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# HSBC CHINA DRAGON FUND

## 滙豐中國翔龍基金

(Stock Code: 820)

Other Documents

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**HSBC CHINA DRAGON FUND**

滙豐中國翔龍基金

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

**(Stock Code: 820)**

**Voluntary Announcement – Fund Performance**

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

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

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

The row “The Fund’s non A-share and non QFII investments” represents the indicative performance of the Fund’s other investments such as H-shares, red chips and B-shares.

The relevant figures are gross of 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 <sup>(2)</sup>									
	2015 Year-to- date <sup>(1)</sup>	2014 full year	2013 full year	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>(3)</sup>
				Year-to- date since 1 January up to 31 December <sup>(1)</sup>	Year-to- date since 1 January up to 5 September <sup>(1)</sup>					
The Fund’s A-share and other QFII investments (gross of fees and net of capital gain tax provision) <sup>(1)</sup>	10.65%	32.32%	1.25%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
MSCI China A	4.24%	46.91%	1.02%	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.	N.A.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
MSCI China	N.A.	N.A.	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance <sup>(4)</sup>			
	up to 30 November 2015 <sup>(1)</sup>			up to 5 September 2012 <sup>(1)</sup>
	6 months	1 year	Since August 07 <sup>(3)</sup>	Since August 07 <sup>(3)</sup>
The Fund's A-share and other QFII investments (gross of fees and net of capital gain tax provision) <sup>(1)</sup>	-25.47%	27.06%	30.35%	N.A.
MSCI China A	-28.44%	24.93%	13.51%	N.A.
The Fund's non A-share and non QFII investments (gross of fees)	N.A.	N.A.	N.A.	-16.52%
MSCI China	N.A.	N.A.	N.A.	-15.50%

The following table demonstrates the performance of the Fund as a whole up to 30 November 2015. "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 November 2015:

	Calendar year performance <sup>(2)</sup>									Cumulative performance <sup>(4)</sup>		
	2015 year-to-date	2014 full year	2013 full year	2012 full year	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>(3)</sup>	6 months	1 year	Since August 07 <sup>(3)</sup>
Net asset value of the Fund (net of fees) <sup>(1)</sup>	8.15%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	-26.74%	23.90%	22.39%

As at 30 November 2015:

Net asset value per unit of the Fund:	HK\$12.08
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$9.80
Discount / Premium to net asset value:	18.87% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 November 2015. 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 performance of the Fund was achieved under the following circumstances that no longer apply: (a) 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"; and (b) the Fund recognized an over-provision of tax as a gain in its valuation and resulted in an increase in the Fund's net asset value of around 5.13% on 13 October 2015.
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 December 2015

*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. BOTELHO BASTOS, Pedro Augusto, Dr. MALDONADO-CODINA, Guillermo Eduardo and Mr. TAM, Chun Pong Stephen. The non-executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. MARTIN, Kevin Ross, Mr. PACTON, Olivier, Ms. WONG Pik Kuen, Helen and Mr. RIKHYE, Jayant.*

# HSBC CHINA DRAGON FUND

## 滙豐中國翔龍基金

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

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

(Stock Code 股份代號 : 820)

30 November 2015

Dear Unitholders,

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

The 2015 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](http://www.assetmanagement.hsbc.com/hk-chinadragonfund) for five (5) years from the date of first publication and the HKExnews’s at [www.hkexnews.hk](http://www.hkexnews.hk).

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

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

Yours faithfully,

**BOTELHO BASTOS, Pedro Augusto**

*Director*

For and on behalf of

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

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各位單位持有人：

### 致現有單位持有人之函件 — 選擇收取公司通訊的方式及語言

滙豐中國翔龍基金(「本基金」)2015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](http://www.assetmanagement.hsbc.com/hk-chinadragonfund)內，並於香港交易所披露易網站[www.hkexnews.hk](http://www.hkexnews.hk)登載。

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

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

代表

滙豐環球投資管理(香港)有限公司  
作為滙豐中國翔龍基金之經理人

董事

巴培卓 (BOTELHO BASTOS, Pedro Augusto)

謹啟

2015年11月30日

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

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

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

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

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

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

☐  
☐  
☐

I/We would like to receive a **printed copy in English** now.  
本人／我們現在希望收取一份英文印刷本。

I/We would like to receive a **printed copy in Chinese** now.  
本人／我們現在希望收取一份中文印刷本。

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

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

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

☐  
☐  
☐  
☐

read the **Website version** of all future Corporate Communications published on the Fund’s website in place of receiving printed copies; **OR**  
瀏覽在本基金網站發表之公司通訊網上版本，以代替印刷本；或

to receive the printed **English version** of all future Corporate Communications **ONLY**; **OR**  
僅收取本公司通訊之英文印刷本；或

to receive the printed **Chinese version** of all future Corporate Communications **ONLY**; **OR**  
僅收取本公司通訊之中文印刷本；或

to receive both printed **English and Chinese versions** of all future Corporate Communications.  
同時收取本公司通訊之英文及中文印刷本。

Name(s) of Unitholders<sup>#</sup>

基金單位持有人姓名<sup>#</sup>

Date

日期

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

Address<sup>#</sup>

地址<sup>#</sup>

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

Contact telephone number

聯絡電話號碼

Signature(s)

簽名

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

Notes/附註：

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

閣下寄回此變更申請表格時，請將郵寄標籤剪貼於信封上。

如在本港投寄毋須貼上郵票。

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

No postage stamp necessary if posted in Hong Kong.

郵寄標籤 MAILING LABEL

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

HCDH3012015-100

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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

**2015 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 2015 to 30 September 2015.

The interim results of the Fund for the period from 1 April 2015 to 30 September 2015 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 2015 to 30 September 2015.



## Manager's report

The Chinese equity markets surged from March 2015 to May 2015 mainly driven by the strong trading activities following the pro-growth measures to alleviate the cyclical economic pressures. The net asset value per Unit of the Fund rose from HK\$13.61 as of 31 March 2015 to HK\$16.49 as of 29 May 2015. The central bank of the PRC had been cutting rates and rolling out targeted liquidity measures, while a cut to the down payment requirement for second home mortgages and property transaction tax also helped boost the property sector and investor sentiment. Market also welcomed the potential positive catalysts around economic and structural reforms and the opening-up of China's capital market.

The market went through a correction period since mid-to-late June 2015, and the same applied to the Fund as its net asset value per unit started to retreat after hitting a historical high of HK\$18.36 in June, driven by concerns over the overstretched valuations, suspension of stock trading, worries over initial public offerings liquidity within the onshore market, as well as margin financial curbs. The net asset value per Unit of the Fund dropped from HK\$15.32 as of 30 June 2015 to HK\$10.47 as of 30 September 2015.

While the easing measures introduced by the Chinese authorities seemed to have provided a certain level of comfort to sentiment, the onshore turbulence, aggravated by concerns around slowing economic growth trend in China, had inevitably dampened risk appetite. The Chinese equity market rebounded in October 2015 after the decline over the past few months. The market downtrend seemed to have stabilized as markets in the PRC generally welcomed the counter cyclical policy measures to preserve growth, including rate cuts, relaxation on mortgage restrictions and tax cut for purchasing compact cars.

The recent policy announcements of the Chinese government to support growth and liberalise its capital markets are generally positive for the market but GDP growth appears to be in a slowing trend. The state-owned enterprises (SOE) reform blueprint is the beginning of a long-haul journey towards reshaping the SOE management system and efficiency. With the enhancement in efficiency and cost control, SOE reform will potentially improve profitability of SOEs and drive market re-rating. Going forward, the Manager expects to see key SOE reform actions in asset injection, mixed ownership and incentive system.

Recent volatility in the Chinese and Hong Kong equity markets have led to a raft of policy responses to support the market (such as the recent purchase tax cut on vehicles and property easing measures) and the Manager believes the Chinese government could potentially intensify policy support if there were more signs of risks spreading to the real economy. The Manager continues to like sectors and stocks with attractive fundamentals as well as strong earnings growth prospects, and those that stand to gain from reforms.

# Interim statement of assets and liabilities (unaudited)

As at 30 September 2015

	Note	30 September 2015 (Unaudited) HK\$	31 March 2015 (Audited) HK\$
<b>Assets</b>			
Investments at fair value through profit or loss	7, 11	2,075,139,336	2,795,193,821
Other receivables	8(c)	2,582,266	2,639,994
Cash and cash equivalents	8(d)	256,949,839	199,280,592
<b>Total assets</b>		<u>2,334,671,441</u>	<u>2,997,114,407</u>
<b>Liabilities</b>			
Taxation	6(b)	133,823,770	136,815,470
Accrued expenses and other payables	8(a), (b), (c)	3,614,189	4,381,454
<b>Total liabilities</b>		<u>137,437,959</u>	<u>141,196,924</u>
<b>Net assets attributable to unitholders</b>		<u>2,197,233,482</u>	<u>2,855,917,483</u>
Representing:			
<b>Total equity</b>		<u>2,197,233,482</u>	<u>2,855,917,483</u>
<b>Number of units in issue</b>	10	<u>209,812,263</u>	<u>209,812,263</u>
<b>Net asset value per unit</b>		<u>10.47</u>	<u>13.61</u>

## Interim statement of comprehensive income (unaudited)

For the period ended 30 September 2015

	Note	Period from 1 April 2015 to 30 September 2015 (Unaudited) HK\$	Period from 1 April 2014 to 30 September 2014 (Unaudited) HK\$
Dividend income		39,560,822	36,285,075
Interest income on deposits	4, 8(d)	292,350	196,266
Net (losses)/gains from investments	5	(665,198,529)	180,034,445
Net foreign exchange (loss)/gain		<u>(651,931)</u>	<u>328,727</u>
<b>Net investment (loss)/income</b>		<b>----- (625,997,288) -----</b>	<b>----- 216,844,513 -----</b>
Management fees	8(a)	(22,217,000)	(12,608,222)
Transaction costs		(3,259,615)	(2,902,888)
Trustee's fees	8(b)	(1,590,085)	(949,733)
Custodian fees	8(c)	(1,169,098)	(793,008)
Auditor's remuneration		(312,532)	(301,360)
Legal and professional fees		(450,000)	(276,752)
Other operating expenses		<u>(510,258)</u>	<u>(428,271)</u>
<b>Operating expenses</b>		<b>----- (29,508,588) -----</b>	<b>----- (18,260,234) -----</b>
<b>(Loss)/profit before taxation</b>		<b>(655,505,876)</b>	<b>198,584,279</b>
Taxation	6(a)	<u>(3,178,125)</u>	<u>(16,629,980)</u>
<b>(Decrease)/increase in net assets attributable to unitholders and total comprehensive income for the period</b>		<b><u>----- (658,684,001) -----</u></b>	<b><u>----- 181,954,299 -----</u></b>

## Interim statement of changes in equity (unaudited)

For the period ended 30 September 2015

	Note	Period from 1 April 2015 to 30 September 2015 (Unaudited) HK\$	Period from 1 April 2014 to 30 September 2014 (Unaudited) HK\$
<b>Balance at the beginning of the period</b>		<b>2,855,917,483</b>	<b>1,628,843,669</b>
(Decrease)/increase in net assets attributable to unitholders and total comprehensive income for the period		<u>(658,684,001)</u>	<u>181,954,299</u>
<b>Balance at the end of the period</b>		<b><u>----- 2,197,233,482 -----</u></b>	<b><u>----- 1,810,797,968 -----</u></b>

# Interim cash flow statement (unaudited)

For the period ended 30 September 2015

	Period from 1 April 2015 to 30 September 2015 (Unaudited) HK\$	Period from 1 April 2014 to 30 September 2014 (Unaudited) HK\$
<b>Operating activities</b>		
Interest income received	292,350	196,266
Dividend income received	39,560,822	36,355,116
Management fees paid	(22,937,096)	(10,242,347)
Trustee's fees paid	(1,684,655)	(747,795)
Tax paid	(3,169,858)	(3,349,182)
Proceeds from sale of investments	929,198,856	840,553,213
Payments on purchase of investments	(874,342,900)	(835,347,489)
Other operating expenses paid	(5,628,248)	(4,972,763)
<b>Net cash generated from operating activities</b>	<b>61,289,271</b>	<b>22,445,019</b>
<b>Net increase in cash and cash equivalents</b>	<b>61,289,271</b>	<b>22,445,019</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>199,280,592</b>	<b>174,128,049</b>
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>	<b>(3,620,024)</b>	<b>1,636,134</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>256,949,839</b>	<b>198,209,202</b>

# Notes on the unaudited interim financial report

## For the period ended 30 September 2015

### 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 (“QFII”) 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 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 2015 and 30 September 2014.

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.

There were no units redeemed during the period ended 30 September 2015 and 30 September 2014.

## **2 Significant accounting policies**

### **(a) Statement of compliance**

This interim financial report 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 report have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2015, except for the accounting policy changes that are expected to be reflected in the 2015 interim financial report. Details of these changes in accounting policies are set out in note 3.

The preparation of interim financial report 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 report 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. KPMG's independent review report to the Manager is included on page 2.

The financial information relating to the financial year ended 31 March 2015 that is included in the interim financial report 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 2015 in their report dated 17 July 2015.

**(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 amounts receivable on sale of investments and dividend and other receivables.

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



(ii) Recognition

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

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

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

(iii) Measurement

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

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

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

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

(iv) Fair value measurement principles

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” 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 developments are relevant to the Fund’s interim financial report:

- *Annual Improvements to HKFRSs 2010-2012 Cycle*
- *Annual Improvements to HKFRSs 2011-2013 Cycle*

The Fund has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 15). Impacts of the adoption of the amended HKFRSs are discussed below:

***Annual Improvements to HKFRSs 2010-2012 Cycle***

This cycle of annual improvement contains amendments to seven standards with consequential amendments to other standards and interpretations. Details relevant to the Fund’s interim financial report are as follows:

- HKFRS 13, *Fair value measurement* has been amended to clarify that entities are not prevented from measuring short term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.
- HKAS 24, *Related party disclosures* has been amended to extend the definition of a “related party” to include a management entity that provides key management personnel (“KMP”) services to the reporting entity, either directly or through a group entity. Consequently, the entity is required to disclose the amounts incurred for the KMP services provided by the management entity, but it is not required to “look through” the management entity and disclose compensation paid by the management entity to the individuals providing the KMP services.

The amendments do not have an impact on this interim financial report as they are consistent with the policies already adopted by the Fund.

#### ***Annual Improvements to HKFRSs 2011-2013 Cycle***

This cycle of annual improvement contains amendments to four standards with consequential amendments to other standards and interpretations. Details relevant to the Fund’s interim financial report are as follows:

- HKFRS 13, *Fair value measurement* has been amended to clarify that its portfolio exception, which allows entities to measure the fair value of a group of financial assets and financial liabilities with offsetting risk positions on a net basis, applies to all contracts within the scope of HKAS 39 and HKFRS 9, regardless of whether the contracts meet the definitions of financial assets or financial liabilities in HKAS 32.

The amendments do not have an impact on this interim financial report as they are consistent with the policies already adopted by the Fund.

#### **4 Interest income on deposits**

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

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

	<b>Period from 1 April 2015 to 30 September 2015 (unaudited) HK\$</b>	<b>Period from 1 April 2014 to 30 September 2014 (unaudited) HK\$</b>
Realised gains	119,953,593	68,012,304
Unrealised (losses)/gains	(785,152,122)	112,022,141
	<u>(665,198,529)</u>	<u>180,034,445</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.

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 had determined that it is also appropriate to provide for PRC taxation at the withholding tax rate of 10% on unrealised gains on A Shares with effect from 26 July 2013.

On 14 November 2014, the Ministry of Finance, the State Administration of Taxation (“SAT”) and the China Securities Regulatory Commission have jointly promulgated the Circular Concerning the Temporary Exemption of the Corporate Income Tax for Gains Earned by Qualified Foreign Institutional Investors and Renminbi Qualified Foreign Institutional Investors from the Transfer of Domestic Shares and Other Equity Interest Investment in China (“the Circular”).

According to the Circular, QFIIs have been granted a temporary PRC Corporate Income Tax exemption on capital gains deriving from PRC A Shares and other equity interest investments in PRC enterprises on or after 17 November 2014. Realised capital gains generated by QFIIs prior to 17 November 2014 would remain subject to the 10% withholding tax – unless otherwise exempt under the applicable double tax treaty.

As a result of the announcement of the Circular, the most significant change for the Fund was the cessation of withholding 10% of unrealised gains on its investments in A Shares as deferred tax liabilities as at 17 November 2014. The deferred tax liabilities in respect of unrealised gains recognised on A Shares amounted to \$22,547,473 as at 14 November 2014 have been released to the Fund.

Further to the Circular, the Manager has received the Notice on Tax Issues (HGSS6ST[2015] No.2) jointly issued by the Third Branch of Shanghai Municipal Office, SAT and the Third Branch of Shanghai Municipal Bureau of Local Taxation (“the Shanghai Tax Bureaus”) on 1 April 2015 requesting the submission of tax documents and payment of the corresponding withholding tax by 30 September 2015 in respect of their PRC sourced income earned (including capital gains realised on the sale of PRC A Shares and other equity interest instruments prior to 17 November 2014). The Fund and the Manager, as the QFII investment quota holder, have appointed tax advisers and are in the process of preparing the tax filing to the Shanghai Tax Bureau. Since the Fund has already made \$133,823,770 taxation provision for the realised gains derived from PRC A Shares trading prior to 17 November 2014, it is unlikely to have a significant adverse impact on the Fund’s net asset values as at 30 September 2015.

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

	Period from 1 April 2015 to 30 September 2015 (unaudited) HK\$	Period from 1 April 2014 to 30 September 2014 (unaudited) HK\$
PRC dividend and interest income withholding tax	3,137,054	2,711,296
PRC capital gains tax – current	41,071	13,445,731
PRC capital gains tax – deferred	–	472,953
	<u>3,178,125</u>	<u>16,629,980</u>

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

	30 September 2015 (unaudited) HK\$	31 March 2015 (audited) HK\$
PRC withholding tax provision relating to prior year	136,815,470	117,538,649
PRC withholding tax provision for the period/year	3,178,125	22,904,095
Payment of PRC withholding tax	(3,169,858)	(3,787,848)
Effect of foreign exchange	<u>(2,999,967)</u>	<u>160,574</u>
	<u>133,823,770</u>	<u>136,815,470</u>

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

	Period from 1 April 2015 to 30 September 2015 (unaudited) HK\$	Period from 1 April 2014 to 30 September 2014 (unaudited) HK\$
Balance at the beginning of the period	–	21,945,828
Charged to profit or loss	<u>–</u>	<u>472,953</u>
Balance at the end of the period	<u>–</u>	<u>22,418,781</u>



## 7 Investments at fair value through profit or loss

	30 September 2015 (unaudited) HK\$	31 March 2015 (audited) HK\$
Listed equities		
– outside Hong Kong	1,761,721,374	2,381,583,201
Equity-linked instruments		
– warrants	252,616,893	328,998,980
– participation note	39,179,850	84,611,640
– equity note	21,621,219	–
	<u>2,075,139,336</u>	<u>2,795,193,821</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. None of such transactions were connected transactions under the Main Board Listing Rules of the Stock Exchange.

### (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 \$22,217,000 (for the period from 1 April 2014 to 30 September 2014: \$12,608,222) and \$2,732,405 (as at 31 March 2015: \$3,452,501) 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 \$1,590,085 (for the period from 1 April 2014 to 30 September 2014: \$949,733) and \$190,174 (as at 31 March 2015: \$284,744) 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 \$1,169,098 (for the period from 1 April 2014 to 30 September 2014: \$793,008) and \$558 (as at 31 March 2015: \$395) respectively.



A minimum clearing reserve is required to be held with the QFII custodian. As at 30 September 2015, the Fund had \$2,582,266 (as at 31 March 2015: \$2,639,994) 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 2015 amounted to \$95,020,099 and \$161,929,740 respectively (as at 31 March 2015: \$56,630,835 and \$142,649,757 respectively). During the period, no interest was earned from HSBC Hong Kong (for the period from 1 April 2014 to 30 September 2014: nil). Interest earned from Bank of Communications Co. Ltd amounted to \$292,350 (for the period from 1 April 2014 to 30 September 2014: \$196,266).

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

	<b>Period from 1 April 2015 to 30 September 2015 (unaudited) HK\$</b>	<b>Period from 1 April 2014 to 30 September 2014 (unaudited) HK\$</b>
<b>The Hongkong and Shanghai Banking Corporation Limited</b>		
Commission paid for the period	—	—
Average rate of commission	—	—
Total aggregate value of such transactions for the period	26,723,322	15,710,935
Percentage of such transactions in value to total transactions for the period	1.50%	0.92%

(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 2015 to 30 September 2015 (for the period from 1 April 2014 to 30 September 2014: nil). As at 30 September 2015, The Hongkong and Shanghai Banking Corporation Limited held 282,557 units (as at 31 March 2015: 282,557 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 Units in issue

	<b>Period from 1 April 2015 to 30 September 2015 (unaudited)</b>	<b>Period from 1 April 2014 to 30 September 2014 (unaudited)</b>
Number of units in issue	<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 2015 to 30 September 2015 and from 1 April 2014 to 30 September 2014.

## 11 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 QFII 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 2015 are summarised below. Details of such investments held as at 30 September 2015 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 15% increase in value of the investments is listed equities in Hong Kong and others respectively at 30 September 2015, 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 2015.

	30 September 2015 (unaudited)			31 March 2015 (audited)		
	% of total net assets	Change in price %	Effect on net assets attributable to the unitholders HK\$	% of total net assets	Change in price %	Effect on net assets attributable to the unitholders HK\$
<b>Investment assets</b>						
Listed equities						
– outside Hong Kong	80.18	15	264,258,206	83.39	5	119,079,160
Equity-linked instruments:						
– warrants	11.50	15	37,892,534	11.52	5	16,449,949
– participation note	1.78	15	5,876,978	2.96	5	4,230,582
– equity note	0.98	15	3,243,183	–	5	–
	<u>94.44</u>		<u>311,270,901</u>	<u>97.87</u>		<u>139,759,691</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 2015 (unaudited)		
	Less than 1 year HK\$	Over 1 year HK\$	Total HK\$
<b>Assets</b>			
Cash and cash equivalents	<u>161,929,740</u>	<u>–</u>	<u>161,929,740</u>
<b>Total interest sensitivity gap</b>	<u>161,929,740</u>	<u>–</u>	<u>161,929,740</u>
	31 March 2015 (audited)		
	Less than 1 year HK\$	Over 1 year HK\$	Total HK\$
<b>Assets</b>			
Cash and cash equivalents	<u>142,649,757</u>	<u>–</u>	<u>142,649,757</u>
<b>Total interest sensitivity gap</b>	<u>142,649,757</u>	<u>–</u>	<u>142,649,757</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 \$809,649 (as at 31 March 2015: \$713,249); 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 2015.

### (iii) Currency risk

The Fund may invest in financial investments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Fund is exposed to risks that the exchange rate of its functional currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than the Hong Kong dollar ("HKD").

The fluctuations in the rate of exchange between the currency in which the asset or liability is denominated and the functional currency could result in an appreciation or depreciation in the fair value of that asset or liability. The Manager may attempt to mitigate this risk by using financial derivative instruments.

