hong Kong (for the period from 1 April 2012 to 30 September 2012: nil). Interest earned from Bank of Communications Co. Ltd amounted to \$288,783 (for the period from 1 April 2012 to 30 September 2012: \$479,587).

- (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:

	Period from 1 April 2013 to 30 September 2013 HK\$	Period from 1 April 2012 to 30 September 2012 HK\$
HSBC Futures – London		
Commission paid for the period	–	13,200
Average rate of commission	<u>N/A</u>	<u>0.12%</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>–</u>	<u>0.31%</u>

	Period from 1 April 2013 to 30 September 2013 HK\$	Period from 1 April 2012 to 30 September 2012 HK\$
The Hongkong and Shanghai Banking Corporation Limited		
Commission paid for the period	–	94,169
Average rate of commission	<u>–</u>	<u>0.01%</u>
Total aggregate value of such transactions for the period	18,152,882	925,999,856
Percentage of such transactions in value to total transactions for the period	<u>1.58%</u>	<u>25.36%</u>

- (f) The Hongkong and Shanghai Banking Corporation Limited, which is a member of the HSBC Group, has not entered into transactions to purchase units or sell units of the Fund for the period from 1 April 2013 to 30 September 2013 (for the period from 1 April 2012 to 30 September 2012: sold/redeemed 1,547,443 units of the Fund and incurred a net profit of \$1,451,804). As at 30 September 2013, The Hongkong and Shanghai Banking Corporation Limited held 282,577 units (as at 31 March 2013: 282,557 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 Reconciliation of net asset values

For the year ended 31 March 2013, the net asset value presented in the financial statements and that quoted for pricing purposes at the year end (“Dealing NAV”) are different as the principles for calculating the Dealing NAV as set out in the Offering Circular of the Fund are different from those required for financial reporting purposes under HKFRSs. For the period ended 30 September 2013, the net asset value presented in the financial statements and the Dealing NAV are consistent as the Offering Circular has been revised on 26 July 2013 as discussed in note 6. The following reconciliation provides details of the difference:

	30 September 2013 HK\$	31 March 2013 HK\$
NAV as reported in the financial statements as at 30 September/31 March	1,829,061,200	1,752,201,348
Adjustment for different basis adopted by the Fund in arriving at the Dealing NAV:		
– Deferred tax in respect of unrealised gains recognised on A Shares (note 6(c))	–	22,706,557
Dealing NAV as at 30 September/31 March	<u>1,829,061,200</u>	<u>1,774,907,905</u>

11 Units in issue

	Period from 1 April 2013 to 30 September 2013	Period from 1 April 2012 to 30 September 2012
Number of units in issue brought forward	209,812,263	349,687,000
Units redeemed during the period	–	(139,874,737)
Number of units in issue carried forward	<u>209,812,263</u>	<u>209,812,263</u>

The Fund is a closed-ended unit trust. There was no subscription and redemption of units during the period from 1 April 2013 to 30 September 2013. Apart from the One-off Redemption Offer as discussed in note 13, the Fund did not have subscription and redemption of units during the period from 1 April 2012 to 30 September 2012.

12 Redemption of units under the One-off Redemption Offer

During the period from 1 April 2012 to 30 September 2012, 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.

There were no units redeemed during the period from 1 April 2013 to 30 September 2013.

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 2013 are summarised below. Details of such investments held as at 30 September 2013 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 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 prices of its investment assets. 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 2013, 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 same basis for 31 March 2013.

	30 September 2013			31 March 2013		
	% 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\$
Investment assets						
Listed bonds	–	5	–	0.69	5	603,794
Listed equities						
– in Hong Kong	3.12	5	2,854,916	7.60	5	6,658,467
– outside Hong Kong	83.06	5	75,963,862	80.66	5	70,670,649
Equity-linked instruments:						
– warrants	12.15	5	11,111,911	10.76	5	9,425,894
– participation note	2.01	5	1,834,877	1.02	5	894,940
	<u>100.34</u>		<u>91,765,566</u>	<u>100.73</u>		<u>88,253,744</u>

(ii) Interest rate risk

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

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

30 September 2013			
	Less than 1 year HK\$	Over 1 year HK\$	Total HK\$
Assets			
Cash and cash equivalents	140,022,685	—	140,022,685
Total interest sensitivity gap	<u>140,022,685</u>	<u>—</u>	<u>140,022,685</u>
31 March 2013			
	Less than 1 year HK\$	Over 1 year HK\$	Total HK\$
Assets			
Investments at fair value through profit or loss	—	12,075,887	12,075,887
Cash and cash equivalents	119,885,874	—	119,885,874
Total interest sensitivity gap	<u>119,885,874</u>	<u>12,075,887</u>	<u>131,961,761</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 \$700,113 (31 March 2013: \$542,069); 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 2013.

(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:

	Assets HK\$	Liabilities HK\$	Net exposure HK\$
30 September 2013			
Renminbi	1,661,977,370	(147,684,725)	1,514,292,645
United States dollar	<u>259,133,865</u>	<u>(1,721)</u>	<u>259,132,144</u>
	<u>1,921,111,235</u>	<u>(127,686,446)</u>	<u>1,773,424,789</u>
31 March 2013			
Renminbi	1,548,014,460	(132,787,077)	1,415,227,383
United States dollar	<u>206,416,675</u>	<u>(699)</u>	<u>206,415,976</u>
	<u>1,754,431,135</u>	<u>(132,787,776)</u>	<u>1,621,643,359</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 movement in the USD/HKD exchange rate. During the period ended 30 September 2013, the HKD weakened in relation to the Renminbi by approximately 1%. At 30 September 2013, had the HKD further weakened in relation to the Renminbi by 1% (31 March 2013: 1%), with all other variables held constant, net assets attributable to unitholders would have increased by the amounts shown in the following table.

	HK\$
30 September 2013	
Renminbi	<u>15,142,926</u>
31 March 2013	
Renminbi	<u>14,152,274</u>

A 1% (31 March 2013: 1%) strengthening 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. The analysis is performed on the same basis for 31 March 2013.

(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 2013, 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.

There were no investments in debt securities as at 30 September 2013. At 31 March 2013, the Fund invested in debt securities with the following credit quality expressed as a percentage of debt securities:

**% of debt securities
31 March 2013**

Rating (Moody's/S&P)

Aa1/AA+	<u>100.00</u>
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Credit risk is managed by reviewing and monitoring the credit quality of debt securities or the issuers of the debt securities held by the Fund on an ongoing basis.

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 Fund enters in transactions of over-the-counter equity-linked instruments, which expose the Fund to the risk that the counterparties to the financial instruments might default on their obligations to the Fund. The Manager considers the risk to be insignificant.

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 2013 and 31 March 2013, 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 and bond investments are considered to be readily realisable under normal market conditions as they are all listed on stock exchanges in Hong Kong or the PRC. The Fund, however, also invest in unlisted equity linked-instruments, which are not publicly traded on exchanges and may be illiquid. The total value of unlisted equity linked-instruments of the Fund as at 30 September 2013 was \$168,259,042 (31 March 2013: \$141,288,083).

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 13). All financial liabilities have contractual maturities of less than three months. At both 30 September 2013 and 31 March 2013, there were no significant exposures to liquidity risk for the Fund.

(d) Capital management

At 30 September 2013, the Fund had \$1,829,061,200 (at 31 March 2013: \$1,752,201,348) 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, deferred tax liabilities, 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 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.

The fair values of financial assets and financial liabilities that are traded in active markets, such as equities, bonds 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 financial instrument 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

	30 September 2013		
	Level 1 HK\$	Level 2 HK\$	Total HK\$
Listed equities	1,576,375,560	–	1,576,375,560
Equity-linked instruments	–	258,935,754	258,935,754
	<u>1,576,375,560</u>	<u>258,935,754</u>	<u>1,835,311,314</u>

	31 March 2013		
	Level 1 HK\$	Level 2 HK\$	Total HK\$
Listed bonds	12,075,887	–	12,075,887
Listed equities	1,546,582,312	–	1,546,582,312
Equity-linked instruments	–	206,416,675	206,416,675
	<u>1,558,658,199</u>	<u>206,416,675</u>	<u>1,765,074,874</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's asset allocation decisions are based on one single and integrated investment strategy and the Fund's performance is evaluated on an overall basis. Accordingly, the Manager considers that the Fund has one single operating segment which is investing in a portfolio of financial instruments to generate investment returns in accordance with the investment objective stipulated in the offering circular of the Fund. 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 2013

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 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Fund:

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

HKFRS 9, *Financial instruments*

1 January 2015

The Fund is in the process of making an assessment of what the impact of these amendments, new standards 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 2013