In accordance with the Fund's policy, the Manager monitors the Fund's currency exposures on an ongoing basis.

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

	<b>Assets HK\$</b>	<b>Liabilities HK\$</b>	<b>Net exposure HK\$</b>
<b>30 September 2015 (unaudited)</b>			
Renminbi	1,926,233,380	(133,953,372)	1,792,280,008
United States dollar	408,438,069	(558)	408,437,511
	<u>2,334,671,449</u>	<u>(133,953,930)</u>	<u>2,200,717,519</u>
<b>31 March 2015 (audited)</b>			
Renminbi	2,526,872,952	(137,065,333)	2,389,807,619
United States dollar	452,100,701	(395)	452,100,306
	<u>2,978,973,653</u>	<u>(137,065,728)</u>	<u>2,841,907,925</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 2015, the HKD weakened in relation to the Renminbi by approximately 2%. At 30 September 2015, had the HKD further weakened in relation to the Renminbi by 2% (as at 31 March 2015: 1%), with all other variables held constant, net assets attributable to unitholders would have increased by the amounts shown in the following table.

	HK\$
<b>30 September 2015 (unaudited)</b>	
Renminbi	<u>35,845,600</u>
<b>31 March 2015 (audited)</b>	
Renminbi	<u>23,898,076</u>

A 2% (31 March 2015: 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 2015.

### (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 2015, 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 2015 and 31 March 2015.

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 2015 and 31 March 2015, 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 2015 was \$84,963,942 (as at 31 March 2015: \$129,235,017).

The Fund has one class of units in issue which is not redeemable by the unitholders. At both 30 September 2015 and 31 March 2015, there were no significant exposures to liquidity risk for the Fund.

**(d) *Capital management***

At 30 September 2015, the Fund had \$2,197,233,482 (as at 31 March 2015: \$2,855,917,483) 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.

## 12 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 following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). The category includes instruments valued using: quoted market price 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 in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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.



**30 September 2015 (unaudited)**

	<b>Level 1 HK\$</b>	<b>Level 2 HK\$</b>	<b>Level 3 HK\$</b>	<b>Total HK\$</b>
Listed equities	1,565,465,593	–	196,255,781	1,761,721,374
Equity-linked instruments	–	286,100,153	27,317,809	313,417,962
	<u>1,565,465,593</u>	<u>286,100,153</u>	<u>223,573,590</u>	<u>2,075,139,336</u>

**31 March 2015 (audited)**

	<b>Level 1 HK\$</b>	<b>Level 2 HK\$</b>	<b>Level 3 HK\$</b>	<b>Total HK\$</b>
Listed equities	2,381,583,201	–	–	2,381,583,201
Equity-linked instruments	–	413,610,620	–	413,610,620
	<u>2,381,583,201</u>	<u>413,610,620</u>	<u>–</u>	<u>2,795,193,821</u>

Level 3 financial instruments include Beijing New Building Materials Plc – A Share, China COSCO Holdings Co Ltd – A Share, China Shipping Container Lines Co Ltd – A Share, China Yangtze Power Co Ltd – A Share, Irico Display Devices Co Ltd – A Share, New Hope Liuhe Co Ltd – A Share, Shanghai Jinjiang International Hotels Development Co Ltd – A Share, Xiamen C & D Inc – A Share, Yunnan Wenshan Electric Power Co Ltd – A Share and HSBC Bank Plc – Livzon Pharmaceutical Group Inc – Warrants 15 December 2024. These instruments have been suspended for trading and in this interim financial report they are revaluated and priced using last traded price before suspension with the adjustment based on relevant news and information.

The table below presents the reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	<b>As at 1 April 2014 HK\$</b>	<b>Net losses included in the statement of comprehensive income HK\$</b>	<b>Sales HK\$</b>	<b>Transfer in of Level 3 HK\$</b>	<b>As at 30 September 2015 HK\$</b>	<b>*Unrealised gains and losses HK\$</b>
Equities	–	–	–	223,573,590	223,573,590	(70,540,716)

\* Represents the amount of unrealised gains and losses recognised in the statement of comprehensive income for the financial assets held during the period.

During the period ended 30 September 2015, equity securities and equity-linked instruments amounting to \$223,573,590 (2014: \$Nil) have been transferred from Level 1 to Level 3 because quoted market price for these instrument is no longer available.

### 13 Segment information

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

The Manager'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.

### 14 Non-adjusting events after the reporting period

On 12 October 2015, the Shanghai Tax Bureau determined that the withholding tax payable by the Fund in respect of their PRC sourced income earned (including capital gains realised on the sale of PRC A Shares and other equity interest instruments from 17 November 2009 to 17 November 2014) was \$11,030,907. The Manager considers that the tax assessment has been concluded upon the payment and settlement of the relevant tax by the Fund with the Shanghai Tax Bureau on 13 October 2015. Accordingly, the Fund has an over-provision of tax of \$121,553,537 as at 13 October 2015. Such overprovision has been released and recognised as a gain resulting in an actual increase of \$121,553,537 (5.13% or \$0.58 per unit of the Fund) on the net asset value of the Fund as of 13 October 2015.

On 29 October 2015 and 17 November 2015, the Manager made an announcement and issued a circular respectively proposing to:

- (i) change the investment objective of the Fund such that the Fund may also invest in A Shares through the Stock Connect\*, subject to the condition that exposure to A Shares through the Stock Connect will not be more than 30% of the Fund's net asset value.
- (ii) offer a right to the unitholders to redeem the whole or a part of their units on a one-off basis (the "One-Off Redemption Offer"), subject to the terms and conditions set out in the circular issued by the Manager to the unitholders on 17 November 2015 (the "17 November 2015 Circular"). The financial effect of the One-Off Redemption Offer has been set out in the 17 November 2015 Circular.
- (iii) grant a general redemption right to the Manager to, at the discretion of the Manager, offer a right to all unitholders to redeem part or all of their holdings in the Fund (the "Recurring Redemption Offer"), subject to the terms and conditions set out in the 17 November 2015 Circular. The financial effect of the Recurring Redemption Offer has been set out in the 17 November 2015 Circular.

- (iv) make corresponding changes to the Trust Deed to effect the possible Recurring Redemption Offer.

According to the 17 November 2015 Circular, a meeting of unitholders will be convened on 7 January 2016 to consider and, if thought fit, pass the resolutions in relation to the proposals mentioned in (i) to (iv) above.

- \* means Shanghai-Hong Kong Stock Connect and any other similar stock connect programme between another city of the PRC and Hong Kong when it becomes available to and can be utilised by the Fund.

## **15 Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 30 September 2015**

Up to the date of issue of this interim financial report, the HKICPA has issued a few amendments and a new standard which are not yet effective for the period ended 30 September 2015 and which have not been adopted in this interim financial report. These include the following which may be relevant to the Fund:

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 1, <i>Presentation of financial statements</i>	1 January 2016
HKFRS 9, <i>Financial instruments</i>	1 January 2018

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

## Investment portfolio (unaudited) As at 30 September 2015

<i>HSBC China Dragon Fund</i>			
	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net asset attributable to unitholders</i>
<b>Equity</b>			
<i>Listed investments</i>			
<i>The People's Republic of China</i>			
Angang Steel Co Ltd – A Share	6,024,630	34,675,169	1.58
Apeloa Pharmaceutical Co Ltd – A Share	2,420,300	19,460,876	0.89
Bank of Beijing Co Ltd – A Share	1,752,020	18,433,572	0.84
Bank of China Ltd – A Share	8,869,500	40,210,581	1.83
Baoshan Iron & Steel Co Ltd – A Share	5,092,800	34,726,268	1.58
Beijing Dabeinong Technology Group Co Ltd – A Share	2,028,000	25,128,884	1.14
Beijing Homyear Capital Holdings Co Ltd (formerly known as Beijing Huaye Real Estate Co Ltd) – A Share	2,053,476	26,699,219	1.21
Beijing Jingneng Power Co Ltd – A Share	3,204,700	20,637,890	0.94
Beijing New Building Materials Plc – A Share	737,752	12,585,287	0.57
Chengdu Dr. Peng Telecom and Media Group Co Ltd – A Share	193,269	5,091,881	0.23
Chengdu Xingrong Investment Co Ltd – A Share	2,424,700	16,977,742	0.77
China Communications Construction Co Ltd – A Share	1,813,200	26,278,326	1.20
China COSCO Holdings Co Ltd – A Share	3,454,862	40,233,786	1.83
China Fortune Land Development Co Ltd – A Share	775,400	20,769,864	0.94
China Life Insurance Co Ltd – A Share	285,279	8,892,985	0.40
China Merchants Bank Co Ltd – A Share	1,296,850	28,097,377	1.28
China Merchants Energy Shipping Co Ltd – A Share	3,047,400	23,907,369	1.09
China Railway Construction Corp – A Share	2,179,259	36,030,803	1.64
China Shenhua Energy Co Ltd – A Share	878,250	15,540,107	0.71
China Shipping Container Lines Co Ltd – A Share	2,238,100	19,582,124	0.89
China State Construction Engineering Corp Ltd – A Share	2,857,996	20,186,301	0.92
China Yangtze Power Co Ltd – A Share	1,720,720	18,209,390	0.83
Chongqing Changan Automobile Co Ltd – A Share	1,779,300	32,092,447	1.46
CPI Yuanda Environmental Protection (Group) Co Ltd – A Share	400,723	8,025,840	0.36
Daqin Railways Co Ltd – A Share	888,000	9,570,813	0.44
Dongfeng Automobile Co Ltd – A Share	2,833,200	28,701,134	1.31
GoerTek Inc – A Share	1,132,384	32,725,943	1.49
Gree Electric Appliances Inc – A Share	414,000	8,185,518	0.37
Guotai Junan Securities Co Ltd – A Share	714,031	16,220,482	0.74
Haitong Securities Co Ltd – A Share	1,022,500	15,905,928	0.72
Hangzhou Robam Appliances Co Ltd – A Share	497,300	21,889,179	1.00
Heilan Home Co Ltd – A Share	2,018,200	34,749,014	1.58

HSBC China Dragon Fund			
	Holdings	Market value HK\$	% of total net asset attributable to unitholders
<b>Equity (continued)</b>			
<i>Listed investments (continued)</i>			
<i>The People's Republic of China (continued)</i>			
Hengbao Co Ltd – A Share	843,404	16,077,834	0.73
Hua Xia Bank Co Ltd – A Share	1,040,749	12,845,017	0.58
Huagong Tech Co Ltd – A Share	126,264	1,691,054	0.08
Huatai Securities Co Ltd – A Share	1,545,406	26,287,490	1.20
Industrial & Commercial Bank of China Co Ltd – A Share	4,566,600	24,107,047	1.10
Industrial Bank Co Ltd – A Share	1,347,400	23,956,691	1.09
Inner Mongolia Yili Industrial Group Co Ltd – A Share	1,389,496	26,097,474	1.19
Irico Display Devices Co Ltd – A Share	2,163,725	24,668,969	1.12
Jiangsu Hengrui Medicine Co Ltd – A Share	649,200	36,643,232	1.67
Jihua Group Corp Ltd – A Share	4,132,600	60,801,901	2.77
JSTI Group – A Share	371,244	9,867,020	0.45
Lao Feng Xiang Co Ltd – A Share	617,539	34,939,178	1.59
Maanshan Iron & Steel Co Ltd – A Share	6,545,400	25,354,950	1.15
Neusoft Corp – A Share	415,139	7,041,259	0.32
New Hope Liuhe Co Ltd – A Share	1,256,100	20,000,273	0.91
ORG Packaging Co Ltd – A Share	961,595	24,969,993	1.14
Orient Securities Co Ltd – A Share	410,900	8,224,648	0.37
PetroChina Co Ltd – A Share	1,164,300	11,695,102	0.53
Ping An Bank Co Ltd – A Share	3,165,552	40,539,467	1.84
Ping An Insurance Group Co Ltd – A Share	367,904	13,424,299	0.61
Qingdao Haier Co Ltd – A Share	2,546,044	28,187,814	1.28
Shanghai Fosun Pharmaceutical (Group) Co Ltd – A Share	1,444,104	38,664,121	1.76
Shanghai International Airport Co Ltd – A Share	904,700	30,645,387	1.39
Shanghai Jinjiang International Hotels Development Co Ltd – A Share	361,925	10,242,935	0.47
Shanghai Pudong Development Bank Co Ltd – A Share	2,368,251	48,097,892	2.19
Shanghai Tunnel Engineering Co Ltd	2,265,300	32,055,428	1.46
Shenzhen Kaifa Technology Co Ltd – A Share	1,697,100	16,424,793	0.75
Shenzhen Overseas Chinese Town Holdings Co Ltd – A Share	2,602,900	22,583,078	1.03
Suning Universal Co Ltd – A Share	1,707,940	13,753,883	0.63
Sunshine City Group Co Ltd – A Share	3,355,000	23,327,709	1.06
TCL Corp – A Share	4,127,100	19,013,131	0.86
Tianshui Huatian Technology Co Ltd – A Share	514,000	8,422,852	0.38
Wintime Energy Co Ltd – A Share	4,871,300	24,584,548	1.12
Wuhan Humanwell Hi-Tech Industry Co Ltd – A Share	1,007,610	18,592,454	0.85
Wuhan Iron and Steel Co Ltd – A Share	4,579,273	21,040,288	0.96
Wuxi Little Swan Co Ltd – A Share	999,815	22,749,226	1.04
Xiamen C & D Inc – A Share	1,889,092	23,753,947	1.08

<b>HSBC China Dragon Fund</b>			
	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net asset attributable to unitholders</i>
<b>Equity (continued)</b>			
<i>Listed investments (continued)</i>			
<i>The People's Republic of China (continued)</i>			
Xiamen Faratronic Co Ltd – A Share	412,580	13,345,333	0.61
Xi'an LONGI Silicon Materials Corp – A Share	2,104,047	23,500,058	1.07
Yunnan Wenshan Electric Power Co Ltd – A Share	2,497,511	26,979,070	1.23
Zhejiang Wanfeng Auto Wheel Co Ltd	1,352,767	48,054,640	2.19
Zhejiang Yankon Group Co Ltd – A Share	4,429,731	35,618,083	1.62
ZTE Corp – A Share	2,225,759	42,429,707	1.93
		<u>1,761,721,374</u>	<u>80.18</u>
<b>Equities (Total)</b>		<u>1,761,721,374</u>	<u>80.18</u>
<b>Equity-linked instruments</b>			
<i>Listed investments</i>			
Citigroup Global Markets Holding – Gree Electric Appliances Inc – A Share Covered American Call Warrants 15 January 2016	548,638	10,847,573	0.50
Citigroup Global Markets Holding – Ping An Insurance (Group) Co of China Ltd – A Share Covered American Call Warrants 15 January 2016	559,470	20,414,296	0.93
Credit Suisse Nassau – Shanghai International Airport Co Ltd – A Share Participation Note 22 October 2019	332,022	11,228,432	0.51
Guangshen Railway Ltd – A Share Participation Note 22 October 2019	5,416,924	27,951,418	1.27
HSBC Bank Plc – China Merchants Bank Co Ltd – A Share Covered American Call Warrants 23 August 2023	2,325,576	50,267,392	2.29
HSBC Bank Plc – China Pacific Insurance (Group) Co Ltd – A Equity Covered American Call Warrants 19 February 2019	1,389,544	37,562,638	1.71
HSBC Bank Plc – Jiangsu Transportation – Covered Call Warrants 15 December 2024	778,502	20,646,529	0.94
HSBC Bank Plc – Livzon Pharmaceutical Group Inc – Warrants 4 December 2024	534,430	27,317,809	1.24
HSBC Bank Plc – Shanghai Pudong Development Bank – A Share Covered American Call Warrants 11 February 2019	1,096,288	22,217,933	1.01
		<u>228,454,020</u>	<u>10.40</u>

<b>HSBC China Dragon Fund</b>			
	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net asset attributable to unitholders</i>
<b>Unlisted but quoted investments</b>			
CICC Financial Trading Ltd – China Everbright Bank Co – A Share Covered American Call Warrants 18 November 2017	7,562,042	35,854,334	1.63
CICC Financial Trading Ltd – Huaxia Bank Co Ltd – A Share Covered American Call Warrants 18 November 2017	1,963,320	24,231,515	1.10
CICC Financial Trading Ltd – Inner Mongolia Yili Industrial Group Co Ltd – A Share Covered American Call Warrants 20 August 2018	291,600	3,256,874	0.15
UBS – Inner Mongolia Yili Industrial Group Co Ltd – Equity Note 20 August 2018	1,154,718	21,621,219	0.98
		<u>84,963,942</u>	<u>3.86</u>
<b>Equity-linked instruments (Total)</b>		<u>313,417,962</u>	<u>14.26</u>
<b>Total investments (Total cost of investments: \$2,107,599,914)</b>		2,075,139,336	94.44
<b>Other net assets</b>		<u>122,094,146</u>	<u>5.56</u>
<b>Net assets attributable to unitholders</b>		<u>2,197,233,482</u>	<u>100.00</u>

## Statement of movements in portfolio holdings (unaudited)

For the period ended 30 September 2015

	<i>% of total net assets attributable to unitholders</i>	
	<b>30 September 2015</b>	<b>31 March 2015</b>
Equities	80.18	83.39
Equity-linked instruments	<u>14.26</u>	<u>14.48</u>
<b>Total investments</b>	94.44	97.87
<b>Other net assets</b>	<u>5.56</u>	<u>2.13</u>
<b>Net assets attributable to unitholders</b>	<u><u>100.00</u></u>	<u><u>100.00</u></u>

## Performance table (unaudited)

For the period ended 30 September 2015

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

#### Year/period end

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
31 March 2014	HK\$1,628,843,669
30 September 2014	HK\$1,810,797,968
31 March 2015	HK\$2,855,917,483
30 September 2015	HK\$2,197,233,482

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

#### Year/period end

31 March 2012	HK\$7.89
30 September 2012	HK\$7.50
31 March 2013	HK\$8.35
30 September 2013	HK\$8.72
31 March 2014	HK\$7.76
30 September 2014	HK\$8.63
31 March 2015	HK\$13.61
30 September 2015	HK\$10.47



**(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 2015, the Manager offered a right to the unitholders to redeem not more than 40% of the aggregate number of units in issue.

<b>Year/period</b>	<b>Lowest HK\$</b>	<b>Highest HK\$</b>
20 June 2007 (date of inception) to 31 March 2008	8.62	13.94
1 April 2008 to 30 September 2008	5.55	10.22
1 April 2008 to 31 March 2009	4.12	10.22
1 April 2009 to 30 September 2009	6.22	9.05
1 April 2009 to 31 March 2010	6.22	9.70
1 April 2010 to 30 September 2010	7.91	9.49
1 April 2010 to 31 March 2011	7.91	10.52
1 April 2011 to 30 September 2011	7.50	10.28
1 April 2011 to 31 March 2012	7.21	10.28
1 April 2012 to 30 September 2012	7.14	8.42
1 April 2012 to 31 March 2013	7.14	9.41
1 April 2013 to 30 September 2013	7.79	9.58
1 April 2013 to 31 March 2014	7.60	9.58
1 April 2014 to 30 September 2014	7.39	8.69
1 April 2014 to 31 March 2015	7.39	13.69
1 April 2015 to 30 September 2015	9.75	18.36

## Issuance of Results

The unaudited interim report of the Fund for the period from 1 April 2015 to 30 September 2015 will be despatched to Unitholders on or about 30 November 2015.

Hong Kong, 26 November 2015

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

As at the date of this notice, the board of directors of the Manager is comprised as follows: The executive directors of the Manager are Mr. BERRY, Stuart Glenn, Mr. BOTELHO BASTOS, Pedro Augusto, Dr. MALDONADO-CODINA, Guillermo Eduardo and Mr. TAM, Chun Pong Stephen. The non-executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. MARTIN, Kevin Ross, Mr. PACTON, Olivier, Mr. RIKHYE, Jayant and Ms. WONG, Pik Kuen Helen.

**IMPORTANT**

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**HSBC CHINA DRAGON FUND**

滙豐中國翔龍基金

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

**(Stock Code: 820)**

**Voluntary Announcement – Fund Performance**

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

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

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

The row “The Fund’s non A-share and non QFII investments” represents the indicative performance of the Fund’s other investments such as H-shares, red chips and B-shares.

The relevant figures are gross of 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 <sup>(2)</sup>									
	2015 Year-to- date	2014 full year	2013 full year	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>(3)</sup>
				Year-to- date since 1 January up to 31 December <sup>(1)</sup>	Year-to- date since 1 January up to 5 September <sup>(1)</sup>					
The Fund’s A-share and other QFII investments (gross of fees and net of capital gain tax provision) <sup>(1)</sup>	10.78%	32.32%	1.25%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
MSCI China A	4.16%	46.91%	1.02%	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.	N.A.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
MSCI China	N.A.	N.A.	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance <sup>(4)</sup>			
	up to 30 October 2015 <sup>(1)</sup>			up to 5 September 2012 <sup>(1)</sup>
	6 months	1 year	Since August 07 <sup>(3)</sup>	Since August 07 <sup>(3)</sup>
The Fund's A-share and other QFII investments (gross of fees and net of capital gain tax provision) <sup>(1)</sup>	-22.97%	41.31%	30.50%	N.A.
MSCI China A	-25.01%	37.21%	13.42%	N.A.
The Fund's non A-share and non QFII investments (gross of fees)	N.A.	N.A.	N.A.	-16.52%
MSCI China	N.A.	N.A.	N.A.	-15.50%

The following table demonstrates the performance of the Fund as a whole up to 30 October 2015. "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 October 2015:

	Calendar year performance <sup>(2)</sup>									Cumulative performance <sup>(4)</sup>		
	2015 year-to-date	2014 full year	2013 full year	2012 full year	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>(3)</sup>	6 months	1 year	Since August 07 <sup>(3)</sup>
Net asset value of the Fund (net of fees)	8.86%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	-24.05%	38.65%	23.20%

As at 30 October 2015:

Net asset value per unit of the Fund:	HK\$12.16
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$10.48
Discount / Premium to net asset value:	16.03% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 October 2015. 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 performance of the Fund was achieved under the following circumstances that no longer apply: (a) 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"; and (b) the Fund recognized an over-provision of tax as a gain in its valuation and resulted in an increase in the Fund's net asset value of around 5.13% on 13 October 2015.
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  
23 November 2015

*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. BOTELHO BASTOS, Pedro Augusto, Dr. MALDONADO-CODINA, Guillermo Eduardo and Mr. TAM, Chun Pong Stephen. The non-executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. MARTIN, Kevin Ross, Mr. PACTON, Olivier, Ms. WONG Pik Kuen, Helen and Mr. RIKHYE, Jayant.*

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

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

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## **HSBC CHINA DRAGON FUND**

### **滙豐中國翔龍基金**

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

**(Stock Code: 820)**

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

- (1) CHANGE OF INVESTMENT OBJECTIVE,**
- (2) ONE-OFF REDEMPTION OFFER,**
- (3) RECURRING REDEMPTION OFFER,**
- (4) CHANGES TO THE TRUST DEED OF THE FUND TO EFFECT  
THE RECURRING REDEMPTION OFFER**
- AND**
- (5) NOTICE OF GENERAL MEETING**

**Independent Financial Adviser to the Independent Unitholders**



**SOMERLEY CAPITAL LIMITED**

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A letter from the Manager is set out on pages 10 to 46 of this circular. A letter from the Independent Financial Adviser is set out on pages 47 to 65 of this circular.

A notice convening the General Meeting to be held at Level 20, HSBC Main Building, 1 Queen's Road Central, Hong Kong on 7 January 2016, at 10:00 a.m. is set out on pages 116 to 118 of this circular. Whether or not you are able to attend and vote at the General Meeting in person, please complete and return the accompanying form of proxy to the registrar of the Fund, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not later than 10:00 a.m. on 5 January 2016 or, should there be any adjournment of the General Meeting, not less than 48 hours before the time appointed for such adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the General Meeting (or any adjournment thereof) should you so wish.

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## CORPORATE INFORMATION

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The Fund	HSBC China Dragon Fund, a Hong Kong unit trust authorised under section 104 of the SFO
Manager	HSBC Global Asset Management (Hong Kong) Limited HSBC Main Building 1 Queen's Road Central Hong Kong
Directors of the Manager	<i>EXECUTIVE DIRECTORS:</i> BERRY, Stuart Glenn BOTELHO BASTOS, Pedro Augusto MALDONADO-CODINA, Guillermo Eduardo TAM, Chun Pong Stephen  <i>NON-EXECUTIVE DIRECTORS:</i> APENBRINK, Rudolf Eduard Walter MARTIN, Kevin Ross PACTON, Olivier RIKHYE, Jayant WONG, Pik Kuen Helen
Trustee	HSBC Institutional Trust Services (Asia) Limited HSBC Main Building 1 Queen's Road Central Hong Kong
Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17 Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong



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## EXPECTED TIMETABLE

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*The expected timetable set out below is indicative only and is subject to change. Any changes to the expected timetable will be announced separately by the Fund. All references to time are Hong Kong times and dates. (note 1)*

Despatch of this document and notice of the General Meeting  
and the redemption request forms . . . . . 17 November 2015

Last date and time to lodge transfer documents for the entitlement  
to attend and vote at the General Meeting . . . . . 4:30 p.m. on  
30 December 2015

Closure of the register of Unitholders for  
determining Unitholders' entitlements to vote  
and attend the General Meeting (note 2) . . . . . 31 December 2015 to  
7 January 2016  
(both days inclusive)

Latest time to lodge form of proxy for the General Meeting . . . . . 10:00 a.m. on  
5 January 2016

General Meeting . . . . . 10:00 a.m. on  
7 January 2016

Announcement of the results of the General Meeting (note 3) . . . . . by 7:00 p.m. on  
7 January 2016

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

Commencement date for lodging the redemption request  
with the Registrar . . . . . 8 January 2016

Lodgement Date of the One-off Redemption Offer  
(i.e. last date for lodgement of  
One-off Redemption Offer request) . . . . . 4:30 p.m. on  
25 January 2016

Redemption Day of the One-off Redemption Offer (note 4) . . . . . 26 January 2016

Time for calculating the net asset value  
of the Fund as of the Value Day . . . . . 9:30 a.m. on the Business  
Day immediately after the  
Redemption Day  
(i.e. 27 January 2016)

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## EXPECTED TIMETABLE

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Announcement of the net asset value of the Fund as  
of the Value Day . . . . . by 5:00 p.m. on  
27 January 2016

Latest date for return of certificate(s)  
for Units not redeemed (if applicable) . . . . . 12 February 2016

Latest date for despatch of cheques to redeeming Unitholders  
of One-off Redemption Offer (*note 5*) . . . . . The Manager shall use its  
best endeavours to pay all  
the redemption proceeds,  
less the Redemption Levy,  
to Unitholders on or before  
26 March 2016 (i.e. within 2  
months after the Redemption  
Day). However, distribution  
of redemption proceeds  
payable out of the Fund's  
assets in the PRC will be  
subject to the prior approval  
of SAFE and may be delayed  
beyond the control of the  
Manager. There is no  
assurance that redemption  
proceeds payable out of  
the Fund's assets in the  
PRC will be distributed  
within two months.

*Notes:*

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

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## EXPECTED TIMETABLE

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5. Due to the legal and regulatory requirements in PRC, redemption proceeds payable to Unitholders out of the Fund's assets in the PRC may be paid to the Unitholders in more than one month from the Redemption Day. The Manager shall use its best endeavours to repatriate and distribute such proceeds to the Unitholders within two months after the Redemption Day (i.e. on or before 26 March 2016). However, distribution of redemption proceeds payable out of the Fund's assets in the PRC will be subject to the prior approval of SAFE and may be delayed beyond the control of the Manager. There is no assurance that redemption proceeds payable out of the Fund's assets in the PRC will be distributed within two months. Investors should refer to the risk factor headed under "Uncertainty on the payment date of the redemption proceeds" on page 24 of this circular. The Fund will also use its assets outside PRC to settle part of the redemption proceeds and that part of the redemption proceeds payable out of the assets of the Fund outside the PRC will be payable by 12 February 2016.

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## DEFINITIONS

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

“Announcements”	the June 2015 Announcement, the announcements dated 17 July 2015, 17 August 2015, 17 September 2015 and 16 October 2015 and the Firm Intention Announcement by the Manager in relation to, among other things, the Change of Investment Objective, the One-off Redemption Offer, the Recurring Redemption Offer and changes to the Trust Deed to effect the Recurring Redemption Offer (previously referred to as Annual Redemption Offer in the June 2015 Announcement, the announcements dated 17 July 2015, 17 August 2015, 17 September 2015 and 16 October 2015)
“Business Day”	a day (other than a Saturday or Sunday) on which the Stock Exchange is open for normal trading and banks are open for normal banking business in Hong Kong provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which the Stock Exchange and banks in Hong Kong are open for any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise
“CAAPs”	Chinese A Share access product(s), being a security/securities (such as a note, warrant, option, participation certificate) linked to A Shares or portfolios of A Shares which aim to replicate synthetically the economic benefit of the relevant A Shares or portfolios of A Shares
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change of Investment Objective”	the proposed change of investment objective of the Fund as set out on page 11 of this circular
“ChinaClear”	China Securities Depository and Clearing Corporation
“Code”	the Code on Unit Trusts and Mutual Funds issued by the SFC, as the same may from time to time be modified, amended, revised or replaced, or supplemented either by published guidelines, policies, practice statements or other guidance issued by the SFC or, in any particular case, by specific written guidance issued by the SFC in response to a specific request by the Manager and/or the Trustee
“Connected Person”	has the meaning given to it in the Code
“CSRC”	China Securities Regulatory Commission

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## DEFINITIONS

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“CSC”	the China Stock Connect System
“Directors”	the directors of the Manager
“Enhanced Pre-Trade Checking”	has the meaning set forth on page 14 of this circular
“ETFs”	exchange traded funds
“Exchange Participants”	the Stock Exchange’s registered exchange participants
“Explanatory Statement”	the explanatory statement set out in Appendix 1 to this circular
“Extraordinary Resolution”	a resolution proposed as such and passed on a poll by 75% or more of the votes of those present and entitled to vote in person or by proxy at a duly convened meeting of the Unitholders
“Firm Intention Announcement”	the announcement dated 29 October 2015 by the Manager in relation to, among other things, the Proposed Change of Investment Objective, the Proposed One-off Redemption Offer, the Proposed Recurring Redemption Offer and Proposed Changes to the Trust Deed to effect the Proposed Recurring Redemption Offer
“Fund”	HSBC China Dragon Fund
“General Meeting”	the general meeting of the Unitholders to be held at Level 20, HSBC Main Building, 1 Queen’s Road Central, Hong Kong on 7 January 2016 at 10:00 a.m.
“Handbook”	the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser appointed to advise the Independent Unitholders on the One-off Redemption Offer and the Recurring Redemption Offer. Its registered office is 20/F, China Building, 29 Queen’s Road Central, Hong Kong

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## DEFINITIONS

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“Independent Unitholder(s)”	Unitholders other than any Unitholder that has a material interest in the One-off Redemption Offer and the Recurring Redemption Offer which is different from the interests of all other Unitholders
“June 2015 Announcement”	the announcement dated 17 June 2015 by the Manager in relation to, among other things, the possible Change of Investment Objective, the possible One-off Redemption Offer, the possible Annual Redemption Offer and possible changes to the Trust Deed to effect the Annual Redemption Offer; certain update regarding the tax exposure of the Fund
“Latest Practicable Date”	13 November 2015, being the latest practicable date prior to the despatch of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Lodgement Date”	in relation to the One-off Redemption Offer, the last date for lodgement of redemption requests pursuant to the One-off Redemption Offer which shall be no less than 14 days after the date of the General Meeting
“Manager”	HSBC Global Asset Management (Hong Kong) Limited
“Northbound Trading”	has the meaning set forth on page 12 of this circular
“Offering Circular”	the offering circular of the Fund dated 3 June 2015 and includes any amendments and supplements thereto
“One-off Redemption Offer”	the proposed one-off redemption offer of the Fund as set out on page 19 of this circular
“Overseas Unitholder(s)”	Unitholder(s) whose addresses, as shown in the register of Unitholders, are outside Hong Kong as of the Lodgement Date or the lodgement date with respect to each Recurring Redemption Offer
“PRC” or “China”	the People’s Republic of China, but for the purposes of this circular and the Fund’s investment objective and investment approach only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Pre-Trade Checking”	has the meaning set forth on page 14 of this circular

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## DEFINITIONS

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“QFII”	qualified foreign institutional investor approved by the CSRC pursuant to the “Measures for the Administration of Investment in Domestic Securities by Qualified Foreign Institutional Investors” (《合格境外機構投資者境內證券投資管理辦法》) promulgated by CSRC, People’s Bank of China and SAFE on 24 August, 2006 and came into effect on 1 September, 2006, as may be amended from time to time
“Recurring Redemption Offer”	the proposed recurring redemption offer of the Fund as set out on page 34 of this circular
“Redemption Day”	in relation to the One-off Redemption Offer, the Business Day immediately following the Lodgement Date
“Redemption Levy”	the redemption fee of up to 2% of the redemption price, payable in relation to the redemption of Units by a redeeming Unitholder pursuant to the One-off Redemption Offer and the Recurring Redemption Offer (as applicable) as described in this circular
“Registrar”	Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Relevant Period”	the period from 29 April 2015, being the date falling six months before the date of the Firm Intention Announcement, up to and including the Latest Practicable Date
“SAFE”	State Administration of Foreign Exchange
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“SPSA Order”	has the meaning set forth on page 14 of this circular
“SSE”	The Shanghai Stock Exchange
“SSE Shares”	the eligible A Shares listed on the SSE
“Stock Connect”	Shanghai-Hong Kong Stock Connect and any other similar stock connect programme between another city of the PRC and Hong Kong when it becomes available to and can be utilised by the Fund
“Stock Connect Investor”	Any Hong Kong and overseas investor investing through the Stock Connect including, without limitation, the Fund

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## DEFINITIONS

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“Stock Connect Securities”	Securities acquired through Stock Connect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Trust Deed”	the proposed supplement to the Trust Deed to include the changes described in this circular
“Trust Deed”	the trust deed dated 20 June 2007 between the Trustee and the Manager and includes any amendments and supplements thereto
“Trustee”	HSBC Institutional Trust Services (Asia) Limited
“Unit(s)”	unit(s) of the Fund
“Unitholder(s)”	holder(s) of Units
“Value Day”	the Redemption Day, being the date on which the relevant market closing price of the underlying investments of the Fund, and the Fund’s applicable operating expenses accrued or incurred to date shall be used to calculate the net asset value of the Fund to be adopted as the redemption price for the purpose of the One-off Redemption Offer



## HSBC CHINA DRAGON FUND

### 滙豐中國翔龍基金

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

**(Stock Code: 820)**

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

**Directors of the Manager:**

*EXECUTIVE DIRECTORS:*

BERRY, Stuart Glenn  
BOTELHO BASTOS, Pedro Augusto  
MALDONADO-CODINA, Guillermo Eduardo  
TAM, Chun Pong Stephen

**Registered office of the Manager:**

HSBC Main Building  
1 Queen's Road Central  
Hong Kong

*NON-EXECUTIVE DIRECTORS:*

APENBRINK, Rudolf Eduard Walter  
MARTIN, Kevin Ross  
PACTON, Olivier  
RIKHYE, Jayant  
WONG, Pik Kuen Helen

17 November 2015

*To the Unitholders*

Dear Sir/Madam

**CIRCULAR TO UNITHOLDERS  
IN RELATION TO  
(1) CHANGE OF INVESTMENT OBJECTIVE,  
(2) ONE-OFF REDEMPTION OFFER,  
(3) RECURRING REDEMPTION OFFER,  
(4) CHANGES TO THE TRUST DEED OF THE FUND TO EFFECT  
THE RECURRING REDEMPTION OFFER  
AND  
(5) NOTICE OF GENERAL MEETING**

**I. INTRODUCTION**

Reference is made to the Announcements by the Manager in relation to, among other things, the proposed Change of Investment Objective as described on pages 11 to 19 of this circular, the proposed One-off Redemption Offer as described on pages 19 to 34 of this

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## LETTER FROM THE MANAGER

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circular, the proposed Recurring Redemption Offer and the changes to the Trust Deed to effect the Recurring Redemption Offer on page 34 of this circular. The purposes of this circular are to provide you with (i) further information regarding resolutions to be proposed at the General Meeting relating to, (a) the Change of Investment Objective, (b) the One-off Redemption Offer; (c) the Recurring Redemption Offer and (d) the changes to the Trust Deed to effect the Recurring Redemption Offer, and (ii) a letter of advice from the Independent Financial Adviser containing its advice to the Independent Unitholders as to whether the One-off Redemption Offer and the Recurring Redemption Offer are fair and reasonable as to acceptance and voting and (iii) the notice of the General Meeting.

The total net asset value and capitalisation (being the Unit's closing price on the Stock Exchange multiplied by the total number of Units in issue) of the Fund as at 12 November 2015 are HK\$2,664,376,368 and HK\$2,165,262,554, respectively, representing a discount of 18.7%.

## II. CHANGE OF INVESTMENT OBJECTIVE

### (a) The Proposed Change

The Manager wishes to convene the General Meeting to seek approvals of the Independent Unitholders by way of the Extraordinary Resolution to approve the Change of Investment Objective.

The Manager would like to achieve the investment objective of the Fund with the ability to invest in A Shares from investing directly in A Shares through Stock Connect. It is proposed that the Fund's objective be changed ("**Change of Investment Objective**") as follows (changes underlined and bold):

The investment objective of the Fund is to achieve long-term capital growth by investing primarily in A Shares directly through (i) the QFII investment quota of the Manager and (ii) **Stock Connect**; and indirectly through investment of (i) up to 40% of its net asset value in financial derivative instruments and securities linked to A Shares (such as CAAPs (including A Share participation certificates/notes and/or other access products issued by third party investment banks or brokers)) and (ii) up to 40% of its net asset value in ETFs (including synthetic ETFs) authorised by the SFC with exposure to A Shares; provided that the Fund's investment in CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A Shares will not exceed 50% in the aggregate of its net asset value. The Manager may consider, amongst others, profitability, prospect, outlook, valuation and volatility of the relevant securities and markets, the availability of the investments, and the economic and political environment and development affecting the relevant securities and markets in its selection criteria of investments for the Fund. The Fund will not invest more than 10% of its net asset value in CAAPs issued by a single issuer; and the Fund's aggregate investment in (i) CAAPs shall not be more than 40% of its net asset value and (ii) **A Shares through the Stock Connect shall not be more than 30% of the Fund's net asset value.**

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## LETTER FROM THE MANAGER

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As of the date of this circular, only the Shanghai-Hong Kong Stock Connect has been launched. No other Stock Connect programme has been launched, but the Fund may invest through such programme in future, as and when it is available. Shanghai-Hong Kong Stock Connect is a securities trading and clearing linked programme developed by, among others, the Stock Exchange, SSE, HKSCC and ChinaClear with an aim to achieve mutual stock market access between mainland China and Hong Kong. Shanghai-Hong Kong Stock Connect provides a “**northbound link**” through which Stock Connect Investors including the Fund may purchase and indirectly hold SSE Shares (“**Northbound Trading**”).

Further information about the Stock Connect is available online at the website:

[http://www.hkex.com.hk/eng/market/sec\\_tradinfra/chinaconnect/chinaconnect.htm](http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm)

Independent Unitholders should carefully consider the risk factors described in the Offering Circular and from page 12 to page 19 below before exercising their votes to approve the resolution with respect to the Change of Investment Objective.

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

The Manager believes that the proposed Change of Investment Objective to invest directly in A Shares through Stock Connect will provide more flexibility to the Manager to achieve the investment objective of the Fund with the ability to invest in A Shares from offshore.

### **(b) Key Risk Factors**

Unitholders should carefully consider the risk factors described in the Offering Circular and below before deciding on whether to approve the Change of Investment Objective.

- (i) *Availability of Stock Connect Programme:* As of the date of this circular, only the Shanghai-Hong Kong Stock Connect has been launched. No other Stock Connect programme has been launched, but the Fund may invest through such programme in future, as and when it is available. The launch of the programme is subject to applicable laws, regulations and various implementation requirements including but not limited to the relevant stock exchange trading and clearing rules, and will take place only when trading systems have been finalised, all regulatory approvals have been granted and market participants have had sufficient opportunity to configure and adapt their operational and technical systems. Even if the programme is launched successfully, the Fund may not be able to participate in such programme, and the Fund’s ability to access the A Share market may be limited accordingly. The Manager will update the relevant disclosures in the Offering Circular as and when necessary.

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## LETTER FROM THE MANAGER

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Shanghai-Hong Kong Stock Connect is a new trading programme. Currently there is no manual trade facility or block trade facility for Stock Connect Securities under Northbound Trading, the Fund's investment options may become limited as a result. The scope of securities in Shanghai Hong Kong Stock Connect is subject to adjustment by the applicable regulator, agency or authority with jurisdiction, authority or responsibility in respect of Shanghai-Hong Kong Stock Connect from time to time. This may adversely affect the Fund's ability to achieve its investment objective. In addition, Shanghai-Hong Kong Stock Connect and its technology and risk management capability has only a short operating history. There is no assurance that the systems and controls of the Shanghai-Hong Kong Stock Connect programme will function as intended or whether they will be adequate.

Shanghai-Hong Kong Stock Connect may be subject to further regulatory or other changes and developments in both the Hong Kong and China markets that could adversely affect the Fund's ability to invest via Shanghai-Hong Kong Stock Connect or its investment strategy. There is no assurance that Shanghai-Hong Kong Stock Connect will be permitted to continue in existence.

- (ii) *Quota Limitations:* Shanghai-Hong Kong Stock Connect is subject to quota limitations which may restrict the Fund's ability to deal via Shanghai-Hong Kong Stock Connect on a timely basis. Northbound Trading under Shanghai-Hong Kong Stock Connect is subject to a maximum cross-boundary aggregate investment quota together with a daily quota. When the aggregate quota balance for Northbound Trading is less than the daily quota, the corresponding buy orders will be suspended on the next trading day (sell orders will still be accepted) until the aggregate quota balance returns to the daily quota level. Once the daily quota is used up, acceptance of the corresponding buy orders will also be immediately suspended and no further buy orders will be accepted for the remainder of the day. Buy orders which have been accepted will not be affected by the using up of the daily quota, while sell orders will be continued to be accepted. Depending on the aggregate quota balance situation, buying services will be resumed on the following trading day. This may impact the Fund's ability to implement its investment strategy effectively.

Trade orders are entered into CSC based on time order. Trade orders cannot be amended, but may be cancelled and re-entered into the CSC as new orders at the back of the queue. Due to quota restrictions or other market intervention events, there can be no assurance that trades executed through a broker will be completed.

- (iii) *Pre-Trade Checking:* PRC law provides that SSE may reject a sell order if an investor does not have sufficient available A Shares in its account.

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## LETTER FROM THE MANAGER

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The sell order of A Shares by the Fund through Stock Connect may be held in a Special Segregated Account, that is, a special account as defined in the rules with respect to the Stock Connect (“**SPSA Order**”). In respect of a sell order of A Shares by the Fund that is not a SPSA Order, the Stock Exchange will carry out a pre-trade checking on all the Fund’s sell orders of Shanghai-Hong Kong Stock Connect Securities on the Northbound Trading link at the level of the Exchange Participants to ensure there is no overselling by any individual exchange participant (“**Pre-Trade Checking**”). The Pre-Trade Checking requirement may require a pre-trade delivery of the Stock Connect Securities from a Stock Connect Investor’s domestic custodian or sub-custodian to the Exchange Participant which will hold and safekeep such securities so as to ensure that they can be traded on a particular trading day. There is a risk that creditors of the Exchange Participant may seek to assert that such securities are owned by the Exchange Participant and not the Stock Connect Investor, if it is not made clear that the Exchange Participant acts as a custodian in respect of such securities for the benefit of the Stock Connect Investor.

The Stock Exchange will carry out enhanced pre-trade checking in respect of any SPSA Order (“**Enhanced Pre-Trade Checking**”). In relation to Enhanced Pre-Trade Checking, the Fund needs to ensure that it has been designated a special segregated account with a corresponding investor identification number and there are sufficient available A Shares in a relevant Special Segregated Account to cover a proposed SPSA Order. Otherwise, the required number of A Shares may not be delivered from the special segregated account on a settlement day to fulfil the sell order. As the Fund trades SSE Shares through brokers that do not require pre-trade delivery of securities, no pre-trade delivery of securities is required and the risk in the preceding paragraph is mitigated.

Given the Pre-Trade Checking requirements and hence the pre-trade delivery of Stock Connect Securities to an Exchange Participant, the Manager may determine that it is in the interest of the Fund that it only executes Shanghai-Hong Kong Stock Connect trades through a broker who is affiliated to the Fund’s sub-custodian that is an Exchange Participant. In that situation, whilst the Manager will be cognisant of its best execution obligations it will not have the ability to trade through multiple brokers and any switch to a new broker will not be possible without a commensurate change to the Fund’s sub-custody arrangements.

- (iv) *Default Risk*: SSE Shares will be held following settlement by brokers or custodians as clearing participants in accounts in CCASS maintained by HKSCC as central securities depository in Hong Kong and as nominee holder. HKSCC is the “nominee holder” of the SSE Shares acquired by a Stock Connect Investor. While the distinct concepts of nominee holder and beneficial owner are generally recognized under the PRC Shanghai-Hong Kong Stock Connect rules as well as other laws and regulations in mainland

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## LETTER FROM THE MANAGER

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China, the application of such rules is untested, and there is no assurance that PRC courts will recognise such rules, e.g. in liquidation proceedings of PRC companies or other legal proceedings. In the unlikely event that HKSCC becomes subject to winding up proceedings in Hong Kong, investors should note that SSE Shares will not be regarded as part of the general assets of HKSCC available for distribution to creditors under PRC and Hong Kong law. In addition, a failure or delay by HKSCC in the performance of its obligations may result in a failure of settlement, or the loss, of Stock Connect Securities and/or monies in connection with them and the Fund may suffer losses as a result.