<i>HSBC China Dragon Fund</i>			
	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets</i>
Equity			
<i>Listed investments</i>			
<i>The People's Republic of China</i>			
Anhui Jianghuai Automobile Co Ltd – A Share	2,533,700	29,566,634	1.62
Bank of Beijing Co Ltd – A Share	2,386,000	24,396,698	1.33
Beijing New Building Materials Plc – A Share	480,504	10,130,652	0.55
China CAMC Engineering Co Ltd – A Share	1,639,719	48,075,062	2.63
China CNR Corp Ltd – A Share	2,569,100	13,508,781	0.74
China Fortune Land Development Co Ltd – A Share	1,255,078	51,618,610	2.82
China Merchants Property Development Co Ltd – A Share	194,958	5,925,955	0.32
China Minsheng Banking Corp Ltd – A Share	10,310,252	124,494,238	6.81
China National Chemical Engineering Co Ltd – A Share	9,159,238	91,911,868	5.03
China State Construction Engineering Corp Ltd – A Share	445,047	1,810,081	0.10
China Vanke Co Ltd – A Share	2,485,300	28,749,922	1.57
Chongqing Changan Automobile Co Ltd – A Share	4,771,512	62,270,208	3.40
CITIC Securities Co Ltd – A Share	1,374,120	21,397,528	1.17
Citichamp Dartong Co Ltd – A Share	2,193,100	20,673,711	1.13
Gemdale Corp – A Share	928,357	7,069,302	0.39
Great Wall Motor Co Ltd – A Share	2,474,259	160,039,791	8.75
Gree Electric Appliances Inc – A Share	1,904,678	64,072,720	3.50
Guizhou Yibai Pharmaceutical Co Ltd – A Share	633,730	26,987,326	1.48
Haitong Securities Co Ltd – A Share	4,949,225	78,385,238	4.29
Hang Zhou Great Star Industrial Co Ltd – A Share	2,431,478	23,044,061	1.26
Industrial Bank Co Ltd – A Share	2,987,700	42,284,113	2.31
Inner Mongolia Yili Industrial Group Co Ltd – A Share	430,216	24,344,023	1.33
Jiangsu Yangnong Chemical Co Ltd – A Share	493,892	20,225,088	1.11
Kangmei Pharmaceutical Co Ltd – A Share	1,283,861	30,451,656	1.67
Ningxia Zhongyin Cashmere Co Ltd – A Share	2,437,024	26,369,673	1.44
Offshore Oil Engineering Co Ltd – A Share	2,761,844	25,860,127	1.41
Poly Real Estate Group Co Ltd – A Share	1,187,483	14,865,223	0.81
Qingdao Haier Co Ltd – A Share	1,088,700	18,387,617	1.01
RiseSun Real Estate Development Co Ltd – A Share	1,094,024	17,645,839	0.96
Shanghai Fosun Pharmaceutical (Group) Co Ltd – A Share	2,996,704	52,739,154	2.88
Shanghai Kehua Bio-Engineering Co Ltd – A Share	441,361	9,361,307	0.51
Shanghai Luxin Packing Materials Science & Technology Co Ltd – A Share	1,295,053	24,087,996	1.32
Shanghai Pudong Development Bank Co Ltd – A Share	4,898,351	62,622,174	3.42
Shantou Dongfeng Printing Co Ltd – A Share	745,841	17,199,060	0.94
Shenzhen Grandland Decoration Group Co Ltd – A Share	320,740	8,391,899	0.46
Shinva Medical Instrument Co Ltd – A Share	515,190	39,531,233	2.16

HSBC China Dragon Fund			
	Holdings	Market value HK\$	% of total net assets
Equity (continued)			
Listed investments (continued)			
<i>The People's Republic of China (continued)</i>			
Sinomach Automobile Co Ltd – A Share	998,855	18,679,957	1.02
Wuhan Langold Real Estate Co Ltd – A Share	1,941,797	21,724,590	1.19
Zhejiang Beimgate Scientific Industrial Trade Share Co Ltd – A Share	447,519	23,588,041	1.29
Zhejiang Longsheng Group Co Ltd – A Share	2,649,409	41,054,667	2.24
Zhejiang XinAn Chemical Industrial Group Co Ltd – A Share	902,909	15,261,137	0.83
Zhengzhou Yutong Bus Co Ltd – A Share	1,497,898	34,902,058	1.91
Zhongshan Vantage Gas Appliance Stock Co Ltd – A Share	2,467,071	35,572,221	1.95
		<u>1,519,277,239</u>	<u>83.06</u>
<i>Hong Kong</i>			
Bank of China Ltd – H Share	2,923,900	10,321,367	0.56
China Construction Bank Corp – H Share	3,178,160	18,973,615	1.04
China Mobile Ltd – H Share	152,500	13,229,375	0.72
China Overseas Land & Investment Ltd	276,000	6,320,400	0.35
China Petroleum & Chemical Corp – H Share	959,400	5,813,964	0.32
Tencent Holdings Ltd – H Share	6,000	2,439,600	0.13
		<u>57,098,321</u>	<u>3.12</u>
Equities (Total)		<u><u>1,576,375,560</u></u>	<u><u>86.18</u></u>
Equity-linked instruments			
Listed investments			
Citigroup Global Markets Holding – China Minsheng Banking Corp Ltd – A Share Covered American Call Warrants 20 January 2015	690,800	8,339,210	0.46
Citigroup Global Markets Holding – Gemdale Corp – A Share Covered American Call Warrants 20 January 2015	926,300	7,051,899	0.39
Citigroup Global Markets Holding – Gree Electric Appliances Inc – A Share Covered American Call Warrants 17 January 2014	274,319	9,225,730	0.50
Citigroup Global Markets Holding – Industrial Bank Co Ltd – A Share Covered American Call Warrants 17 January 2014	1,358,400	19,220,401	1.05
Citigroup Global Markets Holding – Ping An Insurance (Group) Co of China Ltd – A Share Covered American Call Warrants 17 January 2014	323,900	14,639,164	0.80
HSBC Bank Plc – Anhui Conch Cement Co Ltd – A Share Covered American Call Warrants 13 October 2020	403,100	7,623,466	0.42
HSBC Bank Plc – China Merchants Bank Co Ltd – A Share Covered American Call Warrants 23 August 2023	344,676	4,762,666	0.26

	HSBC China Dragon Fund		
	Holdings	Market value HK\$	% of total net assets
Equity-linked instruments (continued)			
Listed investments (continued)			
HSBC Bank Plc – China State Construction Engineering Corp Ltd – A Share Covered American Call Warrants 21 June 2022	2,883,500	11,716,089	0.64
HSBC Bank Plc – Luzhou Laojiao Co Ltd – A Share Covered American Call Warrants 3 June 2020	303,065	8,098,087	0.44
		90,676,712	4.96
Unlisted but quoted investments (continued)			
HSBC Bank Plc – China Merchants Bank Co Ltd – A Share Covered American Call Warrants 2 March 2020	1,980,900	27,371,692	1.50
HSBC Bank Plc – China Merchants Property Development Co Ltd – A Share Covered American Call Warrants 13 July 2020	267,005	8,113,833	0.44
HSBC Bank Plc – China Pacific Insurance Group Co Ltd – A Share Covered American Call Warrants 16 April 2020	1,109,850	24,690,292	1.35
HSBC Bank Plc – China Vanke Co Ltd – A Share Covered American Call Warrants 18 June 2020	1,514,935	17,526,461	0.96
HSBC Bank Plc – CITIC Securities Co Ltd – A Share Covered American Call Warrants 27 July 2020	2,558,827	39,841,532	2.18
HSBC Bank Plc – Shanghai Pudong Development Bank Co Ltd – A Share Covered American Call Warrants 28 May 2020	1,096,288	14,017,698	0.77
UBS – Inner Mongolia Yili Industrial Group Co Ltd – A Share Participation Note 9 September 2014	384,906	21,774,803	1.19
UBS London – Wuliangye Yibin Co Ltd – A Share Participation Note 5 September 2014	654,842	14,922,731	0.81
		168,259,042	9.20
Equity-linked instruments (Total)		258,935,754	14.16
Total investments (Total cost of investments: \$1,521,349,135)		1,835,311,314	100.34
Other net liabilities		(6,250,114)	(0.34)
Total net assets		1,829,061,200	100.00

Statement of movements in portfolio holdings (unaudited)

For the period ended 30 September 2013

	<i>% of total net assets attributable to unitholders</i>	
	30 September 2013	31 March 2013
Bonds	—	0.69
Equities	86.18	88.26
Equity-linked instruments	14.16	11.78
Total investments	100.34	100.73
Other net liabilities	(0.34)	(0.73)
Net assets attributable to unitholders	100.00	100.00

Performance table (unaudited)

For the period ended 30 September 2013

(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
31 March 2013	HK\$1,752,201,348
30 September 2013	HK\$1,829,061,200

(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
31 March 2013	HK\$8.35
30 September 2013	HK\$8.72

(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-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. During the year ended 31 March 2013, the Manager offered a right to the unitholders to redeem not more than 40% of the aggregate number of units in issue.