ChinaClear has established a risk management framework and measures that are approved and supervised by the CSRC. Pursuant to the General Rules of CCASS, if ChinaClear (as the host central counterparty) defaults, HKSCC will, in good faith, seek recovery of the outstanding Stock Connect Securities and monies from ChinaClear through available legal channels and through ChinaClear's liquidation process, if applicable. HKSCC will in turn distribute the Stock Connect Securities and/or monies recovered to clearing participants on a pro-rata basis as prescribed by the relevant authority or responsibility in respect of Shanghai-Hong Kong Stock Connect. Stock Connect Investors in turn will only be distributed the Stock Connect Securities and/or monies to the extent recovered directly or indirectly from HKSCC. Although the likelihood of a default by ChinaClear is considered to be remote, Unitholders should be aware of this arrangement and of this potential exposure.

- (v) *Corporate Action*: According to existing mainland China practices, the Fund as beneficial owner of A Shares traded via Shanghai-Hong Kong Stock Connect cannot appoint proxies to attend shareholders' meetings on its behalf. Stock Connect Investors like the Fund who hold the SSE Shares (as beneficial owners) through HKSCC are therefore eligible to exercise their rights through the nominee only. However, under the CCASS Rules, HKSCC as nominee holder will not be obliged to take any legal action or enter into court proceedings to enforce any rights on behalf of Stock Connect Investors in mainland China but HKSCC may provide assistance to the Stock Connect Investors subject to conditions.

Accordingly, the Fund may only exercise voting rights with respect to SSE Shares by giving voting instructions to HKSCC (through CCASS participants) who will then consolidate such instructions and submit them in the form of a combined single voting instruction to the relevant SSE-listed company. Therefore, the Fund may not be able to exercise voting rights in respect of the underlying company in the same manner as in other markets.

In addition, any corporate action in respect of Stock Connect Securities will be announced by the relevant issuer through the SSE website and certain officially appointed newspapers. Stock Connect Investors may refer to the



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## LETTER FROM THE MANAGER

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SSE website and the relevant newspapers for the latest listed company announcements or, alternatively, the website of the Hong Kong Exchanges and Clearing Limited for corporate actions in respect of Stock Connect Securities issued on the previous trading day. However, SSE-listed issuers publish corporate documents in Chinese only and English translations will not be available.

Given the short timescale within which proxy voting or other corporate actions are required to be taken in relation to the Stock Connect Securities, there is no assurance that CCASS participants who participate in Shanghai-Hong Kong Stock Connect will or will continue to provide or arrange for the provision of any voting or other related services. Accordingly, there is no assurance that the Fund will be able to exercise any voting rights or participate in any corporate actions in relation to Stock Connect Securities in time or at all.

Stock Connect Securities are uncertificated and are held by HKSCC as nominee for its account holders. Physical deposit and withdrawal of Stock Connect Securities are not available under the Northbound Trading for the Fund. The Fund's title or interests in, and entitlements to, Stock Connect Securities (whether legal, equitable or otherwise) will be subject to applicable requirements, including laws relating to any disclosure of interest requirement or foreign shareholding restriction. It is uncertain whether the Chinese courts would recognise the ownership interest of Stock Connect Investors to allow them standing to take legal action against Chinese companies.

- (vi) *Day Trading*: Save with a few exceptions, day (turnaround) trading is generally not permitted on the A Share market. If the Fund buys Stock Connect Securities on a dealing day (T), it may not be able to sell the Stock Connect Securities until on or after T + 1 day.
- (vii) *Investor Compensation*: Investors should note that if the Fund engages in any Northbound Trading, the Fund will not be covered by Hong Kong's Investor Compensation Fund or the China Securities Investor Protection Fund and thus investors will not benefit from compensation under such schemes.
- (viii) *Delays in Trading*: Market participants must match, execute or arrange the execution of any sale and buy orders or any transfer instructions from investors in respect of any Stock Connect Securities in accordance with the Shanghai-Hong Kong Stock Connect rules. This rule against off-exchange trading and transfers for trading of Stock Connect Securities under Northbound Trading may delay or disrupt reconciliation of orders by market participants. However, to facilitate market players in conducting Northbound Trading and the normal course of business operation, off-

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## LETTER FROM THE MANAGER

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exchange or “non-trade” transfer of Stock Connect Securities for the purposes of post-trade allocation to different funds/sub-funds by fund managers have been specifically allowed.

- (ix) *Difference in Trading Days/Hours:* Due to differences in public holidays between Hong Kong and mainland China or other reasons such as bad weather conditions, there may be a difference in trading days and trading hours between SSE and the Stock Exchange. Shanghai-Hong Kong Stock Connect will only operate on days when both markets are open for trading and when banks in both markets are open on the corresponding settlement days. There may be occasions when it is a normal trading day for the mainland China market but it is not possible to carry out any A Shares trading in Hong Kong. Additionally, the Stock Exchange (or any relevant subsidiary) may, under certain circumstances as specified in the rules of the Stock Exchange, temporarily suspend or restrict all or part of the order-routing and related supporting services with regard to all or any Northbound Trading and for such duration and frequency as the Stock Exchange may consider appropriate at any time and without advance notice. As such, there is a risk of price fluctuations in A Shares during the time when Northbound Trading is suspended or restricted as described above.
- (x) *Restricted Stock:* A stock may be recalled from the scope of eligible stocks for trading via Shanghai-Hong Kong Stock Connect for various reasons, and in such event the stock can only be sold but is restricted from being bought. This may adversely affect the ability of the Fund to trade via Shanghai-Hong Kong Stock Connect. Under Shanghai-Hong Kong Stock Connect, the Manager will only be allowed to sell A Shares but restricted from further buying if: (i) the particular A Share stock subsequently ceases to be a constituent stock of the relevant indices; (ii) the particular A Share stock is subsequently under “risk alert”; and/or (iii) the corresponding H share of the particular A Share stock subsequently ceases to be traded on the Stock Exchange. Price fluctuation limits are also applicable to A Shares.
- (xi) *Fees and Tax:* In addition to paying trading fees and stamp duties in connection with trading in A Shares, the Fund carrying out Northbound Trading may be subject to new portfolio fees, dividend tax and tax concerned with income arising from stock transfers as determined by the relevant authorities.



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## LETTER FROM THE MANAGER

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Pursuant to the circular dated 31 October 2014 on the Taxation Policy of the Pilot Programme for the Mutual Stock Market Access between Shanghai and Hong Kong Stock Markets under Caishui [2014] No. 81 (“**Circular No. 81**”), in respect of trading of A Shares through the Stock Connect:

- corporate income tax shall be exempt on a temporary basis on the gains earned by Hong Kong market investors (including corporate and individual investors) from the transfer of A Shares listed on the Shanghai Stock Exchange; and
- Hong Kong market investors are required to pay tax on dividend and bonus of A Shares at a standard rate of 10%, which will be withheld and paid to the relevant PRC tax authority by the respective listed companies (before the Hong Kong Securities Clearing Company Limited is able to provide details such as investor identities and holding periods to the China Securities Depository and Clearing Corporation Limited, the policy of differentiated rates of taxation based on holding periods will temporarily not be implemented).

Under Circular No. 81, Hong Kong market investors trading through Stock Connect are required to pay stamp duty arising from the sale and purchase of A Shares and the transfer of A Shares by way of succession and gift in accordance with the prevailing PRC taxation regulations.

- (xii) *Local Requirements*: Under Shanghai-Hong Kong Stock Connect, A Share listed companies and trading of A Shares are subject to market rules and disclosure requirements of the A Share market. Any changes in laws, regulations and policies of the A Share market or rules in relation to Shanghai-Hong Kong Stock Connect may affect share prices. Foreign shareholding restrictions and disclosure obligations are also applicable to A Shares.

The Fund and the Manager will be subject to restrictions on trading (including restriction on retention of proceeds) in A Shares as a result of their interest in the A Shares and are responsible for compliance with all notifications, reports and relevant requirements in connection with such interests.

Under current PRC law, once an investor holds up to 5% of the shares of a PRC-listed company, the investor is required to disclose his interest within three days in accordance with the applicable regulations and during the reporting period he cannot trade the shares of that company. The investor is also required to disclose any change in his shareholding and comply with related trading restrictions in accordance with PRC law.

- (xiii) *Foreign Exchange Fluctuation*: Stock Connect Securities under Northbound Trading will be traded and settled in RMB. The Fund will be exposed to currency risk if it invests in a RMB product due to the need for the

conversion of the currency into RMB. The Fund will also incur currency conversion costs. Even if the price of the RMB asset remains the same when the Fund purchases it and when the Fund redeems/sells it, the Fund will still incur a loss when it converts the redemption/sale proceeds into local currency if RMB has depreciated.

(xiv) *Conflict of Interest*: The Fund may trade the Stock Connect Securities through a broker affiliated to the Trustee. In the event that there are circumstances where there may be a conflict of interest, the Manager will have regard to its obligations to act as investment manager in the interests of the Fund as far as practicable, and its obligations to other clients when undertaking any investments. In the event that such conflicts do arise, the Manager will act in the best interests of the Fund and use its best efforts to resolve such conflicts fairly.

### III. ONE-OFF REDEMPTION OFFER

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

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

As at the Latest Practicable Date, 209,812,263 Units are in issue. Currently, Unitholders do not have the right to redeem any part of their holdings of Units.

The Manager wishes to offer a right to the Unitholders to redeem the whole or a part of their Units on a one-off basis on the Redemption Day (the “**One-off Redemption Offer**”) for cash subject to the terms and conditions of the One-off Redemption Offer and proposes to seek approvals of the Independent Unitholders by way of an Extraordinary Resolution at the General Meeting on the One-off Redemption Offer.

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

The Manager proposes to offer the Unitholders, subject to certain conditions, the One-off Redemption Offer, being a right to apply to redeem the whole or a part of their Units at, subject to a Redemption Levy, the net asset value of the Units being redeemed (calculated using the relevant market closing price of the underlying investments of the Fund and the Fund’s applicable operating expenses accrued or incurred to date on the Value Day) on the Redemption Day provided that for the Fund as a whole the total number of Units to be redeemed by the Unitholders shall not exceed 20% of the total outstanding number of Units as at the Lodgement Date. The redemption of Units by a Unitholder pursuant to the One-off Redemption Offer will not attract Hong Kong ad valorem or fixed stamp duty. The redemption of Units by a Unitholder pursuant to the One-off Redemption Offer will not be subject to any dealing charges other than the Redemption Levy. The Redemption Levy, which is up to 2% of the net asset value of the Units being redeemed (i.e. the redemption price), incorporates commission, stamp duty, transaction cost and total market impact of implementation (i.e. the

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## LETTER FROM THE MANAGER

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price difference during the order implementation between the execution price and the price at the time of valuation) will be deducted from the redemption price and will be retained by the Fund for the benefit of the Fund. The actual level of the Redemption Levy will be determined by the Manager according to the Manager's estimation of the above-mentioned commission, stamp duty, transaction cost and total market impact of implementation on the Redemption Day. Each redeeming Unitholder will bear the same percentage of Redemption Levy, namely, the same percentage of the net asset value of the Units being redeemed. The Redemption Levy will be announced together with the net asset value of the Fund as of the Value Day by 5:00 pm on 27 January 2016.

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

The estimated cost for the One-off Redemption Offer is HK\$3,100,000, approximately 0.12% of the net asset value of the Fund as at 12 November 2015. Such cost will primarily include legal fees and costs, and fees and costs incurred by and payable to the independent financial adviser and the Registrar with respect to the One-off Redemption Offer and will be borne by the Fund, that is, indirectly by all the Unitholders before the Redemption Day. Redemption Levy, which is up to 2% of the net asset value of the Units being redeemed (i.e. the redemption price), will be borne by the redeeming Unitholders pursuant to the One-off Redemption Offer.

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

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

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## LETTER FROM THE MANAGER

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Due to the legal and regulatory requirements in PRC, redemption proceeds payable to Unitholders out of the Fund's assets in the PRC may be paid to the Unitholders in more than one month from the Redemption Day. The Manager shall use its best endeavours to repatriate and distribute such proceeds to the Unitholders within two months after the Redemption Day (i.e. on or before 26 March 2016). However, distribution of redemption proceeds payable out of the Fund's assets in the PRC will be subject to the prior approval of SAFE and may be delayed beyond the control of the Manager. There is no assurance that redemption proceeds payable out of the Fund's assets in the PRC will be distributed within two months. Investors should refer to the risk factor headed under "Uncertainty on the payment date of the redemption proceeds" below. The Fund will also use its assets outside PRC to settle part of the redemption proceeds and that part of the redemption proceeds payable out of the assets of the Fund outside the PRC will be payable by 12 February 2016. As such, the Fund may need to pay the redemption proceeds to Unitholders by instalments and the Fund will pay all the redemption proceeds to the Unitholders as soon as possible after receipt of the proceeds by the Fund. As of 12 November 2015, A Shares invested directly through QFII and other net assets in the PRC account for approximately 84% of the net asset value of the Fund, for reference, the redemption proceeds payable out of the assets in the PRC as of 12 November 2015 is approximately 40% of the total redemption proceeds (assuming that 20% of the total outstanding Units are being redeemed).

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

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

The total number of Units to be redeemed by the Unitholders shall not exceed 20% of the total outstanding number of Units as at the Lodgement Date. Regardless of the number of Units a Unitholder has validly applied to redeem, in the event that the aggregate number of Units for which applications are made under the One-off Redemption Offer exceeds 20% of the total outstanding number of Units as at the Lodgement Date, the number of Units that such Unitholder can eventually redeem will be reduced proportionally. Under such situation, the Fund will satisfy the redemption requests of Unitholders wishing to redeem their Units on a pro rata basis based on the number of Units the Unitholders have validly applied to redeem, rounded down to the nearest whole Unit.

The Fund will dispose of its investments in an orderly manner in order to effect the One-off Redemption Offer. In the event that the aggregate number of Units for which applications to redeem are made under the One-off Redemption Offer exceeds 20% of the outstanding number of Units as at the Lodgement Date,

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## LETTER FROM THE MANAGER

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the Manager shall, subject to the redemption requests complying with the requirements of the Trust Deed, (i) limit the number of Units to be redeemed under the One-off Redemption Offer to 20% of the outstanding number of Units as at the Lodgement Date and (ii) realise its investments and apply all or part of such realisation proceeds to satisfy the redemption requests of Unitholders wishing to redeem their Units on a pro rata basis based on the number of Units the Unitholders have validly applied to redeem, rounded down to the nearest whole Unit. Any request for the One-off Redemption Offer **which is not satisfied** shall be void and certificates representing such Units shall be returned to Unitholders within 10 Business Days after the Redemption Day.

If the aggregate of the actual applications for redemption by the Unitholders made under the One-off Redemption Offer is less than or equal to the aggregate maximum limit of 20% of the total outstanding number of Units as at the Lodgement Date, all Units applied to be redeemed will be redeemed. The balance between the Units actually redeemed and 20% of the total outstanding number of Units as at the Lodgement Date will neither be carried forward nor be available for any subsequent redemption by any Unitholder on any subsequent trading day of the Fund. The Manager shall, subject to the redemption requests complying with the requirements of the Trust Deed (including, amongst others, any request for the One-off Redemption Offer must be given in writing signed by the Unitholder or any one of joint Unitholders and must specify the number of Units that are to be realised, and the name or names of the Unitholder or Unitholders together with the relevant certificate(s) and/or transfer receipt(s) and/or any other document(s) of the title (and/or any satisfactory indemnity or indemnities required in respect thereof), the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the Manager or its agent or, if relevant, the Trustee), (i) satisfy all such redemption requests and (ii) realise its investments and apply all or part of such realisation proceeds to satisfy such redemption requests under the One-off Redemption Offer.

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

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## LETTER FROM THE MANAGER

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

All redeemed Units will be cancelled.

*(v) Payment procedure for the One-off Redemption Offer*

It is the intention of the Manager to realise the relevant investment of the Fund as soon as practicable on or about the Value Day.

The Manager will aim to realise the Fund’s offshore assets (i.e. assets being held by the Fund outside the PRC) first to satisfy the redemption requests, subject to the condition that the Manager will aim to ensure that the Fund will continue to hold approximately 5% of the Fund’s total net asset value offshore outside the PRC immediately after the redemption, taking into account the ongoing liquidity need of the Fund outside the PRC (such as payment of various fees and expenses outside PRC) and the asset size required by the Fund to maintain a portfolio efficiently outside PRC.

If the amount obtained by the Fund from the realisation of its assets outside PRC is not adequate to pay the redemption proceeds, the Manager will realise a portion of the assets of the Fund in the PRC and convert such proceeds into United States dollars as soon as practicable on or about the Value Day, and will arrange to hedge the United States dollars back to Hong Kong dollars (the Fund’s base currency) accordingly. The Manager will aim to repatriate the relevant proceeds out of the PRC as soon as practicable. After the completion of repatriation, the Manager will apply all or part of such realisation proceeds to satisfy the redemption requests, with the remaining realisation proceeds, if any, being held or invested by the Fund outside PRC according to the Fund’s investment objective.

Subject to a number of factors including, but not limited to, the total amount of redemption requests, the amount of offshore assets held by the Fund (i.e. assets outside the PRC), the monthly repatriation limit on the net realised profits and principal funds by QFIIs, the time required by the Fund to repatriate funds from the PRC, the Fund may need to pay the redemption proceeds, less the Redemption Levy, by instalments.

According to current rules and regulations in the PRC, 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, subject to the relevant regulatory approval and the satisfaction of required documents (where applicable).



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## LETTER FROM THE MANAGER

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If the Fund is required to dispose of its assets in the PRC to satisfy the entire or part of the redemption requests accepted by the Fund in respect of the One-off Redemption Offer, it is expected that (i) the first repatriation of the disposition proceeds of such assets may take approximately two months and (ii) any subsequent repatriation(s) which may be required until the Fund can satisfy all the redemption requests accepted by the Fund in respect of the One-off Redemption Offer may take place with a one-month interval from one repatriation to another.

Investors should refer to the risk factor headed under “Uncertainty on the payment date of the redemption proceeds” under Key Risk Factors (b)(i) below.

### **(b) Key Risk Factors**

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

- (i) ***Uncertainty on the payment date of the redemption proceeds:*** the Manager shall use its best endeavours to pay all the redemption proceeds, less the Redemption Levy, to Unitholders on or before 26 March 2016 (i.e. within 2 months after the Redemption Day). However, distribution of redemption proceeds payable out of the Fund’s assets in the PRC will be subject to the prior approval of SAFE and may be delayed beyond the control of the Manager. There is no assurance that redemption proceeds payable out of the Fund’s assets in the PRC will be distributed within two months. The Fund will also use its assets outside PRC to settle part of the redemption proceeds and that part of the redemption proceeds payable out of the assets of the Fund outside the PRC will be payable by 12 February 2016. Accordingly, the Fund may need to pay the redemption proceeds, less the Redemption Levy, by instalments depending on a number of factors including, but not limited to, the total amount of redemption requests, the amount of offshore assets held by the Fund (i.e. assets outside the PRC), the monthly repatriation limit on the net realised profits and principal funds by QFIIs, the time required by the Fund to repatriate funds from the PRC.

According to the legal and regulatory requirements in PRC, the amount the Fund can repatriate each month is limited (up to 20% of the QFII’s total asset value in the PRC as of the end of the immediately preceding calendar year). This may delay the payment of redemption proceeds to holders, especially when the Fund needs more than one repatriation to pay the redemption proceeds. According to legal and regulatory requirements in PRC, repatriation also requires prior approval from SAFE. The Manager has no control on SAFE’s approval time, which may also cause delay in paying repatriation proceeds to holders. If the Fund is required to repatriate disposition proceeds from the PRC to satisfy the entire or part of the redemption requests accepted by the Fund in respect of the One-off Redemption Offer, the payment of such redemption proceeds under the One-off Redemption Offer is subject to the applicable PRC

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## LETTER FROM THE MANAGER

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repatriation rules and the regulatory and tax clearance approval process which may cause delays or adjustment in calculation of the repatriation limits. The Fund will pay all the redemption proceeds to the Unitholders as soon as possible after receipt of the proceeds by the Fund. Based on the current legal and regulatory requirements in PRC, the Manager is reasonably satisfied that redemption proceeds can be repatriated from the PRC within two months after the Redemption Day;

- (ii) *Uncertainty on the trading price and the net asset value of the Fund:* under the One-off Redemption Offer, the net asset value at which the eligible Units will be redeemed shall be determined using the relevant market closing price of the underlying investments of the Fund and the Fund's applicable operating expenses accrued or incurred to date on the Value Day, and subject to the Redemption Levy and the relevant calculation method, shall be announced by the Manager no later than two Business Days after the Value Day. The Redemption Levy is to be retained by the Fund for the benefit of the Fund. Unitholders should note that the net asset value at which the eligible Units will be redeemed may be higher or lower than the traded price of the Units. There is no assurance that the Fund will be traded at a price that is equal to or at a reduced discount to its net asset value subsequent to the effecting of the One-off Redemption Offer or that the performance of the Fund will be improved or enhanced thereafter;
- (iii) *Uncertainty on whether a Unitholder may redeem all its Units:* as the total number of Units to be redeemed by the Unitholders shall not exceed 20% of the total outstanding number of Units as a whole as at the Lodgement Date, a Unitholder may not be able to redeem all the Units he or she applies to redeem under the One-off Redemption Offer regardless of whether he or she applies to redeem more or less than 20% of the Units he or she owns at the Lodgement Date.

In the event that the aggregate number of Units for which applications to redeem are made under the One-off Redemption Offer exceeds 20% of the outstanding number of Units as at the Lodgement Date, the Manager shall apply the relevant realisation proceeds to satisfy the redemption requests of Unitholders wishing to redeem their Units on a pro rata basis based on the number of Units the Unitholders have validly applied to redeem, rounded down to the nearest whole Unit. Unitholders should refer to the section headed "Limits on the One-off Redemption Offer" above for details;

- (iv) *Risk of Odd Lots:* any Units held by Unitholders that are not successfully redeemed under the One-off Redemption Offer may be in odd lots. The realisable price of such odd lot Units may be significantly lower than the traded price for such Units;



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## LETTER FROM THE MANAGER

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- (v) *Impact on the total expense ratio and size of the Fund:* the One-Off Redemption Offer, (i) if effected, will increase the total expense ratio of the Fund as a result of the expenses incurred with respect to the One-off Redemption Offer and such expenses are not covered by the Redemption Levy and (ii) reduce the size of the Fund after such One-off Redemption Offer is effected. The Manager may decide to terminate the Fund on any date if on such date the asset value of the Fund shall be less than HK\$400,000,000 under the Trust Deed; and
- (vi) *Remittance risk:* all documents and remittances will be sent to the Unitholders through ordinary post at their own risk. These documents and remittances will be sent to the Unitholders at their respective addresses as they appear in the register of Unitholders, and in the case of joint Unitholders, to the Unitholder whose name appears first in the register of Unitholders.

### (c) Taxation

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

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

#### (i) Hong Kong

- Profits Tax

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

- Stamp Duty

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

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## LETTER FROM THE MANAGER

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

*(ii) The PRC*

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

- Withholding tax

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

- Enterprise Income Tax

On 14 November 2014, the Ministry of Finance, the State Administration of Taxation and the CSRC have jointly promulgated the Circular Concerning the Temporary Exemption of the Enterprise Income Tax for Gains Earned by QFII and RQFII from Transfer of Domestic Shares and Other Equity Interest Investment in China (the “**Tax Circular**”). According to the Tax Circular, amongst other things: (i) enterprise income tax shall be exempt on a temporary basis on the gains earned by QFIIs from the transfer of domestic shares and other equity interest investment in China with effect from 17 November 2014; and (ii) enterprise income tax shall be imposed on such gains earned by QFIIs before 17 November 2014 in accordance with the tax laws.

As a result of the promulgation of the Tax Circular, the Manager had decided on the following changes to the tax provision practice of the Fund:

- (i) the Fund has ceased withholding 10% of unrealized gains on its investments in A Shares and generally in other securities linked to A Shares as a tax provision from 14 November 2014 (the last valuation day before 17 November 2014) on the basis that any gains subsequently realized from 17 November 2014 onwards will be temporarily exempt from enterprise income tax;

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## LETTER FROM THE MANAGER

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- (ii) the amount of tax provision for unrealized gains on the Fund's investments in A Shares and generally in other securities linked to A Shares withheld by the Fund as a tax provision up to 14 November 2014 has been released to the Fund;
- (iii) the Fund has ceased to withhold 10% of realized gains on its investments in A Shares and generally in other securities linked to A Shares as a tax provision from 17 November 2014; and
- (iv) the Fund will continue to retain the amount withheld up to and including 14 November 2014 as a tax provision with respect to realized gains on its investments in A Shares and generally in other securities linked to A Shares.

The Fund had received notification from the Shanghai Municipal Tax Bureau (the “**Tax Bureau**”) instructing the Manager, as a QFII, to report and settle the enterprise income tax on the gains earned by the QFII from transfer of equity related investments in China before 30 September 2015 in accordance with the relevant provisions of the PRC Enterprise Income Tax rules and regulations and the Tax Circular.

As stated in the announcement by the Fund dated 14 October 2015, the Manager has sought professional tax advice and obtained the tax residency certificate issued by the Hong Kong Inland Revenue Department for the Fund. The Manager has engaged external tax advisor to make the relevant enterprise income tax filings with the Tax Bureau in September 2015 with respect to the realised capital gains derived from the Fund's investment in shares and other equity interest through the QFII investment quota of the Manager in China from 17 November 2009 to 16 November 2014 following the external tax advice. It was determined by the Tax Bureau on 12 October 2015 that the enterprise income tax payable by the Fund with respect to its investments in shares and other equity interest through the QFII investment quota of the Manager in China from 17 November 2009 to 16 November 2014 was HK\$11,030,906.88. The Manager considers that the tax assessment has been concluded upon the payment and settlement of the relevant tax by the Fund with the Tax Bureau on 13 October 2015. Accordingly, upon the receipt of professional tax advice and consultation with the trustee of the Fund, the Fund has an over-provision of tax of HK\$121,553,537.16. Such over-provision has been released and recognised as a gain in the books of the Fund resulting in an actual increase of HK\$121,553,537.16 (5.13% or HK\$0.58 per Unit of the Fund) on the net asset value of the Fund as of 13 October 2015.

Investors should note that the settlement of the tax assessment with the Tax Bureau is made in accordance with the current tax rules and prevailing practice of the Tax Bureau, the net asset value of the Fund may require

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## LETTER FROM THE MANAGER

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further adjustment to take into account any retrospective application of new tax regulations and development including change in interpretation of the relevant regulations by the Chinese tax authorities.

The Manager (after taking professional tax advice) may, at its discretion make modification to the tax provision policy of the Fund based on new developments and interpretation of the relevant regulations. Such provision (if made) may be more than or less than the Fund's actual tax liabilities and 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 the gains and income of the Fund 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.

- Stamp tax

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

According to the latest notice issued by the Ministry of Finance and the State Administration of Taxation, the transfer of A Shares and B shares each is subject to 0.1% stamp tax of the total proceeds but only on the selling side.

- Business tax

Pursuant to the notice Caishui [2005] No. 155 issued jointly by the State Administration of Taxation and the Ministry of Finance in December 2005, gains derived by QFIIs from securities trading carried out by the PRC brokers are exempted from business tax in the PRC.

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

The One-off Redemption Offer will be conditional upon the following conditions being fulfilled:

- (i) the Independent Unitholders' approval by way of an Extraordinary Resolution at the General Meeting to approve the One-off Redemption Offer; and
- (ii) the SFC's approval of the One-off Redemption Offer.

The One-off Redemption Offer will not lapse or be conditional on any minimum number of redemption applications made by the Unitholders. The above conditions (i) and (ii) may not be waived.

**(e) Overseas Unitholders**

Based on the register of Unitholders as at the Latest Practicable Date, there were no Unitholder with registered addresses outside Hong Kong.

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

The Fund has not conducted any buy-back of any Units (i) in the six-month period prior to the date of the Firm Intention Announcement and (ii) during the 12-month period immediately preceding the date of this circular. The Fund will not conduct any on-market buy-back of Units from the date of the Firm Intention Announcement up to and including the Redemption Day or when the condition to the One-off Redemption Offer set out in paragraph (d) above is not met.

**(g) Holding Structure**

Set out below is a table showing the estimated holding structure of the Fund prior to and after the completion of the One-off Redemption Offer on the assumptions that (i) the aggregate number of Units for which applications are made under the One-off Redemption Offer reaches 20% of the outstanding number of Units as at the Lodgement Date; and (ii) the number of the Units in issue as at the Latest Practicable Date remains unchanged until the completion of the One-off Redemption Offer.

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

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## LETTER FROM THE MANAGER

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	Immediately before the completion of the One-off Redemption Offer		Immediately after the completion of the One-off Redemption Offer	
	<i>Units</i>	<i>Approx. %</i>	<i>Units</i>	<i>Approx. %</i>
Public Unitholders	208,849,206	99.54	167,079,365	99.54
Fellow subsidiaries and/or associated companies of the Manager that (i) trade in the Units as discretionary fund managers and/or (ii) for proprietary purposes own or control or direct the holding of voting rights and rights over the Units	963,057	0.46	770,446	0.46

### (h) Odd Lots Arrangements

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

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

### (i) Nominee Registration of Units

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

### (j) Other Arrangements

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

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## LETTER FROM THE MANAGER

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Other than the condition to the One-off Redemption Offer as noted under the section headed “Condition to the One-off Redemption Offer” above, there is no agreement or arrangement to which the Fund, the Manager and any entities that are their parent, subsidiaries, fellow subsidiaries, associated companies of any of the foregoing, and companies of which such companies are associated companies which relates to circumstances in which they may or may not invoke or seek to invoke a pre-condition or a condition to the One-off Redemption Offer. None of the Fund, the Manager or any entity that is their parent, subsidiary, the Manager’s fellow subsidiary, associated company of any of the foregoing, and any company of which such company is an associated companies has borrowed or lent any Units.

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

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

The Manager considers that the One-off Redemption Offer is in the best interests of the Unitholders. The One-off Redemption Offer will provide the Unitholders an option to exit part of their investment in the Fund. In addition, given the Fund has been trading at an average discount of 23.0% to its net asset value over the past twelve months (for reference, as at 12 November 2015, the Fund has been trading at a discount of 18.7% to its net asset value), the Manager believes that the One-off Redemption Offer may potentially narrow such discount. However, there is no assurance that the Fund will be traded at a price that is equal to or at a reduced discount to its net asset value subsequent to the effecting of the One-off Redemption Offer or that the performance of the Fund will be improved or enhanced thereafter.

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

- (i) enable the redeeming Unitholders to receive redemption proceeds equivalent to the net asset value of the Fund attributable to their redeeming Units on the Value Day, less the Redemption Levy;
- (ii) reduce the total net asset value, and therefore size, of the Fund by an amount proportionate to the actual number of Units redeemed. The Manager may decide to terminate the Fund on any date if on such date the asset value of the Fund shall be less than HK\$400,000,000 under the Trust Deed; and
- (iii) increase the total expense ratio of the Fund from 1.8% for the financial year ended 31 March 2015 to approximately 2.03% after the One-Off Redemption Offer (assuming that 20% of the total outstanding Units are being redeemed).



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## LETTER FROM THE MANAGER

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### (I) Net Asset Value

Based on the net asset value of the Fund as at 12 November 2015 (being the last Business Day before the Latest Practicable Date), upon the completion of the One-off Redemption Offer (assuming that the aggregate number of Units for which applications are made under the One-off Redemption Offer reaches 20% of the outstanding number of Units on the Lodgement Date), the financial impact to the Fund's net asset value is expected to be as follows:

	<b>Immediately before the One-off Redemption Offer (HK\$)</b>	<b>Immediately after the One-off Redemption Offer (HK\$)</b>
Net asset value of the Fund as at 12 November 2015 ( <i>note 1</i> )	2,664,376,368	2,664,376,368
Less: Redemption proceeds payable to Unitholders under the One-off Redemption Offer ( <i>Note 2</i> )	—	(522,217,768)
Less: Estimated costs and expenses with respect to the realisation of the assets of the Fund	—	(10,657,505)
	2,664,376,368	2,131,501,095
Number of Units in issue	209,812,263	167,849,811
Unaudited adjusted net asset value per Unit	HK\$12.70	HK\$12.70

*Note 1:* being the unaudited consolidated equity attributable to Unitholders as at 12 November 2015 as published by the Fund on 13 November 2015 which has included accruals of estimated expenses in relation to the Change of Investment Objective, the One-off Redemption Offer, the Recurring Redemption Offer and the changes to the Trust Deed to effect the Recurring Redemption Offer.

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

Net asset value of the Units being redeemed	HK\$532,875,273
Less: Redemption levy retained by the Fund	HK\$(10,657,505)
	<u>HK\$522,217,768</u>

According to the above example, the One-off Redemption Offer involves the payment of HK\$532,875,273 (before deduction of Redemption Levy) to the Unitholders and incurs estimated costs and expenses with respect to the realisation of the assets of the Fund of approximately HK\$10,657,505, therefore the net asset value of the Fund will be reduced



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## LETTER FROM THE MANAGER

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by the same amount. On the other hand, assume that the Redemption Levy to be deducted from the redemption price and retained by the Fund is equal to the estimated costs and expenses with respect to the realisation of the assets of the Fund, the net asset value of the Fund will be increased by the same amount, i.e. HK\$10,657,505. The One-off Redemption Offer will therefore reduce the unaudited adjusted net asset value and hence the working capital from HK\$2,664,376,368 to HK\$2,131,501,095 assuming that the aggregate number of Units for which applications are made under the One-off Redemption Offer reaches 20% of the outstanding number of Units on the Lodgement Date. However, the net asset value per Unit is not expected to change subsequent to the One-off Redemption Offer and will remain at HK\$12.70 based on the information and assumption mentioned in the example above.

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

### **(m) Future Intentions of the Fund**

Other than the Change of Investment Objective, the Recurring Redemption Offer and the changes to the Trust Deed to effect the Recurring Redemption Offer, the management of the Fund will remain unchanged and the Fund's listing on the Stock Exchange will be maintained upon completion of the One-off Redemption Offer. No other major changes will be introduced to the Fund. The size of the Fund will be reduced after the One-off Redemption Offer and the Manager may decide to terminate the Fund on any date if on such date the asset value of the Fund shall be less than HK\$400,000,000 under the Trust Deed.

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

### **(n) Information on the Fund and the Manager**

The Fund is a unit trust constituted by the Trust Deed governed by the laws of Hong Kong. Please refer to pages 11 and 19 of this circular for the investment objective of the Fund and the Manager's intention to revise such investment objective.

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

## **IV. THE RECURRING REDEMPTION OFFER AND THE CHANGES TO THE TRUST DEED TO EFFECT THE RECURRING REDEMPTION OFFER**

### **(a) Background to the Recurring Redemption Offer**

The Manager wishes to seek an one-off approval from the Independent Unitholders by way of the Extraordinary Resolution at the General Meeting to grant a general redemption right to the Manager and to make corresponding changes to the Trust Deed to effect the proposed Recurring Redemption Offer.

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## LETTER FROM THE MANAGER

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Subject to the one-off passing of the proposed Extraordinary Resolution and the SFC's approval for such general redemption right, the Manager will offer a right to all Unitholders to redeem part or all of their holdings in the Fund (the “**Recurring Redemption Offer**”) (subject to a Redemption Levy) as the Manager determines at its discretion taking into account the best interests of the Unitholders, subject to the following conditions:

1. the Fund must be trading at a discount of its net asset value of 20% (daily average) or more for three consecutive months;
2. the redemption offer must only be made in the best interests of the Unitholders;
3. there is no material adverse impact to the Fund;
4. the Manager must comply with the principles and rules under the Code on Share Buy-Backs (“**Buy-Back Code**”) as if they were applicable to the Fund (including but not limited to all relevant timing and disclosure requirements under the Buy-Back Code), the SFC Products Handbook and all other applicable codes, rules, regulations and laws (together “**Applicable Regulations**”), with the only following exceptions:
  - (a) no independent advice by an independent board committee and/or independent financial adviser will be required in relation to any redemption offer made following the approval of the current Recurring Redemption Offer proposal at the Extraordinary General Meeting;
  - (b) where the redemption proceeds cannot be repatriated from the Mainland due to legal or regulatory requirements beyond the control of the Manager, the redemption proceeds payment period may be extended beyond the time limits stipulated in the Applicable Regulations. In such case, the Manager must keep proper records to demonstrate and justify this and keep Unitholders and the SFC properly and promptly informed. In any event, the redemption proceeds must be paid to Unitholders as soon as possible after the receipt of the proceeds by the Fund;
5. in considering whether to proceed with a redemption offer, the Manager must take into account of all relevant prevailing market conditions (such as market liquidity, the percentage of stocks held by the Fund which have been suspended from trading and other relevant regulatory requirements) and must be reasonably satisfied that the redemption proceeds can be paid to Unitholders in accordance with the time limits stipulated in the Applicable Regulations;
6. there is no minimum number of redemption offer to be made in a calendar year and the maximum number for each calendar year shall not exceed three;

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## LETTER FROM THE MANAGER

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7. the aggregate redemption of all Unitholders to be no more than 20% of the total outstanding number of Units as at the relevant lodgement date of each Recurring Redemption Offer; and
8. Independent Unitholders may by Extraordinary Resolution at a general meeting terminate the Manager's entitlement to make any further redemption offer under the Recurring Redemption Offer.

Each Recurring Redemption Offer will be subject to applicable regulatory approvals but will not be subject to any further approval of the Unitholders nor the advice of the independent financial adviser.

### **(b) Terms and Procedures of the Recurring Redemption Offer**

The Manager proposes to offer the Unitholders, subject to the conditions under (a)(1) to (8) above, the Recurring Redemption Offer, being a right to apply to redeem the whole or a part of their Units at, subject to a Redemption Levy, the net asset value of the Units being redeemed (calculated using the relevant market closing price of the underlying investments of the Fund and the Fund's applicable operating expenses accrued or incurred to date on the relevant value day) on the relevant redemption day.

The Redemption Levy, which is up to 2% of the net asset value of the Units being redeemed (i.e. the redemption price), incorporates commission, stamp duty, transaction cost and total market impact of implementation (i.e. the price difference during the order implementation between the execution price and the price at the time of valuation) will be deducted from the redemption price and will be retained by the Fund for the benefit of the Fund. The actual level of the Redemption Levy will be determined by the Manager according to the Manager's estimation of the above-mentioned commission, stamp duty, transaction cost and total market impact of implementation on the relevant redemption day.

Each redeeming Unitholder will bear the same percentage of Redemption Levy, namely, the same percentage of the net asset value of the Units being redeemed. The Redemption Levy will be announced together with the net asset value of the Fund as of the relevant value day.

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

The estimated costs (at the price level as at the date of this circular) for the Recurring Redemption Offer is (i) HK\$1,600,000, approximately 0.06% of the net asset value of the Fund as at the last Business Day before the Latest Practicable Date for the first Recurring Redemption Offer; and (ii) HK\$900,000, approximately 0.03% of the net asset value of the Fund as at the last Business Day before the Latest Practicable Date for each subsequent Recurring Redemption Offer. Such cost will primarily include legal fees and costs, and fees and costs incurred by and payable to the

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## LETTER FROM THE MANAGER

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Registrar with respect to the Recurring Redemption Offer and will be borne by the Fund, that is, indirectly by all the Unitholders before the redemption day with respect to Recurring Redemption Offer. Redemption Levy, which is up to 2% of the net asset value of the Units being redeemed (i.e. the redemption price), will be borne by the redeeming Unitholders pursuant to the Recurring Redemption Offer.

The Recurring Redemption Offer shall occur on the relevant redemption day. Unitholders who wish to accept the Recurring Redemption Offer must provide completed redemption requests to the Registrar no later than the time specified in the circular with respect to such Recurring Redemption Offer on the relevant lodgement date; provided that the Unitholders are only entitled to make a redemption request under the Recurring Redemption Offer with respect to the Units they hold as of the relevant lodgement date. Unitholders that are interested in exercising their rights under the Recurring Redemption Offer shall be required to return their redemption requests forms together with the relevant certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Units in respect of which Unitholders intend to redeem, by post or by hand to the Registrar by no later than the time specified in the circular with respect to such Recurring Redemption Offer on the relevant lodgement date. No further action shall be required from the Unitholders that elect to continue to hold onto their entire holdings of Units in the Fund. Unitholders that have lost the certificates representing their Units should contact the Registrar and follow the procedure as required by the Registrar.

**Due to the legal and regulatory requirements in PRC, redemption proceeds payable to Unitholders out of the Fund's assets in the PRC may be paid to the Unitholders in more than one month from the relevant redemption day. The Manager shall use its best endeavours to repatriate and distribute such proceeds to the Unitholders within two months after the relevant redemption day. However, distribution of redemption proceeds payable out of the Fund's assets in the PRC will be subject to the prior approval of SAFE and may be delayed beyond the control of the Manager. There is no assurance that redemption proceeds payable out of the Fund's assets in the PRC will be distributed within two months. Investors should refer to the risk factor headed under "Uncertainty on the payment date of the redemption proceeds" on page 24 above. The Fund will also use its assets outside PRC to settle part of the redemption proceeds and that part of the redemption proceeds payable out of the assets of the Fund outside the PRC will be payable within 10 Business Days from the relevant redemption day. As such, the Fund may need to pay the redemption proceeds to Unitholders by instalments and the Fund will pay all the redemption proceeds to the Unitholders as soon as possible after receipt of the proceeds by the Fund. As of 12 November 2015, A Shares invested directly through QFII and other net assets in the PRC account for approximately 84% of the net asset value of the Fund, for reference, the redemption proceeds payable out of the assets in the PRC as of 12 November 2015 is approximately 40% of the total redemption proceeds (assuming that 20% of the total outstanding Units are being redeemed).**

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## LETTER FROM THE MANAGER

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The Manager will despatch a circular to all Unitholders prior to any Recurring Redemption Offer including the timing, procedures and limits of the Recurring Redemption Offer. All redeemed Units will be cancelled.

### **(c) Overseas Unitholders**

With respect to each Recurring Redemption Offer, the Fund will make enquiries regarding the legal restrictions under the applicable securities legislation of the relevant jurisdictions and the requirements of the relevant regulatory body or stock exchange with respect to the Recurring Redemption Offer in relation to any Overseas Unitholders and determine whether the Recurring Redemption Offer will be extended to all the Overseas Unitholders.

### **(d) Changes to the Trust Deed to effect the Recurring Redemption Offer**

The Manager wishes to convene the General Meeting to seek approvals of the Independent Unitholders by way of the Extraordinary Resolution to approve the changes to the Trust Deed to effect the Recurring Redemption Offer.

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

The Manager is required to send to the Unitholders an explanatory statement (at the same time as the notice of the General Meeting) setting out the changes to the Trust Deed to effect the Recurring Redemption Offer. The key changes to the Trust Deed to effect the Recurring Redemption Offer are:

1. Subject to the Manager being granted a general mandate from the Unitholders by way of an Extraordinary Resolution and compliance with all applicable laws and regulations, the Manager will offer a Recurring Redemption Offer to all Unitholders (subject to a Redemption Levy) as the Manager determines at its discretion taking into account the best interests of the Unitholders, subject to the conditions set out in (a)(1)-(8) above.
2. The Recurring Redemption Offer will be effective from the Business Day immediately after the date of the One-off Redemption Offer until the termination of the Fund. Such Recurring Redemption Offer will take effect on a redemption day when the conditions under (a)(1) to (8) above are satisfied, with the approval of the Trustee at the applicable net asset value per Unit on the relevant redemption day which shall be determined by the Manager taking into account the time required to notify the Unitholders, to receive from the Unitholders their desired portion of Units with respect to the Recurring Redemption Offer and to realise the attributable portion of assets of the Fund to satisfy such Recurring Redemption Offer.
3. The Recurring Redemption Offer will be subject to applicable regulatory approvals but will not be subject to any approval of the Unitholders and/or advice from any independent financial adviser.

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## LETTER FROM THE MANAGER

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4. On receipt by the Manager and/or, if the Manager and the Trustee so agree, the Trustee (and/or any person appointed by the Manager for such purpose) of a redemption request from a Unitholder which complies with the requirements of the Trust Deed, the Manager or, if the Manager and the Trustee have so agreed as aforesaid, the Trustee shall, subject to the Trust Deed, effect the redemption of the Units specified in the redemption request at the redemption price on the redemption day on which those Units are to be realised in accordance with the provisions of this paragraph. Redemption proceeds of any Recurring Redemption Offer will not be paid to any redeeming Unitholder until a valid original redemption request for any Recurring Redemption Offer has been received by or on behalf of the Manager or, if relevant, the Trustee and the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the Manager or its agent or, if relevant, the Trustee.
5. The Manager may at any time suspend the right of the Unitholders to require the redemption of Units on the redemption day under this paragraph and may accordingly delay the valuation day and the payment of any moneys in respect of any such realisation so suspended in the event that:
  - (A) when relevant market closed;
  - (B) when dealings on market restricted or suspended; and/or
  - (C) when disposal cannot be effected normally or without materially prejudicing the Unitholders' interests.

Please refer to the Explanatory Statement as set out in Appendix 1 to this circular for the details of the changes to the Trust Deed to effect the Recurring Redemption Offer.

### **(e) Key Risk Factors**

The risk factors with respect to the One-off Redemption Offer in this circular generally apply to the Recurring Redemption Offer. Additional risk factors will also be set out in the circular to all Unitholders prior to such Recurring Redemption Offer.

In addition, Unitholders should be aware that:

- (i) the Recurring Redemption Offer, (a) if effected, will increase the total expense ratio of the Fund as a result of the expenses incurred with respect to the Recurring Redemption Offer and such expenses are not covered by the Redemption Levy and (b) reduce the size of the Fund after each time a Recurring Redemption Offer is made. The Manager may decide to terminate the Fund on any date if on such date the asset value of the Fund shall be less than HK\$400,000,000; and



- (ii) a decrease in the net asset value of the Fund may not necessarily trigger a Recurring Redemption Offer (for instance, where such decrease does not meet the threshold of discount referred to under (1) in the sub-section headed “Background to the Recurring Redemption Offer” above) and should carefully consider the risk factors described above and in the relevant circular before deciding on whether to apply for redemption of their Units under the Recurring Redemption Offer.