Year/period	Lowest HK\$	Highest HK\$
20 June 2007 (date of inception) to 31 March 2008	8.62	13.94
1 April 2008 to 30 September 2008	5.55	10.22
1 April 2008 to 31 March 2009	4.12	10.22
1 April 2009 to 30 September 2009	6.22	9.05
1 April 2009 to 31 March 2010	6.22	9.70
1 April 2010 to 30 September 2010	7.91	9.49
1 April 2010 to 31 March 2011	7.91	10.52
1 April 2011 to 30 September 2011	7.50	10.28
1 April 2011 to 31 March 2012	7.21	10.28
1 April 2012 to 30 September 2012	7.14	8.42
1 April 2012 to 31 March 2013	7.14	9.41
1 April 2013 to 30 September 2013	7.79	9.58

Issuance of Results

The unaudited interim report of the Fund for the period from 1 April 2013 to 30 September 2013 will be despatched to Unitholders on or about 29 November 2013.

Hong Kong, 26 November 2013

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. RIKHYE, Jayant 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 ⁽¹⁾.

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 fees 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 fees 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 ⁽²⁾							
	2013 Year-to- date	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾
		Year-to- date since 1 January up to 31 December ⁽¹⁾	Year-to- date since 1 January up to 5 September ⁽¹⁾					
The Fund’s A-share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	1.21%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
<i>MSCI China A</i>	1.35%	9.46%	N.A.	-22.89%	-4.02%	97.00%	-61.99%	20.96%
The Fund’s non A-share and non QFII investments (gross of fees)	N.A.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
<i>MSCI China</i>	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance ⁽⁴⁾						
	up to 31 October 2013 ⁽¹⁾			up to 5 September 2012 ⁽¹⁾			
	6 months	1 year	Since August 07 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾	
The Fund’s A-share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	0.04%	15.58%	-11.00%	N.A.	N.A.	N.A.	
<i>MSCI China A</i>	2.40%	12.19%	-25.64%	N.A.	N.A.	N.A.	
The Fund’s non A-share and non QFII investments (gross of fees)	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 2013. "Net asset value of the Fund" performance figures are net of fees performance calculated according to the net asset value per unit of the Fund.

As at 31 October 2013:

	Calendar year performance ⁽²⁾							Cumulative performance ⁽⁴⁾		
	2013 year-to- date	2012 full year	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾
Net asset value of the Fund (net of fees)	0.35%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	-0.35%	14.30%	-12.56%

As at 31 October 2013:

Net asset value per unit of the Fund:	HK\$8.63
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$6.58
Discount / Premium to net asset value:	23.75% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 October 2013. 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
14 November 2013

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. RIKHYE, Jayant 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 ⁽¹⁾.

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 fees 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 fees 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 ⁽²⁾							
	2013 Year-to-date	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾
		Year-to-date since 1 January up to 31 December ⁽¹⁾	Year-to-date since 1 January up to 5 September ⁽¹⁾					
The Fund’s A-share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	2.56%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
<i>MSCI China A</i>	2.98%	9.46%	N.A.	-22.89%	-4.02%	97.00%	-61.99%	20.96%
The Fund’s non A-share and non QFII investments (gross of fees)	N.A.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
<i>MSCI China</i>	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance ⁽⁴⁾					
	up to 30 September 2013 ⁽¹⁾			up to 5 September 2012 ⁽¹⁾		
	6 months	1 year	Since August 07 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾
The Fund’s A-share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	3.94%	17.93%	-9.82%	N.A.	N.A.	N.A.
<i>MSCI China A</i>	2.83%	13.06%	-24.44%	N.A.	N.A.	N.A.
The Fund’s non A-share and non QFII investments (gross of fees)	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 2013. "Net asset value of the Fund" performance figures are net of fees performance calculated according to the net asset value per unit of the Fund.

As at 30 September 2013:

	Calendar year performance ⁽²⁾							Cumulative performance ⁽⁴⁾		
	2013 year-to-date	2012 full year	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾
Net asset value of the Fund (net of fees)	1.40%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	2.83%	16.27%	-11.65%

As at 30 September 2013:

Net asset value per unit of the Fund:	HK\$8.72
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$6.29
Discount / Premium to net asset value:	27.86% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 September 2013. 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 October 2013

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. RIKHYE, Jayant 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 ⁽¹⁾.

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 fees 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 fees 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 ⁽²⁾							
	2013 Year-to-date	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾
		Year-to-date since 1 January up to 31 December ⁽¹⁾	Year-to-date since 1 January up to 5 September ⁽¹⁾					
The Fund’s A-share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	-0.71%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
<i>MSCI China A</i>	-1.33%	9.46%	N.A.	-22.89%	-4.02%	97.00%	-61.99%	20.96%
The Fund’s non A-share and non QFII investments (gross of fees)	N.A.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
<i>MSCI China</i>	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance ⁽⁴⁾						
	up to 30 August 2013 ⁽¹⁾			up to 5 September 2012 ⁽¹⁾			
	6 months	1 year	Since August 07 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾	
The Fund’s A-share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	-6.16%	21.37%	-12.69%	N.A.	N.A.	N.A.	
<i>MSCI China A</i>	-7.53%	13.58%	-27.60%	N.A.	N.A.	N.A.	
The Fund’s non A-share and non QFII investments (gross of fees)	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 August 2013. "Net asset value of the Fund" performance figures are net of fees performance calculated according to the net asset value per unit of the Fund.

As at 30 August 2013:

	Calendar year performance ⁽²⁾							Cumulative performance ⁽⁴⁾		
	2013 year-to- date	2012 full year	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾
Net asset value of the Fund (net of fees)	-1.63%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	-6.83%	18.16%	-14.29%

As at 30 August 2013:

Net asset value per unit of the Fund:	HK\$8.46
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$6.10
Discount / Premium to net asset value:	27.89% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 August 2013. 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
25 September 2013

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. RIKHYE, Jayant 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)

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 ⁽¹⁾.

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 ⁽²⁾							
	2013 Year-to- date	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾
		Year-to- date since 1 January up to 31 December ⁽¹⁾	Year-to- date since 1 January up to 5 September ⁽¹⁾					
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision) ⁽¹⁾	-4.37%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
MSCI China A	-6.97%	9.46%	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.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
MSCI China	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance ⁽⁴⁾						
	up to 31 July 2013 ⁽¹⁾			up to 5 September 2012 ⁽¹⁾			
	6 months	1 year	Since August 07 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾	
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision) ⁽¹⁾	-10.35%	8.83%	-15.91%	N.A.	N.A.	N.A.	
MSCI China A	-12.81%	2.28%	-31.74%	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%	
MSCI China	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 July 2013. "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 July 2013:

	Calendar year performance ⁽²⁾							Cumulative performance ⁽⁴⁾		
	2013 year-to- date	2012 full year	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾
Net asset value of the Fund (net of expenses)	-6.63%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	-12.43%	5.66%	-18.64%

As at 31 July 2013:

Net asset value per unit of the Fund:	HK\$8.03
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$6.07
Discount / Premium to net asset value:	24.40% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 July 2013. All performance figures are total return figures in Hong Kong dollars.

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

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Note:

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
20 August 2013

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. RIKHYE, Jayant 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)

31 July 2013

Dear Unitholders,

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

The 2013 Annual Report (the “Document”) of HSBC China Dragon Fund (the “Fund”) has been prepared in English and Chinese. Copies prepared in the language different from those you have received are available from Computershare Hong Kong Investor Services Limited (the Fund’s Registrar) on request, or on the Fund’s website at www.assetmanagement.hsbc.com/hk-chinadragonfund for five (5) years from the date of first publication and the HKExnews’s at www.hkexnews.hk.

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

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

Yours faithfully,

Joanna MUNRO

Director

For and on behalf of

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

各位單位持有人：

致現有單位持有人之函件 — 選擇收取公司通訊的方式及語言

滙豐中國翔龍基金(「本基金」)2013年年報(「該文件」)備有英文及中文版。香港中央證券登記有限公司(本基金之過戶登記處)在收到閣下的要求後，可提供閣下所收到的版本以外另一種語言編製的版本。有關文件亦將由首次刊載日期起計五(5)年內刊載於本基金網站www.assetmanagement.hsbc.com/hk-chinadragonfund內，並於香港交易所披露易網站www.hkexnews.hk登載。

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

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

代表

滙豐環球投資管理(香港)有限公司
作為滙豐中國翔龍基金之經理人

董事

文雅莉

謹啟

2013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))

☐
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☐

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

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

Date
日期

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

Address[#]
地址[#]

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

Contact telephone number
聯絡電話號碼

Signature(s)
簽名

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

Notes/附註：

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

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-31072013-100

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

2013 ANNUAL RESULTS ANNOUNCEMENT

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

HSBC China Dragon Fund (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 2012 to 31 March 2013.

The annual results of the Fund for the period from 1 April 2012 to 31 March 2013 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 2012 to 31 March 2013.

Manager’s report

Review

Chinese equities underwent a U-shaped recovery during the period with the MSCI China index and MSCI China A index bottoming out in the third quarter – both indexes are marginally higher in local currency terms.

2012 ended with an upturn in expectations for the Chinese economy - Gross Domestic Product (GDP) bottomed out in the third quarter at 7.4% before rebounding to 7.8% in the fourth quarter. After adjusting for seasonality, the Jan-Feb Purchasing Managers Index (PMI) readings averaged at 51.4 while March’s data revived to 51.7 suggesting an underlying improving trend in the Chinese economy. Credit and total social financing (a concept constructed by the PBOC to reflect the magnitude of liquidity support from the entire financial system to the real economy) posted a record monthly gain to RMB 2.54 trillion in

January 2013. Meanwhile, retail sales during the Chinese New Year period remained healthy, up 14.7% year-on-year in 2013, though sales of some luxury items were impacted as part of government's frugality crackdown campaign.

Property market tightening policies dominated the headlines as the State Council issued much stricter measures in March 2013 to cool the property sector. The new measures include a 20% capital gain tax on existing home sales, strengthening home-purchase restrictions and requesting cities with fast home price increases to hike down-payment ratios and mortgage rates on second homes.

Outlook

The two-week long National People's Congress closed with the new cabinet announcing several key economic targets for 2013 including: 1) moderate GDP growth rate of 7.5%; 2) proactive fiscal policy with a higher budget deficit to GDP ratio of 2%; and 3) prudent monetary policy setting a monetary base growth target of 13%.

On long-term policies, we expect the government to provide more clarity on its urbanization program as well as its reform regime. For example, the hukou system will need to be reformed allowing migrant workers to be transformed into permanent residents of a city so as to increase not only the coverage of public services such as healthcare and education but also the potential pent-up demand for housing and other goods and services.

"China Dream", a concept introduced by Premier Li which urges greater national unity as well as focusing on environmental issues, will be put on priority list to ensure people's well-being given the deteriorating pollution issues. As a result, the central government has committed RMB3.4 trillion in spending for environmental protection over the 12th five-year-plan, more than double the amount committed in the preceding five year period.

Looking ahead, we expect the new administration to announce further reform policies in various sectors to ensure a more sustainable and balanced economy for the future.

Statement of assets and liabilities

As at 31 March 2013

	Note	2013 HK\$	2012 HK\$
Assets			
Investments at fair value through profit or loss	7, 14	1,765,074,874	2,623,142,418
Other receivables	8(c)	2,639,732	2,602,094
Cash and cash equivalents	8(d)	<u>119,915,808</u>	<u>262,042,456</u>
Total assets		<u>1,887,630,414</u>	<u>2,887,786,968</u>
Liabilities			
Taxation	6(b)	109,832,051	101,885,427
Deferred tax liabilities	6(c)	22,706,557	–
Amounts payable on purchases of investments		–	24,010,793
Accrued expenses and other payables	8(a), (b) & (c)	<u>2,890,458</u>	<u>4,412,190</u>
Total liabilities		<u>135,429,066</u>	<u>130,308,410</u>
Net assets attributable to unitholders		<u>1,752,201,348</u>	<u>2,757,478,558</u>
Representing:			
Total equity	10	<u>1,752,201,348</u>	<u>2,757,478,558</u>
Number of units in issue	11	<u>209,812,263</u>	<u>349,687,000</u>
Net asset value per unit		<u>8.35</u>	<u>7.89</u>

Statement of comprehensive income

For the year ended 31 March 2013

	Note	2013 HK\$	2012 HK\$
Dividend income		71,674,757	57,282,439
Interest income on deposits	4, 8(d)	774,786	2,997,028
Net gains/(losses) from investments	5	15,059,077	(670,343,882)
Net foreign exchange (loss)/gain		(121,812)	3,555,479
Redemption levy	13	1,398,747	—
Net investment income/(loss)		<u>88,785,555</u>	<u>(606,508,936)</u>
Management fees	8(a)	(32,053,938)	(45,790,709)
Transaction costs		(15,805,569)	(23,005,515)
Trustee's fees	8(b)	(2,353,283)	(3,271,675)
Custodian fees	8(c)	(1,623,504)	(2,000,477)
Auditor's remuneration		(479,428)	(451,760)
Other operating expenses		<u>(5,536,720)</u>	<u>(2,095,988)</u>
Operating expenses		<u>(57,852,442)</u>	<u>(76,616,124)</u>
Profit/(loss) before taxation		30,933,113	(683,125,060)
Taxation	6(a)	<u>(36,105,953)</u>	<u>(14,144,013)</u>
Decrease in net assets attributable to unitholders and total comprehensive income for the year		<u>(5,172,840)</u>	<u>(697,269,073)</u>

Statement of changes in equity

For the year ended 31 March 2013

	Note	2013 HK\$	2012 HK\$
Balance at the beginning of the year		2,757,478,558	3,520,104,901
Decrease in net assets attributable to unitholders and total comprehensive income for the year		(5,172,840)	(697,269,073)
Repurchase of units during the year	12	—	(65,357,270)
Redemption of units during the year	13	<u>(1,000,104,370)</u>	<u>—</u>
Balance at the end of the year		<u>1,752,201,348</u>	<u>2,757,478,558</u>

Cash flow statement

For the year ended 31 March 2013

	2013 HK\$	2012 HK\$
Operating activities		
Interest income received	774,786	2,997,028
Dividend income received	71,674,757	58,741,698
Management fees paid	(33,498,325)	(46,678,980)
Trustee's fees paid	(2,427,519)	(3,306,279)
Transaction costs paid	(15,805,569)	(23,005,515)
Tax paid	(6,928,268)	(5,600,498)
Proceeds from sales of investments	3,099,873,560	5,038,212,164
Payments for purchases of investments	(2,250,757,732)	(4,873,227,455)
Other operating expenses paid	(8,035,006)	(3,912,093)
Net cash generated from operating activities	<u>854,870,684</u>	<u>144,220,070</u>
Financing activities		
Payments on repurchase of units	—	(65,357,270)
Payments on redemption of units	(998,705,623)	—
Net cash used in financing activities	<u>(998,705,623)</u>	<u>(65,357,270)</u>
Net (decrease)/increase in cash and cash equivalents	(143,834,939)	78,862,800
Cash and cash equivalents at the beginning of the year	262,042,456	176,971,669
Effect of foreign exchange rates changes	<u>1,708,291</u>	<u>6,207,987</u>
Cash and cash equivalents at the end of the year	<u>119,915,808</u>	<u>262,042,456</u>

Notes to the financial statements

For the year ended 31 March 2013

1 Background

HSBC China Dragon Fund (“the Fund”) is a closed-ended unit trust governed by its Trust Deed dated 20 June 2007 (“the Trust Deed”), as amended. The Fund is authorised by the Hong Kong Securities and Futures Commission (“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 year ended 31 March 2013.

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

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 the Hong Kong dollar 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 bonds, 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 purchases of investments, accrued expenses and other payables.

(ii) Recognition

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

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

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

(iii) Measurement

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

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair values recognised in the 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 gains/(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, using the effective interest method. Interest income on bank deposits is disclosed separately in 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 dividends 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 year, 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 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 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 the 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 that are first effective for the current accounting period of the Fund. Of these, the following development is relevant to the Fund's financial statements:

Amendments to HKFRS 7, Financial instruments: Disclosures – Transfers of financial assets

The amendments to HKFRS 7 require certain disclosure to be included in the financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. The Fund did not have any transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

The Fund has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 17).

4 Interest income on deposits

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

5 Net gains/(losses) from investments

	2013	2012
	HK\$	HK\$
Realised losses	(279,062,362)	(208,858,130)
Unrealised gains/(losses)	<u>294,121,439</u>	<u>(461,485,752)</u>
	<u>15,059,077</u>	<u>(670,343,882)</u>

Gains and losses presented above exclude dividend income.