**(f) Reason for the Recurring Redemption Offer**

The Manager considers that the Recurring Redemption Offer is in the best interests of the Unitholders. The Recurring Redemption Offer will provide the Unitholders an option to exit part of their investment in the Fund. In addition, given the Fund has been trading at an average discount of 23.0% to its net asset value over the past twelve months, the Manager believes that the Recurring Redemption Offer and the amendments to the Trust Deed by a supplemental Trust Deed may potentially narrow such discount. However, there is no assurance that the Fund will be traded at a price that is equal to or at a reduced discount to its net asset value subsequent to the effecting of the Recurring Redemption Offer and the amendments to the Trust Deed by a supplemental Trust Deed or that the performance of the Fund will be improved or enhanced thereafter.

The financial effect of each Recurring Redemption Offer will be set out in the circular to all Unitholders prior to such Recurring Redemption Offer.

Assuming that the One-off Redemption Offer and two Recurring Redemption Offer have taken place in a year with 20% of the total outstanding Units on each of the relevant lodgement date being redeemed in full with respect to each such One-off Redemption Offer and Recurring Redemption Offer (that is, 48.8% of the total outstanding Units in issue before all such redemption offers being redeemed in total), this will increase the total expense ratio of the Fund from 1.8% for the financial year ended 31 March 2015 to approximately 2.30% after such One-off Redemption Offer and Recurring Redemption Offer.

**(g) Conditions to the Manager’s ability to offer the Recurring Redemption Offer**

Subject to the conditions set forth in (a)(1) to (8) above, the Manager will offer a right to all Unitholders to redeem part or all of their holdings in the Fund (subject to a Redemption Levy) as the Manager determines at its discretion. The Manager’s entitlement to offer such redemption right will be conditional upon the following conditions being fulfilled:

- (i) the Independent Unitholders’ one-off approval by way of an Extraordinary Resolution at the General Meeting by way of a poll to approve the Recurring Redemption Offer and the changes to the Trust Deed to effect the Recurring Redemption Offer; and

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## LETTER FROM THE MANAGER

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- (ii) the SFC's approval of the Recurring Redemption Offer and the changes to the Trust Deed to effect the Recurring Redemption Offer.

### (h) Net Asset Value

Based on the net asset value of the Fund as at 12 November 2015 (being the last Business Day before the Latest Practicable Date) and assume that 20% of the outstanding number of Units as at 12 November 2015 has already been redeemed by Unitholders during the One-off Redemption Offer, upon the completion of the Recurring Redemption Offer (assuming that the aggregate number of Units for which applications are made under the Recurring Redemption Offer reaches 20% of the outstanding number of Units on the lodgement date), the financial impact to the Fund's net asset value is expected to be as follows:

	<b>Immediately before the Recurring Redemption Offer (HK\$)</b>	<b>Immediately after the Recurring Redemption Offer (HK\$)</b>
Net asset value of the Fund as at 12 November 2015 ( <i>note 1</i> )	2,129,901,095	2,129,901,095
Less: Redemption proceeds payable to Unitholders under the Recurring Redemption Offer ( <i>Note 2</i> )	—	(417,460,614)
Less: Estimated costs and expenses with respect to the realisation of the assets of the Fund	—	(8,519,604)
	2,129,901,095	1,703,920,877
Number of Units in issue	167,849,811	134,279,849
Unaudited adjusted net asset value per Unit	HK\$12.69	HK\$12.69

*Note 1:* being the unaudited consolidated equity attributable to Unitholders as at 12 November 2015 as published by the Fund on 13 November 2015 which has included accruals of estimated expenses in relation to the Change of Investment Objective, the One-off Redemption Offer, the Recurring Redemption Offer and the changes to the Trust Deed to effect the Recurring Redemption Offer, and minus 20% of the unaudited consolidated equity attributable to Unitholders as at such day under the assumption that 20% of the outstanding number of Units has already been redeemed by Unitholders during the One-off Redemption Offer, and also minus the estimated costs of the first Recurring Redemption Offer (i.e. HK\$1,600,000 as referred to under the sub-section headed "Terms and Procedures of the Recurring Redemption Offer" above).



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## LETTER FROM THE MANAGER

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

Net asset value of the Units being redeemed	HK\$425,980,218
Less: Redemption levy retained by the Fund	<u>HK\$(8,519,604)</u>
	<u><u>HK\$417,460,614</u></u>

According to the above example, the Recurring Redemption Offer involves the payment of HK\$425,980,218 (before deduction of Redemption Levy) to the Unitholders and incurs estimated costs and expenses with respect to the realisation of the assets of the Fund of approximately HK\$8,519,604, therefore the net asset value of the Fund will be reduced by the same amount. On the other hand, assume that the Redemption Levy to be deducted from the redemption price and retained by the Fund is equal to the estimated costs and expenses with respect to the realisation of the assets of the Fund, the net asset value of the Fund will be increased by the same amount, i.e. HK\$8,519,604. The Recurring Redemption Offer will therefore reduce the unaudited adjusted net asset value and hence the working capital from HK\$2,129,901,095 to HK\$1,703,920,877 assuming that the aggregate number of Units for which applications are made under the Recurring Redemption Offer reaches 20% of the outstanding number of Units on the lodgement date. However, the net asset value per Unit is not expected to change subsequent to the Recurring Redemption Offer and will remain at HK\$12.69 based on the information and assumption mentioned in the example above.

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

## V. GENERAL

### Explanatory Statement

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

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## LETTER FROM THE MANAGER

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### Approval Required

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

- (i) the Change of Investment Objective;
- (ii) the One-off Redemption Offer;
- (iii) the Recurring Redemption Offer; and
- (iv) the changes to the Trust Deed to effect the Recurring Redemption Offer.

Unitholders should note that the Manager's right to exercise the Recurring Redemption Offer under (iii) is conditional upon obtaining the necessary Independent Unitholders' approval at the General Meeting for (iv) above.

The Trustee, the custodian of the Fund, the Manager and their respective Connected Persons including, fellow subsidiaries and/or associated companies of the Manager as well as the Manager's parent company, the subsidiaries of the Manager's parent company and associated companies of the Manager's parent company and the subsidiaries of such parent company that (i) trade in Units as discretionary fund managers and/or (ii) for proprietary purposes own or control or direct the holding of voting rights and rights over the Units, will be required to abstain from voting on the Extraordinary Resolutions. Only Independent Unitholders will be entitled to vote on the Extraordinary Resolutions. As at the Latest Practicable Date, the Manager is unaware of any Unitholders (other than those mentioned above who represents 0.46% of the total issued Units of the Fund) that are required to abstain from voting in respect of the Extraordinary Resolutions proposed at the General Meeting.

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

### Recommendation

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

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## LETTER FROM THE MANAGER

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

- the letter of advice from the Independent Financial Adviser dated 17 November 2015 containing its advice to the Independent Unitholders as to whether the One-off Redemption Offer and the Recurring Redemption Offer are fair and reasonable as to acceptance and voting;
- the Trust Deed;
- drafts of the Offering Circular, the key fact statement of the Fund and the Supplemental Trust Deed with the incorporation of the necessary changes to effect the Recurring Redemption Offer;
- the audited accounts of the Fund for the last two financial years for which these have been published; and
- written consent of Somerley Capital Limited that it has given and not withdrawn its consent to the publication of its name in this circular.

### **Independent Financial Adviser**

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

Your attention is drawn to the letter of advice from the Independent Financial Adviser which contains, among other things, its advice to the Independent Unitholders (a) on the fairness and reasonableness of the terms of the One-off Redemption Offer and the Recurring Redemption Offer, whether to vote for or against the One-off Redemption Offer and the Recurring Redemption Offer and whether it is in the interest of the Unitholders as a whole as well as the principal factors and reasons considered by it in arriving such advice; and (b) whether to accept the One-off Redemption Offer and the Recurring Redemption Offer. The text of the letter from the Independent Financial Adviser is set out from pages 47 to 65 of this circular.

## **VI. GENERAL MEETING**

### **1. Date and Venue**

The General Meeting will be held at Level 20, HSBC Main Building, 1 Queen's Road Central, Hong Kong on 7 January 2016, at 10:00 a.m., for the purpose of, considering and, if thought fit, passing the Extraordinary Resolutions as set out in the notice of the General Meeting, which is set out on pages 116 to 118 of this circular.

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

You will find enclosed with this circular the notice of the General Meeting (see pages 116 to 118 of this circular) and a form of proxy for use for the General Meeting.

Pursuant to paragraphs 8 and 9 of Schedule 3 to the Trust Deed, at any meeting unless a poll is so demanded, a declaration by the Chairman of the meeting that a resolution has been carried or carried unanimously or by a particular majority or lost shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution. If a poll is duly demanded it shall be taken in such manner as the Chairman of the meeting may direct and the result of a poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

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

Your vote is very important. Accordingly, please complete, sign and date the enclosed form of proxy. Whether or not you are able to attend and vote at the General Meeting in person, please complete and return the accompanying form of proxy to the Registrar in accordance with the instructions printed thereon as soon as possible and in any event not later than 10:00 a.m. on 5 January 2016 or, should there be any adjournment of the General Meeting, not less than 48 hours before the time appointed for such adjourned meeting. The form of proxy will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Fund's website at [www.assetmanagement.hsbc.com/hk-chinadragonfund](http://www.assetmanagement.hsbc.com/hk-chinadragonfund). Completion and return of the form of proxy will not preclude you from attending and voting in person at the General Meeting (or any adjournment thereof) should you so wish.

The implementation of the Change of Investment Objective, the One-off Redemption Offer, the Recurring Redemption Offer and the changes to the Trust Deed to effect the Recurring Redemption Offer are subject to approval by the Independent Unitholders at the General Meeting.

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

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## LETTER FROM THE MANAGER

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

**Unitholders and potential investors should note that the One-off Redemption Offer and the Recurring Redemption Offer is subject to all of the conditions being fulfilled in full and, therefore, may or may not become unconditional and the One-off Redemption Offer and the Recurring Redemption Offer may or may not proceed. Unitholders and potential investors are advised to exercise caution when dealing in the Units. The Fund will publish an announcement on or about 7 January 2016 to inform the Unitholders as to whether or not the One-off Redemption Offer has become unconditional.**

### 3. Closure of the Register of Unitholders

For the purpose of determining the identity of the Independent Unitholders who are entitled to attend and vote at the General Meeting, the register of Unitholders of the Fund will be closed from 31 December 2015 to 7 January 2016 (both days inclusive), on which days no transfer of Units can be effected. In order to qualify for attending and voting at the General Meeting, all unit certificates together with the completed transfer forms must be lodged with the office of the Registrar for registration no later than 4:30 p.m. on 30 December 2015.

## VII. RESPONSIBILITY STATEMENT

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

Investors who have any questions regarding the above may contact the Manager at Level 22, HSBC Main Building, 1 Queen's Road Central, Hong Kong (telephone number: (852) 2284 1229).

Yours faithfully  
By order of the board of  
**HSBC Global Asset Management (Hong Kong) Limited**  
**As manager of HSBC China Dragon Fund**  
**BOTELHO BASTOS, Pedro Augusto**  
*Director of the Manager*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



### SOMERLEY CAPITAL LIMITED

20th Floor  
China Building  
29 Queen's Road Central  
Hong Kong

17 November 2015

To: *the Independent Unitholders*

Dear Sirs,

### ONE-OFF REDEMPTION OFFER AND RECURRING REDEMPTION OFFER

#### INTRODUCTION

We refer to our appointment as independent financial adviser to advise the Independent Unitholders on the terms of (i) the One-off Redemption Offer; and (ii) the Recurring Redemption Offer. Details of the One-off Redemption Offer and the Recurring Redemption Offer are set out in the “Letter from the Manager” contained in the circular of the Fund to the Unitholders dated 17 November 2015 (the “**Circular**”), of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Pursuant to the One-off Redemption Offer, the Manager offers a right to the Unitholders to redeem the whole or a part of their Units for cash (subject to the Redemption Levy) at the net asset value of the Units being redeemed (calculated using the relevant market closing price of the underlying investments of the Fund and the Fund's applicable operating expenses accrued or incurred to date on the Value Day) on the Redemption Day provided that for the Fund as a whole the total number of Units to be redeemed by the Unitholders shall not exceed 20% of the total outstanding number of Units as at the Lodgement Date. The Unitholders are not compelled to accept any such offer and may choose to retain all their Units if they wish.

Pursuant to the Recurring Redemption Offer, the Manager will offer rights to the Unitholders to redeem part or all of their holdings in the Fund for cash (subject to the Redemption Levy) as the Manager determines at its discretion, subject to certain conditions and the Manager's compliance with certain principles and rules as set out in the section related to the Recurring Redemption Offer and the aggregate redemption of the Unitholders to be no more than 20% of the total outstanding number of Units as at the relevant lodgement date of each Recurring Redemption Offer.

The One-off Redemption Offer and the Recurring Redemption Offer are subject to certain conditions as set out in the Circular, in particular, the Independent Unitholders' approval by way of the Extraordinary Resolutions at the General Meeting. The Trustee, the



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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custodian of the Fund, the Manager and their respective Connected Persons including, fellow subsidiaries and/or associated companies of the Manager as well as the Manager's parent company, the subsidiaries of the Manager's parent company and associated companies of the Manager's parent company and the subsidiaries of such parent company that (i) trade in Units as discretionary fund managers and/or (ii) for proprietary purposes own or control or direct the holding of voting rights and rights over the Units, shall abstain from voting on the Extraordinary Resolutions. Only Independent Unitholders will be entitled to vote on the Extraordinary Resolutions. As at the Latest Practicable Date, the Manager is unaware of any Unitholders (other than those mentioned above, the details of which have been set out in "Appendix 1 — Explanatory Statement — 5. Disclosure of Interests and Dealings" in the Circular) that are required to abstain from voting in respect of the Extraordinary Resolutions proposed at the General Meeting.

An independent committee will not be established to advise the Independent Unitholders. The non-executive directors of the Manager have a potential conflict of interest because (i) they are employees of various subsidiaries of HSBC Holdings plc and (ii) certain fellow subsidiaries and/or associated companies and shareholders of the Manager have traded in the Units for proprietary purposes and/or have undertaken transactions with the Fund such as acting as brokers for the Fund. We, Somerley Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Unitholders in respect of the One-off Redemption Offer and the Recurring Redemption Offer as to whether the terms of the One-off Redemption Offer and the Recurring Redemption Offer are fair and reasonable so far as the Independent Unitholders are concerned and on how they should vote at the General Meeting and whether to accept the One-off Redemption Offer and the Recurring Redemption Offer.

Somerley Capital Limited does not have any relationships or interests with the Fund that could reasonably be regarded as relevant to or affect the independence of Somerley Capital Limited. In the last two years, there has been no other engagement between the Fund and Somerley Capital Limited. Accordingly, we do not consider any conflict of interest arises for Somerley Capital Limited in acting as the independent financial adviser of the One-off Redemption Offer and the Recurring Redemption Offer. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Fund.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the Manager's directors, staff and advisers and have assumed that they are true, accurate and complete at the time they were made and will remain so up to the time of the General Meeting. We have also sought and received confirmation from the Manager's directors that all material relevant information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to doubt the truth, accuracy or completeness of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter.

We have, however, not conducted any independent investigation into the business and affairs of the Fund or the Manager, nor have we carried out any independent verification of the information supplied.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

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

### **1. Background information of the Fund**

Launched in July 2007, the Fund is a unit trust constituted by the Trust Deed under Hong Kong law and authorised by the SFC under the SFO. It is an actively managed fund listed on the Main Board of the Stock Exchange and seeks long-term capital growth by investing primarily in A Shares directly through the QFII investment quota of the Manager and indirectly through investment of (i) up to 40% of its net asset value in financial derivative instruments and securities linked to A Shares (such as CAAPs (including A Share participation certificates/notes and/or other access products issued by third party investment banks or brokers)) and (ii) up to 40% of its net asset value in ETFs (including synthetic ETFs) authorised by the SFC with exposure to A Shares, provided that the Fund's total investments in CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A Shares will not exceed 50% in the aggregate of the Fund's net asset value.

With the proposed Change of Investment Objective, which is subject to the Independent Unitholders' approval by way of the Extraordinary Resolution at the General Meeting, the Fund may also invest in A Shares through the Stock Connect. Exposure to A Shares through the Stock Connect will not be more than 30% of the Fund's net asset value. The Manager believes that the proposed Change of Investment Objective will provide more flexibility to achieve the investment objective of the Fund with the ability to invest in A Shares from offshore.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2. Performance of the Fund

Set out below is the summary of the performance of the Fund for each of the three years ended 31 March 2013, 2014 and 2015 as extracted from the Fund's 2014 and 2015 annual reports:

	For the year ended 31 March		
	2015	2014	2013
	HK\$	HK\$	HK\$
	(audited)	(audited)	(audited)
Net investment income/(loss)	1,272,742,147	(76,026,351)	88,785,555
Increase/(decrease) in net assets attributable to the Unitholders and total comprehensive income for the year	1,227,073,814	(123,357,679)	(5,172,840)
	As at 31 March		
	2015	2014	2013
	HK\$	HK\$	HK\$
	(audited)	(audited)	(audited)
Total net asset value	2,855,917,483	1,628,843,669	1,752,201,348
Total net asset value per Unit	13.61	7.76	8.35

*(i) 2015 compared to 2014*

The Fund recorded an increase in net assets attributable to the Unitholders of approximately HK\$1,227.1 million for the year ended 31 March 2015, compared to a decrease in net assets attributable to the Unitholders of approximately HK\$123.4 million in last year. According to the 2015 annual report of the Fund, the satisfactory performance of Chinese equities for the year ended 31 March 2015 primarily resulted from the launch of Shanghai-Hong Kong Stock Connect on 17 November 2014 and monetary loosening by the People's Bank of China. Accordingly, the total net asset value per Unit of the Fund increased from approximately HK\$7.76 as at 31 March 2014 to approximately HK\$13.61 as at 31 March 2015.

*(ii) 2014 compared to 2013*

The decrease in net assets attributable to the Unitholders for the year ended 31 March 2014 was approximately HK\$123.4 million, as compared to the decrease in net assets attributable to the Unitholders of approximately HK\$5.2 million for the year ended 31 March 2013. According to the 2014 annual report of the Fund, this was mainly attributable to a slowdown in economic activities in China resulting from the PRC government's reforms and policies in maintaining stable long-term growth and fear of investors on withdrawal of liquidity from Asia

subsequent to the ultra-loose monetary policy implemented in the United States. As a result, the Fund recorded a decrease in the total net asset value per Unit of the Fund from approximately HK\$8.35 as at 31 March 2013 to approximately HK\$7.76 as at 31 March 2014.

### **3. One-off Redemption Offer**

The Manager proposes to offer the Unitholders the One-off Redemption Offer, which is a right to redeem the whole or a part of their Units. The principal terms and conditions of this offer are set out below:

#### ***(i) Principal terms***

- (a) the Unitholders can apply to redeem the whole or a part of their holdings on the Redemption Day provided that for the Fund as a whole the total number of Units to be redeemed by the Unitholders shall not exceed 20% of the total outstanding number of Units as at the Lodgement Date;
- (b) the One-off Redemption Offer shall occur on the Redemption Day at the net asset value of the Units being redeemed on the Value Day less the Redemption Levy;
- (c) in the event that the total number of Units for which applications are made under the One-off Redemption Offer exceeds 20% of the total outstanding number of Units as at the Lodgement Date, the redemption requests of the Unitholders will be satisfied on a pro rata basis based on the number of Units the Unitholders have validly applied to redeem, rounded down to the nearest whole Unit;
- (d) in the event that the total number of Units for which applications are made under the One-off Redemption Offer is less than or equal to 20% of the total outstanding number of Units as at the Lodgement Date, the Manager shall satisfy all such redemption requests; and
- (e) the Manager shall realise the Fund's offshore assets first to satisfy the redemption requests, subject to the condition that the Manager will aim to ensure that the Fund will continue to hold approximately 5% of the Fund's total net asset value offshore outside the PRC immediately after the redemption. If the amount obtained is not adequate to pay the redemption proceeds, the Manager will realise a portion of the assets of the Fund in the PRC.

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

The One-off Redemption Offer will be subject to certain conditions as set out in the Circular, in particular, the Independent Unitholders' approval by way of an Extraordinary Resolution at the General Meeting to approve the One-off Redemption Offer. The conditions may not be waived.

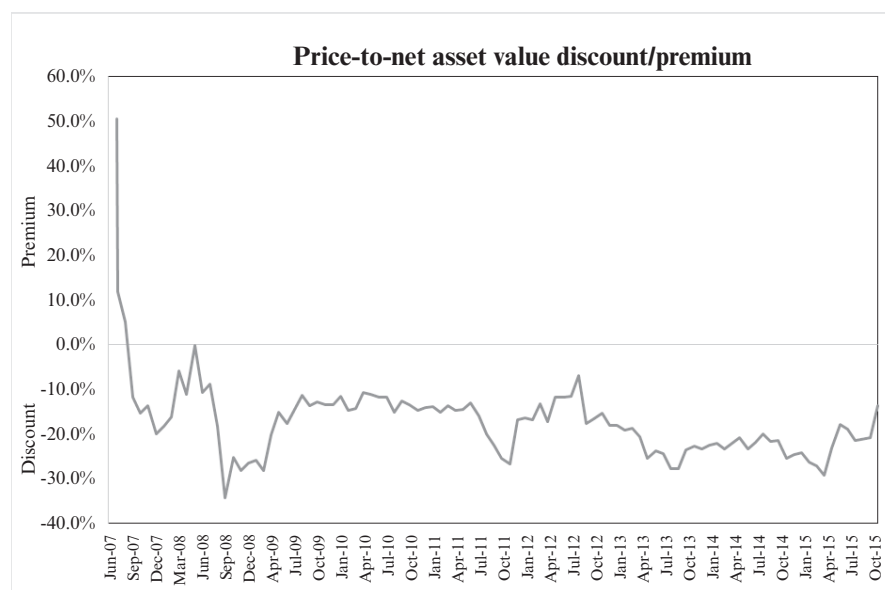
The One-off Redemption Offer will not lapse or be conditional on any minimum number of redemption applications made by the Unitholders.

***(iii) Reasons for the One-off Redemption Offer***

We consider the One-off Redemption Offer is beneficial to the Independent Unitholders in the following aspects:

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

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



Source: Bloomberg

As shown in the chart above, the Fund has been trading at a discount to its net asset value since October 2007. After the release of the June 2015 Announcement, the price-to-net asset value discount of the Fund decreased from approximately 23.8% on 17 June 2015 to approximately 20.8% on 18 June 2015 and further to a minimum of approximately 12.7% on 2 July 2015. As at 12 November 2015 (being the last Business Day before the Latest Practicable Date), the price-to-net asset value discount of the Fund is approximately 18.7%.

The Manager offered a right to the Unitholders to redeem the whole or a part of their holdings in the Fund in 2012 (the “**2012 Redemption Offer**”). Subsequent to the 2012 Redemption Offer, the price-to-net asset value discount of the Fund improved from approximately 12.4% on 20 July 2012, the date of issue of the circular in relation to the 2012 Redemption Offer, to a minimum of approximately 5.7% on 30 August 2012. However, the 2012 Redemption Offer was effective in narrowing the discount for a short period only, as the price-to-net asset value discount increased to over 15% one month after the 2012 Redemption Offer and remained at approximately that level for most of the calendar year 2012.