6 Taxation

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

Under the current general provisions of the PRC Corporate Income Tax Law and published tax circulars, the Fund would be subject to PRC withholding tax at the rate of 10% in respect of its PRC sourced income earned, including capital gains realised on the sale of PRC A-shares, B-shares and H-shares listed companies, dividend income derived from PRC A-shares, B-shares and H-shares 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-shares, B-shares and H-shares and interest income from PRC bank deposits and corporate bonds in the financial statements. For the year ended 31 March 2013, the Fund has recognised deferred tax liabilities in respect of unrealised gains recognised on A-shares amounting \$22,706,557. The Fund has not recognised deferred tax liabilities in respect of unrealised gains recognised on A-shares amounting to \$2,215,447 for the year ended 31 March 2012 as the Manager considers the amount to be insignificant to the Fund.

(a) Taxation in the statement of comprehensive income represents:

	2013	2012
	HK\$	HK\$
PRC dividend and interest income withholding tax	7,291,984	5,932,435
PRC capital gains tax – current	6,107,412	8,211,578
PRC capital gains tax – deferred	<u>22,706,557</u>	<u>–</u>
	<u><u>36,105,953</u></u>	<u><u>14,144,013</u></u>

(b) Taxation in the statement of assets and liabilities represents:

	2013	2012
	HK\$	HK\$
PRC withholding tax provision relating to prior year	101,885,427	89,975,009
PRC withholding tax provision for the year	13,399,396	14,144,013
Payment of PRC withholding tax	(6,928,268)	(5,600,498)
Effect of foreign exchange	<u>1,475,496</u>	<u>3,366,903</u>
	<u>109,832,051</u>	<u>101,885,427</u>

(c) The movement of deferred tax liabilities in respect of unrealised gains recognised on A-shares:

	2013	2012
	HK\$	HK\$
Balance at the beginning of the year	—	—
Charged to profit or loss	<u>22,706,557</u>	<u>—</u>
Balance at the end of the year	<u>22,706,557</u>	<u>—</u>

7 Investments at fair value through profit or loss

	2013	2012
	HK\$	HK\$
Listed bonds		
– outside Hong Kong	12,075,887	—
Listed equities		
– in Hong Kong	133,169,345	1,373,840,838
– outside Hong Kong	1,413,412,967	1,249,301,580
Equity-linked instruments		
– warrants	188,517,878	—
– participation note	<u>17,898,797</u>	<u>—</u>
	<u>1,765,074,874</u>	<u>2,623,142,418</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. The management fee charged to the Fund in respect of the year and payable at the end of the year amounted to \$32,053,938 (2012: \$45,790,709) and \$2,095,031 (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 fees*

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 of the Fund, 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 \$2,353,283 (2012: \$3,271,675) and \$238,996 (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 year and payable at the end of the year amounted to \$1,623,504 (2012: \$2,000,477) and \$699 (2012: \$19,334) respectively.

A minimum clearing reserve is required to be held with the QFII custodian. As at 31 March 2013, the Fund had \$2,639,732 (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 31 March 2013 amounted to \$29,934 and \$119,885,874 respectively (2012: \$88,246,336 and \$173,796,120 respectively). During the year, no interest was earned from HSBC Hong Kong (2012: Nil). Interest earned from Bank of Communications Co Ltd amounted to \$774,786 (2012: \$2,997,028).

- (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:

	2013 HK\$	2012 HK\$
HSBC Futures - London		
Commission paid for the year	13,200	—
Average rate of commission	<u>0.12%</u>	<u>—</u>
Total aggregate value of such transactions for the year	11,336,150	—
Percentage of such transactions in value to total transactions for the year	<u>0.23%</u>	<u>—</u>
The Hongkong and Shanghai Banking Corporation Limited		
Commission paid for the year	94,169	147,489
Average rate of commission	<u>0.01%</u>	<u>0.09%</u>
Total aggregate value of such transactions for the year	949,175,272	160,497,435
Percentage of such transactions in value to total transactions for the year	<u>19.53%</u>	<u>1.62%</u>

- (f) The Hongkong and Shanghai Banking Corporation Limited, which is a member of the HSBC Group, entered into transactions to purchase 45,000 units and sell/redeem 1,547,443 units of the Fund and incurred a net profit of \$1,451,804 during the year (2012: Purchase 1,922,000 units and sell 442,500 units of the Fund and incurred a net loss of \$436,058). As at 31 March 2013, The Hongkong and Shanghai Banking Corporation Limited held 282,557 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 affect 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 Reconciliation of net asset values

The net asset value presented in the financial statements and that quoted for pricing purposes at the year end (“Dealing NAV”) are different as the principles for calculating the Dealing NAV as set out in the offering circular of the Fund are different from those required for financial reporting purposes under HKFRSs. The following reconciliation provides details of the difference:

	2013 HK\$	2012 HK\$
NAV as reported in the financial statements as at 31 March	1,752,201,348	2,757,478,558
Adjustment for different basis adopted by the Fund in arriving at the Dealing NAV:		
– Deferred tax in respect of unrealised gains recognised on A-shares (note 6(c))	<u>22,706,557</u>	<u>–</u>
Dealing NAV as at 31 March	<u>1,774,907,905</u>	<u>2,757,478,558</u>

11 Units in issue

	2013	2012
Number of units in issue brought forward	349,687,000	357,034,000
Units repurchased during the year	–	(7,347,000)
Units redeemed during the year	<u>(139,874,737)</u>	<u>–</u>
Number of units in issue carried forward	<u>209,812,263</u>	<u>349,687,000</u>

The Fund is a closed-ended unit trust. Apart from repurchase of its own units and the One-off Redemption Offer as discussed in notes 12 and 13 respectively, the Fund did not have any subscription and redemption of units during the year.

12 Repurchase of units

During the year ended 31 March 2012, the Fund repurchased 7,347,000 of its own units at a total amount of \$65,357,270 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 year ended 31 March 2013.

13 Redemption of units under the One-off Redemption Offer

During the year ended 31 March 2013, 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.

14 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 31 March 2013 are summarised below. Details of such investments held as at 31 March 2013 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 prices of its investment assets. 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 2013, 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 2012.

	2013			2012		
	% of total net assets	Change in price %	Effect on net assets attributable to the unitholders HK\$	% of total net assets	Change in equity price %	Effect on net assets attributable to the unitholders HK\$
Investment assets						
Listed bonds	0.69	5	603,794	–	5	–
Listed equities						
– in Hong Kong	7.60	5	6,658,467	49.82	5	68,692,042
– outside Hong Kong	80.66	5	70,670,649	45.31	5	62,465,079
Equity-linked instruments:						
– warrants	10.76	5	9,425,894	–	5	–
– participation note	1.02	5	894,940	–	5	–
	<u>100.73</u>		<u>88,253,744</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.

2013			
	Less than 1 year HK\$	Over 1 year HK\$	Total HK\$
Assets			
Investments at fair value through profit or loss	–	12,075,887	12,075,887
Cash and cash equivalents	119,885,874	–	119,885,874
Total interest sensitivity gap	<u>119,885,874</u>	<u>12,075,887</u>	<u>131,961,761</u>
2012			
	Less than 1 year HK\$	Over 1 year HK\$	Total HK\$
Assets			
Cash and cash equivalents	173,796,119	–	173,796,119
Total interest sensitivity gap	<u>173,796,119</u>	<u>–</u>	<u>173,796,119</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 \$542,069 (2012: \$868,981); an equal change in the opposite direction would have reduced the net assets attributable to unitholders by an equal amount. The analysis is performed on the same basis for 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 statement of assets and liabilities the Fund had the following exposure:

	Assets HK\$	Liabilities HK\$	Net exposure HK\$
31 March 2013			
Renminbi	1,548,014,460	(132,787,077)	1,415,227,383
United States dollar	<u>206,416,675</u>	<u>(699)</u>	<u>206,415,976</u>
	<u>1,754,431,135</u>	<u>(132,787,776)</u>	<u>1,621,643,359</u>
31 March 2012			
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. During the year ended 31 March 2013, the HKD weakened in relation to the Renminbi by approximately 1%. At 31 March 2013, had the HKD further weakened in relation to the Renminbi by 1% (2012: 5%), with all other variables held constant, net assets attributable to unitholders would have increased by the amounts shown in the following table.

	HK\$
31 March 2013	
Renminbi	<u>14,152,274</u>
31 March 2012	
Renminbi	<u>64,667,041</u>

A 1% (2012: 5%) strengthening 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. The analysis is performed on the same basis for 2012.

(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 2013, 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.

At the date of statement of assets and liabilities, the Fund invested in debt securities with the following credit quality expressed as a percentage of debt securities:

	% of debt securities	
	2013	2012
Rating (Moody’s/S&P)		
Aa1/AA+	100.00	—

Credit risk is managed by reviewing and monitoring the credit quality of debt securities or the issuers of the debt securities held by the Fund on an ongoing basis.

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 Fund enters in transactions of over-the-counter equity-linked instruments, which expose the Fund to the risk that the counterparties to the financial instruments might default on their obligations to the Fund. The Manager considers the risk to be insignificant.

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 2013 and 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 and bond investments are considered to be readily realisable under normal market conditions as they are all listed on stock exchanges in Hong Kong or the PRC. The Fund, however, also invest in unlisted equity linked-instruments, which are not publicly traded on exchanges and may be illiquid. The total value of unlisted equity linked-instruments of the Fund as at 31 March 2013 was \$141,288,083 (2012: Nil).

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 13). In addition, 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 (see note 12). All financial liabilities have contractual maturities of less than three months. At both 31 March 2013 and 31 March 2012, there were no significant exposures to liquidity risk for the Fund.

(d) Capital management

At 31 March 2013, the Fund had \$1,752,201,348 (2012: \$2,757,478,558) 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.

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

15 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 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.

The fair values of financial assets and financial liabilities that are traded in active markets, such as equities, bonds 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 financial instruments 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.

	2013		
	Level 1 HK\$	Level 2 HK\$	Total HK\$
Listed bonds	12,075,887	–	12,075,887
Listed equities	1,546,582,312	–	1,546,582,312
Equity-linked instruments	–	206,416,675	206,416,675
	<u>1,558,658,199</u>	<u>206,416,675</u>	<u>1,765,074,874</u>
	2012		
	Level 1 HK\$	Level 2 HK\$	Total HK\$
Listed equities	<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 year.

16 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's asset allocation decisions are based on one single and integrated investment strategy and the Fund's performance is evaluated on an overall basis. Accordingly, the Manager considers that the Fund has one single operating segment which is investing in a portfolio of financial instruments to generate investment returns in accordance with the investment objective stipulated in the offering circular of the Fund. There were no changes in the operating segment during the year.

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.

17 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2013

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Fund:

	Effective for accounting periods beginning on or after
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 and new standards 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 2013

<i>HSBC China Dragon Fund</i>			
	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
Bonds			
<i>Listed investments</i>			
China Minsheng Banking Corp Ltd Step Coupon Convertible Bonds 15 March 2019	9,125,000	12,075,887	0.69
Bonds (total)		<u>12,075,887</u>	<u>0.69</u>
Equities			
<i>Listed investments</i>			
<i>The People's Republic of China</i>			
Agricultural Bank of China – A Share	6,275,600	21,166,313	1.21
Anhui Conch Cement Co Ltd – A Share	1,198,750	25,516,695	1.46
Anhui Jianghuai Automobile Co Ltd – A Share	1,674,500	12,194,947	0.70
Bank of Beijing Co Ltd – A Share	2,386,000	26,258,660	1.50
Beijing Jangho Curtain Wall Co Ltd – A Share	716,316	18,943,129	1.08
Beijing New Building Materials Plc – A Share	1,316,204	26,948,113	1.54
Beiqi Foton Motor Co Ltd – A Share	914,600	7,186,345	0.41
China Automotive Engineering Research Institute Co Ltd – A Share	763,700	8,271,192	0.47
China CAMC Engineering Co Ltd – A Share	1,639,719	52,948,807	3.02
China CNR Corp Ltd – A Share	2,569,100	12,740,830	0.73
China Fortune Land Development Co Ltd – A Share	1,255,078	38,098,089	2.17
China Merchants Property Development Co Ltd – A Share	194,958	5,745,068	0.33
China Minsheng Banking Corp Ltd – A Share	10,310,252	124,930,138	7.13
China National Chemical Engineering Co Ltd – A Share	8,508,490	98,634,006	5.63
China Pacific Insurance Group Co Ltd – A Share	1,173,501	26,826,299	1.53
China Petroleum & Chemical Corp – A Share	1,850,200	17,080,057	0.97
China Railway Construction Corp – A Share	3,439,200	21,781,691	1.24
China Railway Group Ltd – A Share	3,863,600	13,513,766	0.77
China State Construction Engineering Corp Ltd – A Share	4,762,347	19,988,791	1.14
China Vanke Co Ltd – A Share	2,485,300	33,405,448	1.91
Chongqing Changan Automobile Co Ltd – A Share	4,053,912	47,095,940	2.69
CITIC Securities Co Ltd – A Share	1,374,120	20,907,310	1.19
Citichamp Dartong Co Ltd – A Share	898,500	6,958,826	0.40
CSR Corp Ltd – A Share	4,690,000	23,961,961	1.37

HSBC China Dragon Fund

	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
Equities			
<i>Listed investments</i>			
Great Wall Motor Co Ltd – A Share	2,267,481	92,027,913	5.25
Gree Electric Appliances Inc – A Share	1,904,678	67,952,583	3.88
Guangdong Homa Appliances Co Ltd – A Share	303,480	5,231,610	0.30
Haitong Securities Co Ltd – A Share	3,506,425	44,239,696	2.52
Hangzhou Binjiang Real Estate Group Co Ltd – A Share	1,230,789	12,730,344	0.73
Henan Dayou Energy Co Ltd – A Share	1,096,800	28,237,851	1.61
Huaxin Cement Co Ltd – A Share	921,049	15,279,425	0.87
Industrial Bank Co Ltd – A Share	2,489,900	53,808,912	3.07
Jiangsu Yangnong Chemical Co Ltd – A Share	370,292	11,286,528	0.64
Jiangsu Zhongnan Construction Group Co Ltd – A Share	395,278	4,982,187	0.28
Nanjing Chemical Fibre Co Ltd – A Share	3,526,529	23,568,256	1.35
Ningxia Zhongyin Cashmere Co Ltd – A Share	2,437,024	26,150,450	1.49
Ping An Insurance (Group) Co of China Ltd – A Share	378,887	19,575,661	1.12
Poly Real Estate Group Co Ltd – A Share	1,928,283	27,652,784	1.58
Qingdao Haier Co Ltd – A Share	1,088,700	17,285,422	0.99
RiseSun Real Estate Development Co Ltd – A Share	1,094,024	18,640,923	1.06
Shanghai Fosun Pharmaceutical (Group) Co Ltd – A Share	2,439,404	36,871,882	2.10
Shanghai Pudong Development Bank Co Ltd – A Share	4,898,351	61,984,850	3.54
Shinva Medical Instrument Co Ltd – A Share	186,972	8,753,916	0.50
Sinomach Automobile Co Ltd – A Share	998,855	16,732,369	0.95
Stanley Fertilizer Co Ltd – A Share	411,959	18,654,697	1.06
TangShan SanYou Chemical Industries Co Ltd – A Share	1,491,400	8,141,450	0.46
TCL Corp – A Share	8,989,130	29,420,169	1.68
Tongkun Group Co Ltd – A Share	789,800	7,162,753	0.41
Weichai Power Co Ltd – A Share	482,116	12,882,155	0.74
Wuhan Langold Real Estate Co Ltd – A Share	1,941,797	15,960,847	0.91
Zoomlion Heavy Industry Science & Technology Co Ltd – A Share	1,704,218	17,094,913	0.98
		<u>1,413,412,967</u>	<u>80.66</u>
<i>Hong Kong</i>			
Agricultural Bank of China – H Share	1,568,000	5,832,960	0.33
Bank of China Ltd – H Share	2,923,900	10,526,040	0.60
Brilliance China Automotive Holdings Ltd – H Share	912,000	8,317,440	0.48
China Construction Bank Corp – H Share	3,178,160	20,149,535	1.15
China Life Insurance Co Ltd – H Share	199,000	3,999,900	0.23
China Mobile Ltd – H Share	421,500	34,605,150	1.98
China Overseas Land & Investment Ltd	276,000	5,920,200	0.34
China Petroleum & Chemical Corp – H Share	738,000	6,730,560	0.38
China Shenhua Energy Co Ltd – H Share	77,000	2,171,400	0.12