The Fund has been traded at a daily average discount of approximately 23.3%, 22.3% and 23.8% to its net asset value during the calendar year 2013, 2014 and during the nine months ended 30 September 2015, respectively. In our view, a one-off redemption offer tends to improve the price-to-net asset value discount of the Fund for a short period of time, but soon loses effectiveness. However, it is believed that the effect would potentially be sustainable for a continuing period if the Manager is equipped with the power to make the Recurring Redemption Offer in the future on a more frequent basis so as to narrow the price-net-asset value discount. Even so, there is no assurance that the Fund will be traded at a price that is equal to or at a reduced discount to its net asset value subsequent to adopting the Recurring Redemption Offer.

- (b) The One-off Redemption Offer provides an alternative to the Independent Unitholders to diversify their portfolios. For Independent Unitholders who would like to maintain or gain more exposure to non-A Share investments such as B shares and H shares, the One-off Redemption Offer gives them an opportunity to have a part (or, in certain circumstances, the whole) of their Units redeemed at the net asset value and to use such redemption proceeds to invest in securities which they consider appropriate for their investment objectives.

*(iv) Financial effects of the One-off Redemption Offer*

The One-off Redemption Offer, if effected, will reduce the total net asset value, and therefore size, of the Fund by an amount proportionate to the actual number of Units redeemed. It will increase the total expense ratio of the Fund from approximately 1.8% for the financial year ended 31 March 2015 to approximately 2.03% if the One-off Redemption Offer is effected (assuming that 20% of the total outstanding units are being redeemed).

We are of the view that the reduction in the total net asset value, and therefore size, is inevitable given the nature of the One-off Redemption Offer. The increase in the total expense ratio is mainly attributable to the decrease in the size of the Fund after the One-off Redemption Offer and professional and administration expenses to be incurred in the One-off Redemption Offer, the effect is considered to be not material and acceptable. Given that the expenses are incurred to facilitate the launch of the One-off Redemption Offer which is to be given to all the Unitholders with an option to redeem the Units at the net asset value per Unit of the Fund, it is considered to be fair to the Unitholders to bear the relevant expenses. The One-off Redemption Offer will not significantly affect the liabilities of the Fund as the redemption proceeds payable to Unitholders will be satisfied in full by the disposition by the Manager of assets of the Fund.

*(v) Risks associated with the One-off Redemption Offer*

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

*(a) Uncertainty on the payment date of the redemption proceeds*

The Manager shall use its best endeavours to pay all the redemption proceeds, less the Redemption Levy, within two months after the Redemption Day. The distribution of redemption proceeds payable out of the Fund's assets in the PRC will be subject to the prior approval of SAFE and may be delayed beyond the control of the Manager. There is no assurance that redemption proceeds payable out of the Fund's assets in the PRC will be distributed within two months. The Fund may need to pay the redemption proceeds, less the Redemption Levy, by instalments depending on a number of factors including, but not limited to, the total amount of redemption requests, the amount of offshore assets held by the Fund (i.e. assets outside the PRC), the monthly repatriation limit on the net realised profits and principal funds by QFIIs, the time required by the Fund to repatriate funds from the PRC. According to the legal and regulatory requirements in the PRC, if the Fund is required to repatriate disposition proceeds from the PRC to satisfy the entire or part of the redemption requests accepted by the Fund in respect of the One-off Redemption Offer, the payment of such redemption proceeds under the One-off Redemption Offer is subject to the applicable PRC repatriation rules and the regulatory

and tax clearance approval process which may cause delays or adjustment in calculation of the repatriation limits. For further details, please refer to the section headed “III. One-off Redemption Offer — (b) Key Risk Factors — (i) Uncertainty on the payment date of the redemption proceeds” in the Letter from the Manager of the Circular. We consider the uncertainty on the payment date is acceptable given the current rules and regulations in the PRC on repatriation of assets out of the PRC.

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

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

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

A Unitholder may not be able to redeem all the Units he or she applies to redeem under the One-off Redemption Offer regardless of whether he or she applies to redeem more or less than 20% of the Units he or she owns at the Lodgement Date. As stated in the section headed “(i) Principal terms” above, in the event that the aggregate number of Units for which applications are made under the One-off Redemption Offer exceeds 20% of the total outstanding number of Units as at the Lodgement Date, the Manager shall apply the relevant realisation proceeds to satisfy the redemption requests of the Unitholders wishing to redeem their Units on a pro rata basis based on the number of Units they have validly applied to redeem, rounded down to the nearest whole Unit.

*(d) Existence of odd lot Units*

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

*(e) Impact on the total expense ratio and size of the Fund*

The One-Off Redemption Offer, (i) if implemented, would increase the total expense ratio of the Fund as a result of the expenses to be incurred with respect to the One-off Redemption Offer and such expenses are not covered by the Redemption Levy; and (ii) would reduce the size of the Fund after such One-off Redemption Offer is implemented. The Manager may decide to terminate the Fund on any date if on such date the asset value of the Fund shall be less than HK\$400,000,000 under the Trust Deed. Based on the

Fund's net asset value as at 12 November 2015 (being the last Business Day before the Latest Practicable Date), the net asset value of the Fund immediately after the One-off Redemption Offer (assuming that 20% of the total outstanding units are being redeemed) would be approximately HK\$2,131,501,095. As advised by the Manager, the reduction of fund size subsequent to the One-off Redemption Offer will not trigger the termination of the Fund.

***(vi) Evaluation of the principal terms of the One-off Redemption Offer***

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

Under the One-off Redemption Offer, there is no minimum number of Units which a Unitholder can apply to redeem. A Unitholder may apply to redeem the whole or a part of his or her holding of Units. However, the total number of Units to be redeemed by the Unitholders shall not be more than 20% of the total outstanding number of Units as at the Lodgement Date.

According to current rules and regulations in the PRC, 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, subject to the relevant regulatory approval and the satisfaction of required documents (where applicable).

The limit of 20% of the Fund's net asset value to be redeemed has been determined by the Manager with reference to the monthly percentage allowed for repatriation out of the PRC under the QFII regulations, which is no more than 20% of the QFII's total asset value in the PRC of the Fund as of the end of the immediately preceding calendar year. As A Shares invested directly through QFII and other net assets in the PRC account for approximately 84% of the net asset value of the Fund as of 12 November 2015, and the Fund is required to repatriate disposition proceeds from the PRC to satisfy part of the redemption requests in respect of the One-off Redemption Offer, the 20% limit has been determined accordingly. On such basis, we consider the maximum redemption percentage of the One-off Redemption Offer appropriate.

***(b) Redemption price***

Under the One-off Redemption Offer, each Unit will be redeemed at the net asset value per Unit of the Fund on the Value Day, subject to the Redemption Levy (as discussed below). The net asset value per Unit is arrived at by valuing the assets of the Fund, deducting the liabilities of the Fund and dividing the net assets by the number of Units in issue. Since the net asset value per Unit is the maximum amount the Unitholders are entitled



to and can receive from the Fund in the event that the Fund divests all of its investments and distributes all of the proceeds to the Unitholders, we consider the basis of the redemption price fair and reasonable.

*(c) Maximum redemption levy*

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

AsianInvestor has ranked the top 100 fund management companies in terms of asset under management (“AUM”) sourced from Asia Pacific as at 31 December 2014. Among the top 30 fund management companies, we, on a best endeavours basis, identified eleven fund management companies which have launched umbrella funds, consisting of sub-funds investing in China-related securities, for retail sales in Hong Kong, and reviewed their prospectuses. Out of these eleven fund management companies, eight will charge a maximum redemption levy ranging from 1% to 3% (among which six will charge a redemption levy of up to 2%), one will charge a redemption levy ranging from 0% to 4% (subject to the length of holding) and two do not charge any redemption levy at all. As the total AUM of the top 30 fund management companies ranked by AsianInvestor accounts for approximately 68.7% of the AUM of the top 100 fund management companies, and a majority of the top 30 fund management companies (which have launched sub-funds investing in China-related securities for retail sales in Hong Kong) charge a maximum redemption levy with a range from 1% to 3%, we consider the charge of the Redemption Levy is in accordance with the market practice.

The One-off Redemption Offer to be approved by the Independent Unitholders is similar to the 2012 Redemption Offer. Under the 2012 Redemption Offer, a redemption levy of up to 2% of the net asset value of the Units being redeemed was charged, which was in accordance with the then market practice. Given that (i) the range of the Redemption Levy charged for the One-off Redemption Offer is in accordance with the market



practice now and is the same as the range charged for the 2012 Redemption Offer; and (ii) the nature of the two offers and the related redemption levies are similar, we consider that the Redemption Levy is acceptable.

#### 4. Recurring Redemption Offer

The principal terms and conditions of the Recurring Redemption Offer are set out below:

*(i) Principal terms and conditions*

- (a) subject to certain conditions as set out in the Circular, in particular, the passing of the proposed resolutions for the Recurring Redemption Offer and the changes to the Trust Deed to effect the Recurring Redemption Offer, the Manager will offer rights to the Unitholders to redeem part or all of their holdings in the Fund as the Manager determines at its discretion taking into account the best interests of the Unitholders, subject to the following conditions;
  - (i) the Fund must be trading at a discount of its net asset value of 20% (daily average) or more for three consecutive months;
  - (ii) the redemption offer must only be made in the best interests of the Unitholders;
  - (iii) there is no material adverse impact to the Fund;
  - (iv) the Manager must comply with the principles and rules under the Code on Share Buy-backs (the “**Share Buy-backs Code**”) as if they were applicable to the Fund (including but not limited to all relevant timing and disclosure requirements under the Share Buy-backs Code), the SFC Products Handbook and all other applicable codes, rules, regulations and laws (together the “**Applicable Regulations**”), with the only following exceptions:
    - (1) no independent advice by an independent board committee and/or independent financial adviser will be required in relation to any redemption offer made following the approval of the Recurring Redemption Offer at the General Meeting;
    - (2) where the redemption proceeds cannot be repatriated from mainland China due to legal or regulatory requirements beyond the control of the Manager, the redemption proceeds payment period may be extended beyond the time limits stipulated in the Applicable Regulations. In such case, the Manager must keep proper records to demonstrate and justify this and keep the Unitholders and the SFC properly and

promptly informed. In any event, the redemption proceeds must be paid to the Unitholders as soon as possible after the receipt of the proceeds by the Fund;

- (v) in considering whether to proceed with a redemption offer, the Manager must take into account of all relevant prevailing market conditions (such as market liquidity, the percentage of stocks held by the Fund which have been suspended from trading and other relevant regulatory requirements) and must be reasonably satisfied that the redemption proceeds can be paid to the Unitholders in accordance with the time limits stipulated in the Applicable Regulations;
  - (vi) there is no minimum number of redemption offer to be made in a calendar year and the maximum number for each calendar year shall not exceed three;
  - (vii) the aggregate redemption of all Unitholders to be no more than 20% of the total outstanding number of Units as at the relevant lodgement date of each Recurring Redemption Offer;
  - (viii) Independent Unitholders may by Extraordinary Resolution at a general meeting terminate the Manager's entitlement to make any further redemption offer under the Recurring Redemption Offer;
- (b) subject to the passing of the proposed resolutions for the Recurring Redemption Offer and the changes to the Trust Deed to effect the Recurring Redemption Offer, each Recurring Redemption Offer will not be subject to any further approval of the Unitholders nor the advice of the independent financial adviser; and
- (c) each Recurring Redemption Offer shall be made as the Manager determines at its discretion at the net asset value of the Units being redeemed (calculated using the relevant market closing price of the underlying investments of the Fund and the Fund's applicable operating expenses accrued or incurred to date on the relevant value day) on the relevant redemption day, subject to the Redemption Levy.

***(ii) Reasons for the Recurring Redemption Offer***

The Recurring Redemption Offer provides an option for the Unitholders to exit the whole or a substantial part of their Units on a more frequent basis at the net asset value per Unit of the Fund, less the Redemption Levy. As set out in the section headed "3. One-off Redemption Offer — (iii) Reasons for the One-off Redemption Offer", the Fund has been traded at a discount to its net asset value since October 2007. In our view, the Recurring Redemption Offer may potentially narrow such discount as the Unitholders will have more opportunities to realise certain Units at the net asset value, less the Redemption Levy. Independent

Unitholders will also be provided with an alternative to diversify their portfolios from time to time if they would like to maintain or gain more exposure to non-A Share investments. As such, we consider the Recurring Redemption Offer is beneficial to the Independent Unitholders.

***(iii) Financial effects of the Recurring Redemption Offer***

The Recurring Redemption Offer, if effected, will further reduce the size of the Fund. Under each Recurring Redemption Offer, additional professional and administration costs will be incurred. Hence, there will be a proportionate increase in the total expense ratio. Assuming that the One-off Redemption Offer and two Recurring Redemption Offers have taken place in a year with 20% of the total outstanding Units on each of the relevant lodgement date being redeemed in full with respect to the One-off Redemption Offer and two Recurring Redemption Offers (that is, 48.8% of the total outstanding Units in issue before all such redemption offers being redeemed in total), this will increase the total expense ratio of the Fund from approximately 1.8% for the financial year ended 31 March 2015 to approximately 2.30% after the One-off Redemption Offer and two Recurring Redemption Offers, the effect on the total expense ratio is considered to be not material and acceptable. As discussed in the section headed “3. One-off Redemption Offer — (iv) Financial effects of the One-off Redemption Offer”, it is considered to be fair to the Unitholders to bear the expenses required for the launch of each Recurring Redemption Offer on the same basis.

***(iv) Risks associated with the Recurring Redemption Offer***

The principal risks associated with the Recurring Redemption Offer which we have considered during our assessment of the fairness and reasonableness of the Recurring Redemption Offer include risks associated with the One-off Redemption Offer, in particular, the risks that (i) the Manager may decide to terminate the Fund on any date if on such date the asset value of the Fund shall be less than HK\$400,000,000, resulting from subsequent Recurring Redemption Offers; and (ii) it may take two months or more for the Unitholders to receive the redemption proceeds for Units redeemed through each Recurring Redemption Offer. Please refer to the section headed “3. One-off Redemption Offer — (v) Risks associated with the One-off Redemption Offer” for further details. Additional risk factors, if any, will be set out in the circular to the Unitholders prior to each Recurring Redemption Offer, mainly as a result of changing market environment and/or changing regulatory requirements.

***(v) Evaluation of the principal terms of the Recurring Redemption Offer***

***(a) Recurring Redemption Offer on a more frequent basis***

The Recurring Redemption Offer represents an offer on a more frequent basis to the Unitholders to redeem a part or all of their holdings in the Fund if they find the investment objectives of the Fund are not aligned with their own investment objectives. With the reasons discussed in the section headed

“4. Recurring Redemption Offer — (ii) Reasons for the Recurring Redemption Offer” and taking into account that the Recurring Redemption Offer gives the Unitholders an option to exit their investments in the Fund at the applicable net asset value of the Fund, less the Redemption Levy, it is considered that the Recurring Redemption Offer is advantageous to the Unitholders.

*(b) the Manager’s discretion as regards the Recurring Redemption Offer*

We note that the making of the Recurring Redemption Offer is subject to the Manager’s discretion, subject to certain conditions, including but not limited to,

- (i) discount of the Fund to its net asset value. Each Recurring Redemption Offer will only be made when the Fund is trading at a discount to its net asset value of 20% (daily average) or more for three consecutive months. Given the Fund has been trading at a daily average discount of approximately 23.3%, 22.3% and 23.8% to its net asset value during the calendar year 2013, 2014 and the nine months ended 30 September 2015, the discount of 20% is considered reasonable as a benchmark for the making of each Recurring Redemption Offer;
- (ii) compliance with the Share Buy-backs Code and the Applicable Regulations, with the exception of, among others, no further opinion needs to be sought from the independent financial adviser if approval regarding the Recurring Redemption Offer could be obtained from the Independent Unitholders at the General Meeting, and given the unique nature of the Fund, we consider the Manager’s compliance with the Share Buy-backs Code and the Applicable Regulations would be in the interests of the Unitholders and no further opinion from the independent financial adviser is necessary if approval could be obtained at the General Meeting;
- (iii) all relevant prevailing market conditions (such as market liquidity, the percentage of stocks held by the Fund which have been suspended from trading; and other relevant regulatory requirements). Given the market fluctuations in recent years and that the market conditions have an impact on realisation of assets by the Fund, it is considered reasonable for the Manager to take into account the market conditions before making each Recurring Redemption Offer; and
- (iv) Independent Unitholders may by Extraordinary Resolution at a general meeting to terminate the Manager’s entitlement to make any further redemption offer under the Recurring Redemption Offer. Such condition is in the interests of the Unitholders as they are given the right to terminate the Recurring Redemption Offer.

Given above, we consider that it is reasonable for the Manager to exercise its discretion, subject to the conditions (as analysed immediately above), at the time when determining whether each Recurring Redemption Offer should be made.

*(c) Redemption limit, redemption price and maximum redemption levy*

The maximum redemption percentage of each Recurring Redemption Offer is 20% of the outstanding number of Units as at the relevant lodgement date of each Recurring Redemption Offer. As analysed in the section headed “3. One-off Redemption Offer — (vi) Evaluation of the principal terms of the One-off Redemption Offer — (a) Percentage of the Fund’s net asset value to be redeemed”, given the monthly repatriation limit of 20% under QFII regulations for funds repatriated from the PRC and that the majority of the Fund’s investments are invested directly through QFII, we consider the maximum redemption percentage of each Recurring Redemption Offer appropriate. As advised by the Manager, given the administrative procedures involved in each redemption offer, the maximum number of redemption offers for each calendar year shall not exceed three. Taken into account the logistic practicality of the redemption offers, we consider it is reasonable for the Manager to determine three as the maximum number of redemption offers for each calendar year.

Under the Recurring Redemption Offer, each Unit will be redeemed at its net asset value on the relevant redemption day, subject to the Redemption Levy (as further discussed in the next paragraph). Since the net asset value per Unit is the maximum amount the Unitholders are entitled to and can receive from the Fund in the event that the Fund divests all its investments and distributes all of the proceeds to the Unitholders, we consider the basis of the redemption price is fair and reasonable.

Based on our analysis in the section headed “3. One-off Redemption Offer — (vi) Evaluation of the principal terms of the One-off Redemption Offer — (c) Maximum redemption levy” above, we consider the Redemption Levy, which is up to 2% of the redemption price, acceptable from the point of view of the Independent Unitholders as it represents the upper limit of the redemption fee that could be charged and is in accordance with present market practice now. Regardless of actual explicit transaction costs and implicit costs to be incurred, a fee of 2% would be the maximum fee that would be borne by the Unitholders for the Recurring Redemption Offer, and a lower level of the Redemption Levy may be charged based on actual costs incurred.

**DISCUSSION AND ANALYSIS**

The One-off Redemption Offer is expected to bring the following benefits to the Independent Unitholders:

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

Taking into account the above factors, we consider it is in the interests of the Independent Unitholders to approve the One-off Redemption Offer.

The Recurring Redemption Offer is considered to be fair and reasonable to the Independent Unitholders, given that:

- (i) it represents a more frequent option for Independent Unitholders to exit their investments in the Fund at the applicable net asset value per Unit of the Fund;
- (ii) it is reasonable for the Manager to exercise its discretion (the criteria for the exercise of such discretion may include, without limitation, the average discount at which the Units have been trading, the market conditions and any relevant regulatory requirements) for making each Recurring Redemption Offer;
- (iii) the redemption price represents the maximum amount the Independent Unitholders are entitled to and can receive from the Fund in the case of redemptions;
- (iv) the Unitholders may choose not to exercise the right to redeem under each Recurring Redemption Offer if the Fund's investment objective is appropriate for their own investment objectives; and
- (v) the Recurring Redemption Offer, coupled with the One-off Redemption Offer, is likely to be effective in potentially narrowing the price-to-net asset value discount of the Fund, on a long-term basis.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Taking into account the above factors, we consider it is in the interests of the Independent Unitholders to approve the Recurring Redemption Offer.

Meanwhile, the Independent Unitholders should be aware of the risks associated with the One-off Redemption Offer and the Recurring Redemption Offer as discussed in the sections headed “3. One-off Redemption Offer — (v) Risks associated with the One-off Redemption Offer” and “4. Recurring Redemption Offer — (iv) Risks associated with the Recurring Redemption Offer”, including but not limited to, (i) the Manager may decide to terminate the Fund on any date if on such date the asset value of the Fund shall be less than HK\$400,000,000 under the Trust Deed; and (ii) the Unitholders should take into account their liquidity needs as it may take two months or more for the Unitholders to receive the redemption proceeds for Units redeemed through One-off Redemption Offer and each Recurring Redemption Offer while proceeds can be received immediately by selling their Units in the open market.

### RECOMMENDATION

Taking into account the above principal factors and reasons (including but not limited to, the terms and conditions), we consider that the terms of the One-off Redemption Offer and the Recurring Redemption Offer are fair and reasonable so far as the Independent Unitholders are concerned, and are in the interests of the Independent Unitholders as a whole. Accordingly, we recommend the Independent Unitholders to vote in favour of the Extraordinary Resolutions to be proposed at the General Meeting to approve, among other things, the One-off Redemption Offer and the Recurring Redemption Offer.

If the Independent Unitholders consider the Fund’s investment objective appropriate for their own investment objectives and willingness to assume risk taking into account the market price now, they may choose not to accept the One-off Redemption Offer or each Recurring Redemption Offer and allow the Manager to continue to invest for them.

If the Independent Unitholders now consider the Fund’s investment objective inappropriate for their own investment objectives and willingness to assume risk of their investments taking into account the market price, or if they would like to maintain less exposure to A Share investments now, they should consider accepting the One-off Redemption Offer or each Recurring Redemption Offer if the net proceeds from the market sale of their Units after deducting all transaction costs are less than the net proceeds to be received under the One-off Redemption Offer or each Recurring Redemption Offer at that time and using such redemption proceeds to invest in securities which they consider appropriate for their own individual circumstances.

The Independent Unitholders should reassess their positions at the time when each Recurring Redemption Offer is made to them.

Independent Unitholders should note that although the Fund has been traded at a discount to its net asset value since October 2007, it is in principle possible that the Fund could be traded above its net asset value when the One-off Redemption Offer or each Recurring Redemption Offer occurs. As such, it is advisable for the Independent Unitholders to consider, should they wish to liquidate their holdings, selling their Units

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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in the open market rather than through the One-off Redemption Offer or each Recurring Redemption Offer if the market price of the Units exceeds the net asset value per Unit, or the net proceeds from the market sale of their Units after deducting all transaction costs are more than the net proceeds to be received under the One-off Redemption Offer or each Recurring Redemption Offer at that time.

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**  
**David Ching**  
*Director*

*Mr. David Ching is a licensed person registered with the Securities and Futures Commission and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over ten years of experience in the corporate finance industry.*



## EXPLANATORY STATEMENT

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

Defined terms used in this Explanatory Statement have the same meanings given to them in the circular to Unitholders of the Fund dated 17 November 2015 and also the Trust Deed.

### 1. CHANGE OF INVESTMENT OBJECTIVE

- 1.1 Subject to the passing of the proposed resolutions for the Change of Investment Objective in the General Meeting, the investment objective of the Fund will be changed to the following (changes underlined and bold) with effect from the Business Day immediately follow the date of the General Meeting, which is anticipated to be 7 January 2016.