HSBC China Dragon Fund			
	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
Equities			
<i>Listed investments</i>			
Huaneng Power International Inc – H Share	356,000	2,933,440	0.17
Industrial and Commercial Bank of China – H Share	3,267,245	17,741,140	1.01
PetroChina Co Ltd – H Share	818,000	8,310,880	0.47
Ping An Insurance (Group) Co of China Ltd – H Share	74,000	4,451,100	0.25
Tencent Holdings Ltd – H Share	6,000	1,479,600	0.09
		<u>133,169,345</u>	<u>7.60</u>
Equities (total)		<u>1,546,582,312</u>	<u>88.26</u>
Equity-linked instruments			
<i>Listed investments</i>			
Citigroup Global Markets Holding - China Minsheng Banking Corp Ltd – A Share Covered American Call Warrants 20 January 2015	690,800	8,301,697	0.47
Citigroup Global Markets Holding - Gree Electric Appliances Inc – A Share Covered American Call Warrants 17 January 2014	274,319	9,903,610	0.56
Citigroup Global Markets Holding - Ping An Insurance (Group) Co of China Ltd – A Share Covered American Call Warrants 17 January 2014	323,900	16,593,622	0.95
HSBC Bank Plc - Anhui Conch Cement Co Ltd – A Share Covered American Call Warrants 13 October 2020	403,100	8,560,567	0.49
HSBC Bank Plc - China State Construction Engineering Corp Ltd – A Share Covered American Call Warrants 21 June 2022	2,883,500	12,042,998	0.69
HSBC Bank Plc - Luzhou Laojiao Co Ltd – A Share Covered American Call Warrants 3 June 2020	303,065	9,726,098	0.56
		<u>65,128,592</u>	<u>3.72</u>
<i>Unlisted but quoted investments</i>			
HSBC Bank Plc - China Merchants Bank Co Ltd – A Share Covered American Call Warrants 2 March 2020	1,980,900	29,986,760	1.71
HSBC Bank Plc - China Merchants Property Development Co Ltd – A Share Covered American Call Warrants 13 July 2020	267,005	8,181,236	0.47
HSBC Bank Plc - China Pacific Insurance Group Co Ltd – A Share Covered American Call Warrants 16 April 2020	1,109,850	25,330,514	1.44
HSBC Bank Plc - China Vanke Co Ltd – A Share Covered American Call Warrants 18 June 2020	1,514,935	20,698,508	1.18
HSBC Bank Plc - CITIC Securities Co Ltd – A Share Covered American Call Warrants 27 July 2020	2,558,827	39,192,268	2.24
		<u>123,389,286</u>	<u>7.04</u>

HSBC China Dragon Fund		
		<i>% of total net assets attributable to unitholders</i>
<i>Holdings</i>	<i>Market value HK\$</i>	
Equity-linked instruments		
<i>Unlisted investments</i>		
UBS – Wuliangye Yibin Co Ltd – A Share Participation Note 5 September 2013	654,842 17,898,797	1.02
Equity-linked instruments (Total)	<u>206,416,675</u>	<u>11.78</u>
Total investments (Total cost of investments: \$1,555,168,291)	1,765,074,874	100.73
Other net liabilities	<u>(12,873,526)</u>	<u>(0.73)</u>
Net assets attributable to unitholders	<u>1,752,201,348</u>	<u>100.00</u>

Statement of movements in portfolio holdings

For the year ended 31 March 2013

	<i>% of total net asset attributable to unitholders</i>	
	2013	2012
Bonds	0.69	—
Equities	88.26	95.13
Equity-linked instruments	11.78	—
Total investments	100.73	95.13
Other net (liabilities)/assets	(0.73)	4.87
Net assets attributable to unitholders	<u>100.00</u>	<u>100.00</u>

Performance table

For the year ended 31 March 2013

(a) *Total net asset value*

Year/period end

31 March 2013	HK\$1,752,201,348
31 March 2012	HK\$2,757,478,558
31 March 2011	HK\$3,520,104,901
31 March 2010	HK\$3,403,444,993

(b) *Total net asset value per unit*

Year/period end

31 March 2013	HK\$8.35
31 March 2012	HK\$7.89
31 March 2011	HK\$9.86
31 March 2010	HK\$9.15

(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. During the year ended 31 March 2013, 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.

Year	Net asset value per unit	
	Lowest HK\$	Highest HK\$
2013	7.14	9.41
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

(d) Total expense ratio (before taxes)

Year end

31 March 2013 3.30%

Issuance of Results

The audited annual report of the Fund for the period from 1 April 2012 to 31 March 2013 will be despatched to Unitholders on or about 31 July 2013.

Hong Kong, 26 July 2013

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 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. RIKHYE, Jayant and Mr. PACTON, Olivier.

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HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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

ANNOUNCEMENT OF CHANGES TO THE OFFERING CIRCULAR AND KEY FACT STATEMENT

This is an announcement made by HSBC China Dragon Fund (the "**Fund**") pursuant to Chapter 11.1B of the Code on Unit Trusts and Mutual Funds and the disclosure obligation under the listing agreement for collective investment schemes as set out in Part G of Appendix 7 to the Rules Governing the Listing of Securities on the Stock Exchange.

HSBC Global Asset Management (Hong Kong) Limited (the "**Manager**"), as the manager of the Fund, would like to inform you that the offering circular of the Fund (the "**Offering Circular**") has been updated to include a number of key changes as set out as follows:

1. China's State Administration of Foreign Exchange Revised Foreign Exchange Rules for qualified foreign institutional investors ("QFII")

The State Administration of Foreign Exchange ("**SAFE**") promulgated the SAFE Bulletin [2012] No.2 in December 2012 to amend the *Measures on the Foreign Exchange Administration of the Domestic Securities Investment by Qualified Foreign Institutional Investors*, which became effective as of 7 December 2012 ("**Amended SAFE Measures**").

As a result of the promulgation of the Amended SAFE Measures, the Offering Circular of the Fund has been revised as follows:

- (a) the definition of "QFII Permitted Securities" (on page 9 of the Offering Circular) has been inserted to cover financial products such as stock index futures and inter-bank bonds to conform to the Amended SAFE Measures; and
- (b) The seventh paragraph under the sub-heading of "Investment Restrictions, Repatriation, etc" (on page 27 of the Offering Circular) has been revised pursuant to the Amended SAFE Measures to reflect that net realised profits and principal funds of the QFII, up to 20% of the QFII's total asset value in the PRC as of the end of the immediately preceding calendar year, may be repatriated out of the PRC on a monthly basis.

2. Provision for Potential Capital Gain Tax in China

As disclosed in the Offering Circular, the Manager reserves the right to provide for withholding tax on the relevant gains or income and withhold the tax for the account of the Fund. Schedule 1 to the Trust

Deed constituting the Fund provides that, in calculating the net asset value: (i) the liabilities shall include the amount of tax on capital gains accrued up to the end of the last accounting period remaining unpaid; and (ii) there shall be taken into account such sum (if any) as in the estimate of the trustee of the Fund (the "**Trustee**") or the Manager will fall to be paid or reclaimed in respect of taxation related to income and transactions down to the date as at which the relevant valuation is made.

Currently, the Fund has provided a 10% provision on the potential tax with respect to the realised gains from its investments in A shares in China.

The Manager has determined that the Fund will also make a 10% provision for unrealised gains from its investments in A shares in China with effect from 26 July 2013 (the "Effective Date").

A 10% provision will be made with respect to the realized and unrealized gains from the investments in A shares in China as from the Effective Date. After such change, the Manager believes that the latest tax provision level of the Fund can more closely reflect the latest market value and performance of the relevant securities on an on-going basis. This change is considered by the Manager (after consultation with the auditor of the Fund) to be in the best interest of the Fund and the unitholders and would not prejudice interests of the unitholders. Further, the Trustee has been notified and has no objection to the change in tax provision calculation method.

As from the Effective Date, and on each subsequent valuation day, the revised tax provision will be reflected in the Fund's net asset value.

Please note such tax provision may be more than or less than the Fund's actual tax liabilities. In the event that the Manager is satisfied that part of the tax provisions are not required, such provisions will be released back into the Fund. Any tax provision, if made, will be reflected in the net asset value of the Fund at the time of debit or release of such provision and thus will only impact on units which remain in the Fund at the time of debit or release of such provision. Units which are sold/redeemed prior to the time of debit of such provision will not be affected by reason of any insufficiency of the tax provision. Likewise, such units will not benefit from any release of excess tax provisions.

Investors may be advantaged or disadvantaged depending upon how gains on A Shares will ultimately be taxed and when the investors purchased/subscribed and/or sold/redeemed the units of the Fund. Investors should note that no unitholders who have sold/redeemed their units in the Fund before the release of any excess tax provision shall be entitled to claim in whatsoever form any part of the tax provision or withholding amounts released to the Fund, which amount will be reflected in the net asset value of units of the Fund.

The paragraphs under the heading "Taxation in the PRC" on page 30 of the Offering Circular, the paragraphs under the heading "Withholding tax and tax on capital gain" on page 44 of the Offering Circular and the second paragraph under "6. China tax risk" of the Fund's Key Fact Statement have accordingly been revised to reflect this intention.

3. List of directors

The list of directors of the Manager under the heading "Parties involved in the Fund" on page 3 of the Offering Circular has also been updated to reflect the appointment of Mr Jayant RIKHYE and the resignation of Mr Guy Daniel HARVEY-SAMUEL.

General

The Offering Circular has been revised accordingly. A copy of the revised Offering Circular dated 26 July 2013 has been posted on the Fund's website on 26 July 2013.

The Manager accepts responsibility for the accuracy of the information contained in this announcement as at the date of its issuance.

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

26 July 2013

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. RIKHYE, Jayant 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 ⁽¹⁾.

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 ⁽²⁾							
	2013 Year-to-date	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾
		Year-to-date since 1 January up to 31 December ⁽¹⁾	Year-to-date since 1 January up to 5 September ⁽¹⁾					
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision) ⁽¹⁾	-5.37%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
<i>MSCI China A</i>	-8.46%	9.46%	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.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
<i>MSCI China</i>	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance ⁽⁴⁾						
	up to 28 June 2013 ⁽¹⁾			up to 5 September 2012 ⁽¹⁾			
	6 months	1 year	Since August 07 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾	
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision) ⁽¹⁾	-5.37%	3.70%	-16.78%	N.A.	N.A.	N.A.	
<i>MSCI China A</i>	-8.46%	-5.08%	-32.84%	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 28 June 2013. "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 28 June 2013:

	Calendar year performance ⁽²⁾							Cumulative performance ⁽⁴⁾		
	2013 year-to- date	2012 full year	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾
Net asset value of the Fund (net of expenses)	-6.16%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	-6.16%	4.94%	-18.24%

As at 28 June 2013:

Net asset value per unit of the Fund:	HK\$8.07
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$6.15
Discount / Premium to net asset value:	23.79% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 28 June 2013. 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 July 2013

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. RIKHYE, Jayant 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)

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 ⁽¹⁾.

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 ⁽²⁾							
	2013 Year-to-date	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾
		Year-to-date since 1 January up to 31 December ⁽¹⁾	Year-to-date since 1 January up to 5 September ⁽¹⁾					
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision) ⁽¹⁾	9.86%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
<i>MSCI China A</i>	7.19%	9.46%	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.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
<i>MSCI China</i>	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance ⁽⁴⁾						
	up to 31 May 2013 ⁽¹⁾			up to 5 September 2012 ⁽¹⁾			
	6 months	1 year	Since August 07 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾	
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision) ⁽¹⁾	28.83%	12.62%	-3.39%	N.A.	N.A.	N.A.	
<i>MSCI China A</i>	25.98%	5.28%	-21.35%	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 May 2013. "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 May 2013:

	Calendar year performance ⁽²⁾							Cumulative performance ⁽⁴⁾		
	2013 year-to- date	2012 full year	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾
Net asset value of the Fund (net of expenses)	9.42%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	28.20%	19.26%	-4.66%

As at 31 May 2013:

Net asset value per unit of the Fund:	HK\$9.41
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$7.00
Discount / Premium to net asset value:	25.61% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 May 2013. 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
24 June 2013

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. RIKHYE, Jayant 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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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 ⁽¹⁾.

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 ⁽²⁾							
	2013 Year-to-date	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾
		Year-to-date since 1 January up to 31 December ⁽¹⁾	Year-to-date since 1 January up to 5 September ⁽¹⁾					
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision) ⁽¹⁾	1.16%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
<i>MSCI China A</i>	-1.03%	9.46%	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.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
<i>MSCI China</i>	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance ⁽⁴⁾						
	up to 30 April 2013 ⁽¹⁾			up to 5 September 2012 ⁽¹⁾			
	6 months	1 year	Since August 07 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾	
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision) ⁽¹⁾	15.53%	4.03%	-11.04%	N.A.	N.A.	N.A.	
<i>MSCI China A</i>	9.56%	-2.55%	-27.38%	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 April 2013. "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 April 2013:

	Calendar year performance ⁽²⁾							Cumulative performance ⁽⁴⁾		
	2013 year-to- date	2012 full year	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾
Net asset value of the Fund (net of expenses)	0.70%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	14.70%	4.46%	-12.26%

As at 30 April 2013:

Net asset value per unit of the Fund:	HK\$8.66
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$6.87
Discount / Premium to net asset value:	20.67% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 April 2013. 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
21 May 2013

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. RIKHYE, Jayant 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)

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 ⁽¹⁾.

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 ⁽²⁾							
	2013 Year-to-date	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾
		Year-to-date since 1 January up to 31 December ⁽¹⁾	Year-to-date since 1 January up to 5 September ⁽¹⁾					
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision) ⁽¹⁾	-1.33%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
<i>MSCI China A</i>	0.15%	9.46%	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.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
<i>MSCI China</i>	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance ⁽⁴⁾						
	up to 28 March 2013 ⁽¹⁾			up to 5 September 2012 ⁽¹⁾			
	6 months	1 year	Since August 07 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾	
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision) ⁽¹⁾	13.46%	8.25%	-13.23%	N.A.	N.A.	N.A.	
<i>MSCI China A</i>	9.95%	5.01%	-26.52%	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 28 March 2013. "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 28 March 2013:

	Calendar year performance ⁽²⁾							Cumulative performance ⁽⁴⁾		
	2013 year-to- date	2012 full year	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾
Net asset value of the Fund (net of expenses)	-1.40%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	13.07%	7.48%	-14.08%

As at 28 March 2013:

Net asset value per unit of the Fund:	HK\$8.48
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$6.89
Discount / Premium to net asset value:	18.75% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 28 March 2013. 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".
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HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
22 April 2013

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. RIKHYE, Jayant and Mr. PACTON, Olivier.

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HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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(Stock Code: 820)

Voluntary Announcement – Fund Performance

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

The following 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 ⁽¹⁾.

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 ⁽²⁾							
	2013 Year-to-date	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾
		Year-to-date since 1 January up to 31 December ⁽¹⁾	Year-to-date since 1 January up to 5 September ⁽¹⁾					
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision) ⁽¹⁾	5.81%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
<i>MSCI China A</i>	6.70%	9.46%	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.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
<i>MSCI China</i>	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance ⁽⁴⁾						
	up to 28 February 2013 ⁽¹⁾			up to 5 September 2012 ⁽¹⁾			
	6 months	1 year	Since August 07 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾	
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision) ⁽¹⁾	29.34%	7.68%	-6.95%	N.A.	N.A.	N.A.	
<i>MSCI China A</i>	22.83%	4.23%	-21.71%	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 28 February 2013. "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 28 February 2013:

	Calendar year performance ⁽²⁾							Cumulative performance ⁽⁴⁾		
	2013 year-to-date	2012 full year	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾
Net asset value of the Fund (net of expenses)	5.58%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	26.82%	6.32%	-8.00%

As at 28 February 2013:

Net asset value per unit of the Fund:	HK\$9.08
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$7.34
Discount / Premium to net asset value:	19.16% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 28 February 2013. 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
20 March 2013

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 ⁽¹⁾.

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 ⁽²⁾							
	2013 Year-to-date	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾
		Year-to-date since 1 January up to 31 December ⁽¹⁾	Year-to-date since 1 January up to 5 September ⁽¹⁾					
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision) ⁽¹⁾	6.67%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
<i>MSCI China A</i>	6.70%	9.46%	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.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
<i>MSCI China</i>	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance ⁽⁴⁾						
	up to 31 January 2013 ⁽¹⁾			up to 5 September 2012 ⁽¹⁾			
	6 months	1 year	Since August 07 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾	
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision) ⁽¹⁾	21.40%	15.08%	-6.20%	N.A.	N.A.	N.A.	
<i>MSCI China A</i>	17.30%	12.62%	-21.71%	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 January 2013. "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 January 2013:

	Calendar year performance ⁽²⁾							Cumulative performance ⁽⁴⁾		
	2013 year-to-date	2012 full year	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾
Net asset value of the Fund (net of expenses)	6.63%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	20.66%	14.20%	-7.09%

As at 31 January 2013:

Net asset value per unit of the Fund:	HK\$9.17
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$7.50
Discount / Premium to net asset value:	18.21% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 January 2013. 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
27 February 2013

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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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 ⁽¹⁾.

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 ⁽²⁾						
	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾
	Year-to-date since 1 January up to 31 December ⁽¹⁾	Year-to-date since 1 January up to 5 September ⁽¹⁾					
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision) ⁽¹⁾	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
<i>MSCI China A</i>	9.46%	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 ⁽⁴⁾					
	up to 31 December 2012 ⁽¹⁾			up to 5 September 2012 ⁽¹⁾		
	6 months	1 year	Since August 07 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾
The Fund’s A-share and other QFII investments (gross of expenses and net of capital gain tax provision) ⁽¹⁾	9.58%	10.12%	-12.06%	N.A.	N.A.	N.A.
<i>MSCI China A</i>	3.69%	9.46%	-26.63%	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 December 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 December 2012:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽⁴⁾		
	2012 year-to-date	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾
Net asset value of the Fund (net of expenses)	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	11.83%	13.16%	-12.87%

As at 31 December 2012:

Net asset value per unit of the Fund:	HK\$8.60
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$7.03
Discount / Premium to net asset value:	18.26% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 December 2012. All performance figures are total return figures in Hong Kong dollars.

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HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
21 January 2013

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.