The Manager would like to achieve the investment objective of the Fund with the ability to invest in A Shares from investing directly in A Shares through Stock Connect. It is proposed that the Fund's objective be changed as follows (changes underlined and bold): to achieve long-term capital growth by investing primarily in A Shares directly through (i) the qualified foreign institutional investor investment quota of the Manager and (ii) **Stock Connect**; and indirectly through investment of (i) up to 40% of its net asset value in financial derivative instruments and securities linked to A Shares (such as CAAPs (including A Share participation certificates/notes and/or other access products issued by third party investment banks or brokers)) and (ii) up to 40% of its net asset value in ETFs (including synthetic ETFs) authorised by the SFC with exposure to A Shares; provided that the Fund's investment in CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A Shares will not exceed 50% in the aggregate of its net asset value. The Manager may consider, amongst others, profitability, prospect, outlook, valuation and volatility of the relevant securities and markets, the availability of the investments, and the economic and political environment and development affecting the relevant securities and markets in its selection criteria of investments for the Fund. The Fund will not invest more than 10% of its net asset value in CAAPs issued by a single issuer; and the Fund's aggregate investment in (i) CAAPs shall not be more than 40% of its net asset value and (ii) **A Shares through the Stock Connect shall not be more than 30% of the Fund's net asset value.**

Further information about the Stock Connect is available online at the website:

[http://www.hkex.com.hk/eng/market/sec\\_tradinfra/chinaconnect/chinaconnect.htm](http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm)

Independent Unitholders should carefully consider the risk factors described in the Offering Circular and from page 12 to page 19 above before exercising their votes to approve the resolution with respect to the Change of Investment Objective.

- 1.2 Subject to the passing of the proposed resolutions for the Change of Investment Objective, the Offering Circular shall be amended and/or supplemented.
- 1.3 The Manager believes that the proposed Change of Investment Objective to invest directly in A Shares through Stock Connect will provide more flexibility to the Manager to achieve the investment objective of the Fund with the ability to invest in A Shares from offshore.
- 1.4 The Manager believes that the Change of Investment Objective is in the best interests of the Fund and the Unitholders as a whole.

## 2. ONE-OFF REDEMPTION OFFER

### Units in Issue

- 2.1 As at the Latest Practicable Date, the aggregate of Units outstanding is 209,812,263 Units. The Manager also wishes to offer the One-off Redemption Offer for cash and proposes to seek approvals of the Independent Unitholders by way of the Extraordinary Resolution at the General Meeting on the One-off Redemption Offer. Pursuant to the One-off Redemption Offer, Unitholders will be entitled to apply to redeem the whole or a part of their Units subject to the Trust Deed and the following provisions and a redemption request form (available from the Registrar) will be despatched to all Unitholders.

### Procedures

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

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

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

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

Regardless of whether Unitholders decide to accept or not accept the One-off Redemption Offer, they should not submit their certificate(s) of Units to the Registrar before 8 January 2016. Any certificate(s) of Units received prior to 8 January 2016 may not be treated as application for the One-off Redemption Offer and all such unaccepted certificate(s) will be returned to the Unitholders (by ordinary post, at that Unitholder's own risk) as soon as practicable and in any event, no later than 7 Business Days from the date of receipt. Once the One-off Redemption Offer has become unconditional, Unitholders may resubmit their certificate(s) of Units to the Registrar before the Lodgement Date if they would like to make a redemption request under the One-off Redemption Offer with respect to the Units they hold as of the Lodgement Date.

If the One-off Redemption Offer does not become unconditional, any certificate of Units received by the Registrar will be returned and/or sent to the relevant Unitholder (by ordinary post, at that Unitholder's own risk) within 10 days from the date of the General Meeting. The Fund will make an announcement of the results of the General Meeting by 7:00 p.m. on 7 January 2016.

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

- 2.5 The price per Unit shall be realised on the Value Day at the redemption price (that is, the net asset value per Unit as at the Value Day) less the Redemption Levy in accordance with the Trust Deed. Costs and expenses with respect to the realisation of the assets of the Fund, namely, commission, stamp duty, transaction cost and total market impact of implementation (i.e. the price difference during the order implementation between the execution price and the price at the time of valuation) will be offset against the Redemption Levy. The Redemption Levy which is up to 2% of the net asset value of the Units being redeemed (i.e. the redemption price) will be deducted from the redemption price and will be retained by the Fund for the benefit of the Fund. The actual level of

the Redemption Levy will be determined by the Manager according to the Manager's estimation of the above-mentioned commission, stamp duty, transaction cost and total market impact of implementation on the Redemption Day. Each redeeming Unitholder will bear the same percentage of Redemption Levy, namely, the same percentage of the net asset value of the Units being redeemed. The Redemption Levy will be announced together with the net asset value of the Fund as of the Value Day by 5:00 pm on 27 January 2016.

- 2.6 It is the intention of the Manager to realise the relevant investment of the Fund as soon as practicable on or about the Value Day.

The Manager will aim to realise the Fund's offshore assets (i.e. assets being held by the Fund outside the PRC) first to satisfy the redemption requests, subject to the condition that the Manager will aim to ensure that the Fund will continue to hold approximately 5% of the Fund's total net asset value offshore outside the PRC immediately after the redemption, taking into account the ongoing liquidity need of the Fund outside the PRC (such as payment of various fees and expenses outside PRC) and the asset size required by the Fund to maintain a portfolio efficiently outside PRC.

If the amount obtained by the Fund from the realisation of its assets outside PRC is not adequate to pay the redemption proceeds, the Manager will realise a portion of the assets of the Fund in the PRC and convert such proceeds into United States dollars as soon as practicable on or about the Value Day, and will arrange to hedge the United States dollars back to Hong Kong dollars (the Fund's base currency) accordingly. The Manager will aim to repatriate the relevant proceeds out of the PRC as soon as practicable. After the completion of repatriation, the Manager will apply all or part of such realisation proceeds to satisfy the redemption requests, with the remaining realisation proceeds, if any, being held or invested by the Fund outside PRC according to the Fund's investment objective.

Subject to a number of factors including, but not limited to, the total amount of redemption requests, the amount of offshore assets held by the Fund (i.e. assets outside the PRC), the monthly repatriation limit on the net realised profits and principal funds by QFIIs, the time required by the Fund to repatriate funds from the PRC, the Fund may need to pay the redemption proceeds, less the Redemption Levy, by instalments.

According to current rules and regulations in the PRC, 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, subject to the relevant regulatory approval and the satisfaction of required documents (where applicable).

If the Fund is required to dispose of its assets in the PRC to satisfy the entire or part of the redemption requests accepted by the Fund in respect of the One-off Redemption Offer, it is expected that (i) the first repatriation of the disposition proceeds of such assets may take approximately two months and (ii) any

subsequent repatriation(s) which may be required until the Fund can satisfy all the redemption requests accepted by the Fund in respect of the One-off Redemption Offer may take place with a one-month interval from one repatriation to another.

2.7 Redemption proceeds will not be paid to any redeeming Unitholder until:

- (a) a valid original redemption request has been received by or on behalf of the Manager or, if relevant, the Trustee; and
- (b) the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the Manager or its agent or, if relevant, the Trustee.

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

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

#### **Limits and Suspension of Redemption**

2.9 The Manager shall, for the Fund as a whole, limit the total number of Units which Unitholders are entitled to redeem on the Redemption Day to be no more than 20% of the total outstanding Units as at the Lodgement Date, such limitation to be applied pro rata to all Unitholders of Units who have validly requested realisations to be effected on or as at the Value Day so that the proportion realised of each holding so requested to be realised is the same for all such Unitholders, rounded down to the nearest whole Unit. Any application for

redemption of Units which, by virtue of the powers conferred on the Manager hereby, are not realised on the Redemption Day shall be void and the certificates representing such Units shall be returned to Unitholders.

Unitholders should note that there is no limit on the number of Units which a Unitholder can apply to redeem under the One-off Redemption Offer, however, a Unitholder may not apply to redeem more Units than such Unitholder holds as at the Lodgement Date. A Unitholder may apply to redeem the whole or a part of his or her holding of Units. However, the total number of Units to be redeemed by the Fund shall not exceed 20% of the total outstanding number of Units as at the Lodgement Date.

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

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

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

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



**Overseas Unitholders**

2.11 Based on the register of Unitholders as at the Latest Practicable Date, there were no Unitholder with registered addresses outside Hong Kong.

**Nominee Holdings**

2.12 If the certificates of Units in respect of a Unitholder's Units are in the name of a nominee company or some name other than his/her own, and such Unitholder wishes to accept the One-off Redemption Offer (either in full or in respect of part of his holding(s) of Units), he/she must either:

- (i) instruct the nominee company, or other nominee to accept the Offer on his/her behalf and requesting it to deliver the redemption request form duly completed together with the certificate(s) of Units to the Registrar, within such deadline (which may be earlier than the deadline specified under the One-off Redemption Offer) as may be stipulated by the nominee; or
- (ii) arrange for the Units to be registered in his/her name by the Fund through the Registrar, and send the redemption request form duly completed together with the certificate(s) of Units to the Registrar; or
- (iii) where his/her Units have been maintained with his/her licensed securities dealer/custodian bank through CCASS, instruct his/her licensed securities dealer/custodian bank to authorize HKSCC Nominees Limited to accept the One-off Redemption Offer on his/her behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, that Unitholder should check with his/her broker/custodian bank for the timing on processing of his instruction, and submit such instruction to his broker/custodian bank as required by them; or
- (iv) if that Unitholder's Units have been lodged with his/her Investor Participant Account with CCASS, authorize his/her instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.

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

**Transfer of Units**

2.13 If a Unitholder has lodged transfer(s) of Units for registration in his/her name and has not yet received the certificate(s) of Units and wishes to accept the One-off Redemption Offer, he/she should nevertheless complete the redemption request form and deliver it to the Registrar together with the transfer receipt(s) duly signed by him/her. Such action will be deemed to be an authority to the Manager



or its agent(s) to collect from the Manager or the Registrar on his/her behalf the relevant certificate(s) of Units when issued and to deliver such certificate(s) of Units, subject to the terms of the One-off Redemption Offer, as if it/they was/were delivered to the Registrar with the redemption request form.

### **Lost Certificates**

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

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

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

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

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

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

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

### **New Unitholders**

- 2.16 With respect to any new Unitholder, a new Unitholder may collect a copy of this circular, with the form of proxy and a blank redemption request form from the Registrar during business hours between 17 November 2015 to the Lodgement Date, both days inclusive. Such Unitholder may also contact the Registrar and

request a copy of this circular, the form of proxy and a blank redemption request form (as appropriate) to be sent to his/her registered address as recorded in the register of Unitholders.

### **Professional Advice**

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

Unitholders should refer to the section headed "Taxation" on pages 26 and 29 of the Letter from the Manager in this circular for additional information on taxation.

### **Effect of Acceptance of the One-off Redemption Offer**

- 2.18 (a) All communications, notices, redemption request form(s), certificates of Units, transfer receipts, other documents of title or indemnity and remittances to settle the consideration payable under the One-off Redemption Offer to be delivered by or sent to or from the Unitholders will be delivered by or sent to or from them, or their designated agents, at their own risk, and none of the Fund, the Manager nor the Registrar or any of their respective agents accepts any liability for any loss in postage or any other liabilities that may arise as a result.
- (b) The provisions set out in the redemption request form form part of the terms of the One-off Redemption Offer.
- (c) The accidental omission to dispatch this circular and/or the redemption request form or any of them to any person to whom the One-off Redemption Offer is made will not invalidate the One-off Redemption Offer in any way.
- (d) The One-off Redemption Offer and all acceptances will be governed by and constructed in accordance with the laws of Hong Kong.
- (e) Due execution of the One-off Redemption Offer will constitute an authority to the Fund, the Manager or such person or persons as the Fund or the Manager may direct to complete and execute any document on behalf of the person accepting the One-off Redemption Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Fund, the Manager or such person or persons as it may direct the Units, in respect of which such person has accepted the One-off Redemption Offer.

- (f) Acceptance of the One-off Redemption Offer by any person will be deemed to constitute a warranty by such person to the Fund and the Manager that its redemption of Units on its own account or on behalf of its customer, will not breach any relevant law or regulation; and the redeeming Unitholder represents and warrants to the Fund that all Units which the redeeming Unitholder redeeming shall be sold free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the Latest Practicable Date (including the right to all dividends and distributions (if any) declared, made or paid on or after the Latest Practicable Date) or obligation to create or to give an encumbrance in relation to any of such Units and that no person has claimed to be entitled to an encumbrance in relation to any such Units.
- (g) Acceptance of the One-off Redemption Offer by any person who is an Overseas Unitholder will be deemed to constitute a warranty by such person to the Fund and the Manager that he, she or it has observed the laws of all relevant jurisdictions, obtained all requisite governmental, exchange control or other consents, complied with all necessary formalities or legal requirements and paid any transfer or other taxes or other required payments due from him, her or it in connection with such acceptance in any jurisdiction, that he, she or it has not taken or omitted to take any action which will or may result in the Fund, the Manager or any other person acting in breach of the legal or regulatory requirements of any jurisdiction in connection with the One-off Redemption Offer or his, her, its acceptance thereof, and is permitted under all applicable laws to receive and accept the One-off Redemption Offer, and any revision thereof, and that such acceptance is valid and binding in accordance with all applicable laws.
- (h) Acceptance of the One-off Redemption Offer by any nominee will be deemed to constitute a warranty by such nominee to the Fund and the Manager that the number of Units in respect of which it is indicated in the redemption request form is the aggregate number of Units held by such nominee for such beneficial owner who is accepting the One-off Redemption Offer.
- (i) Reference to the One-off Redemption Offer in this circular and the redemption request form shall include any extension or revision thereof.
- (j) If the number of Units to be redeemed is not indicated on the redemption request form given or is not indicated in a legible manner, the relevant Unitholder shall be deemed to have accepted the One-off Redemption Offer in regard to such number of Units as supported by the certificate(s) of Units given.

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

### **Unitholders' considerations**

2.19 The Manager believes that the One-off Redemption Offer is in the best interests of the Fund and the Unitholders as a whole. The Fund has been trading at an average discount of 23.0% to its net asset value over the past twelve months (for reference, as at 12 November 2015, the Fund has been trading at a discount of 18.7% to its net asset value), the Manager believes that the One-off Redemption Offer may potentially narrow such discount. However, there is no assurance that the Fund will be traded at a price that is equal to or at a reduced discount to its net asset value subsequent to the effecting of the One-off Redemption Offer or that the performance of the Fund will be improved or enhanced thereafter.

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

- (i) ***Uncertainty on the payment date of the redemption proceeds:*** the Manager shall use its best endeavours to pay all the redemption proceeds, less the Redemption Levy, to Unitholders on or before 26 March 2016 (i.e. within 2 months after the Redemption Day). However, distribution of redemption proceeds payable out of the Fund's assets in the PRC will be subject to the prior approval of SAFE and may be delayed beyond the control of the Manager. There is no assurance that redemption proceeds payable out of the Fund's assets in the PRC will be distributed within two months. The Fund will also use its assets outside PRC to settle part of the redemption proceeds and that part of the redemption proceeds payable out of the assets of the Fund outside the PRC will be payable by 12 February 2016. Accordingly, the Fund may need to pay the redemption proceeds, less the Redemption Levy, by instalments depending on a number of factors including, but not limited to, the total amount of redemption requests, the amount of offshore assets held by the Fund (i.e. assets outside the PRC), the monthly repatriation limit on the net realised profits and principal funds by QFIIs, the time required by the Fund to repatriate funds from the PRC.

According to the legal and regulatory requirements in PRC, the amount the Fund can repatriate each month is limited (up to 20% of the QFII's total asset value in the PRC as of the end of the immediately preceding calendar year). This may delay the payment of redemption proceeds to holders, especially when the Fund needs more than one repatriation to pay the redemption proceeds. According to legal and regulatory requirements in PRC, repatriation also requires prior approval from SAFE. The Manager has no control on SAFE's approval time, which may also cause delay in paying repatriation proceeds to

holders. If the Fund is required to repatriate disposition proceeds from the PRC to satisfy the entire or part of the redemption requests accepted by the Fund in respect of the One-off Redemption Offer, the payment of such redemption proceeds under the One-off Redemption Offer is subject to the applicable PRC repatriation rules and the regulatory and tax clearance approval process which may cause delays or adjustment in calculation of the repatriation limits. The Fund will pay all the redemption proceeds to the Unitholders as soon as possible after receipt of the proceeds by the Fund. Based on the current legal and regulatory requirements in PRC, the Manager is reasonably satisfied that redemption proceeds can be repatriated from the PRC within two months after the Redemption Day;

- (ii) *Uncertainty on the trading price and the net asset value of the Fund:* under the One-off Redemption Offer, the net asset value at which the eligible Units will be redeemed shall be determined using the relevant market closing price of the underlying investments of the Fund and the Fund's applicable operating expenses accrued or incurred to date on the Value Day, and subject to the Redemption Levy and the relevant calculation method, shall be announced by the Manager no later than two Business Days after the Value Day. The Redemption Levy is to be retained by the Fund for the benefit of the Fund. Unitholders should note that the net asset value at which the eligible Units will be redeemed may be higher or lower than the traded price of the Units. There is no assurance that the Fund will be traded at a price that is equal to or at a reduced discount to its net asset value subsequent to the effecting of the One-off Redemption Offer or that the performance of the Fund will be improved or enhanced thereafter;
- (iii) *Uncertainty on whether a Unitholder may redeem all its Units:* as the total number of Units to be redeemed by the Unitholders shall not exceed 20% of the total outstanding number of Units as a whole as at the Lodgement Date, a Unitholder may not be able to redeem all the Units he or she applies to redeem under the One-off Redemption Offer regardless of whether he or she applies to redeem more or less than 20% of the Units he or she owns at the Lodgement Date.

In the event that the aggregate number of Units for which applications to redeem are made under the One-off Redemption Offer exceeds 20% of the outstanding number of Units as at the Lodgement Date, the Manager shall apply the relevant realisation proceeds to satisfy the redemption requests of Unitholders wishing to redeem their Units on a pro rata basis based on the number of Units the Unitholders have validly applied to redeem, rounded down to the nearest whole Unit. Unitholders should refer to the section headed "Limits on the One-off Redemption Offer" above for details;

- (iv) *Risk of Odd Lots*: any Units held by Unitholders that are not successfully redeemed under the One-off Redemption Offer may be in odd lots. The realisable price of such odd lot Units may be significantly lower than the traded price for such Units;
- (v) *Impact on the total expense ratio and size of the Fund*: the One-Off Redemption Offer, (i) if effected, will increase the total expense ratio of the Fund as a result of the expenses incurred with respect to the One-off Redemption Offer and such expenses are not covered by the Redemption Levy and (ii) reduce the size of the Fund after such One-off Redemption Offer is effected. The Manager may decide to terminate the Fund on any date if on such date the asset value of the Fund shall be less than HK\$400,000,000 under the Trust Deed; and
- (vi) *Remittance risk*: all documents and remittances will be sent to the Unitholders through ordinary post at their own risk. These documents and remittances will be sent to the Unitholders at their respective addresses as they appear in the register of Unitholders, and in the case of joint Unitholders, to the Unitholder whose name appears first in the register of Unitholders.

### **3. RECURRING REDEMPTION OFFER AND CHANGES TO THE TRUST DEED TO EFFECT THE RECURRING REDEMPTION OFFER**

Subject to the one-off passing of the proposed Extraordinary Resolution and the SFC's approval for such general redemption right, the Manager will offer a right to all Unitholders to redeem part or all of their holdings in the Fund (subject to a Redemption Levy) as the Manager determines at its discretion taking into account the best interests of the Unitholders, subject to the following conditions:

1. the Fund must be trading at a discount of its net asset value of 20% (daily average) or more for three consecutive months;
2. the redemption offer must only be made in the best interests of the Unitholders;
3. there is no material adverse impact to the Fund;
4. the Manager must comply with the principles and rules under the Applicable Regulations, with the only following exceptions:
  - (a) no independent advice by an independent board committee and/or independent financial adviser will be required in relation to any redemption offer made following the approval of the current Recurring Redemption Offer proposal at the Extraordinary General Meeting;
  - (b) where the redemption proceeds cannot be repatriated from the Mainland due to legal or regulatory requirements beyond the control of the Manager, the redemption proceeds payment period may be extended beyond the time limits



stipulated in the Applicable Regulations. In such case, the Manager must keep proper records to demonstrate and justify this and keep Unitholders and the SFC properly and promptly informed. In any event, the redemption proceeds must be paid to Unitholders as soon as possible after the receipt of the proceeds by the Fund;

5. in considering whether to proceed with a redemption offer, the Manager must take into account of all relevant prevailing market conditions (such as market liquidity, the percentage of stocks held by the Fund which have been suspended from trading and other relevant regulatory requirements) and must be reasonably satisfied that the redemption proceeds can be paid to Unitholders in accordance with the time limits stipulated in the Applicable Regulations;
6. there is no minimum number of redemption offer to be made in a calendar year and the maximum number for each calendar year shall not exceed three;
7. the aggregate redemption of all Unitholders to be no more than 20% of the total outstanding number of Units as at the relevant lodgement date of each Recurring Redemption Offer; and
8. Independent Unitholders may by Extraordinary Resolution at a general meeting terminate the Manager's entitlement to make any further redemption offer under the Recurring Redemption Offer.

Each Recurring Redemption Offer will be subject to applicable regulatory approvals but will not be subject to any further approval of the Unitholders nor the advice of the independent financial adviser.

The Manager will despatch a circular to all Unitholders prior to any Recurring Redemption Offer including the timing, procedures and limits of the Recurring Redemption Offer.

All redeemed Units will be cancelled. The estimated costs (at the price level as at the date of this circular) for each Recurring Redemption Offer is (i) HK\$1,600,000, approximately 0.06% of the net asset value of the Fund as at the last Business Day before the Latest Practicable Date for the first Recurring Redemption Offer; and (ii) HK\$900,000, approximately 0.03% of the net asset value of the Fund as at the last Business Day before the Latest Practicable Date for each subsequent Recurring Redemption Offer, and will be borne by the Fund.

The risk factors with respect to the One-off Redemption Offer in this circular generally apply to the Recurring Redemption Offer. Additional risk factors will also be set out in the circular to all Unitholders prior to such Recurring Redemption Offer.



In addition, Unitholders should be aware that:

- (i) the Recurring Redemption Offer, (a) if effected, will increase the total expense ratio of the Fund as a result of the expenses incurred with respect to the Recurring Redemption Offer and such expenses are not covered by the Redemption Levy and (b) reduce the size of the Fund after each time a Recurring Redemption Offer is made. The Manager may decide to terminate the Fund on any date if on such date the asset value of the Fund shall be less than HK\$400,000,000; and
- (ii) a decrease in the net asset value of the Fund may not necessarily trigger a Recurring Redemption Offer (for instance, where such decrease does not meet the threshold of discount referred to under (1) in the sub-section headed “Background to the Recurring Redemption Offer” above) and should carefully consider the risk factors described above and in the relevant circular before deciding on whether to apply for redemption of their Units under the Recurring Redemption Offer.

Subject to the passing of the proposed resolutions for the Recurring Redemption Offer and the changes to the Trust Deed to effect the Recurring Redemption Offer, the Trust Deed shall be amended and/or supplemented by the Supplemental Trust Deed:

- (i) The following shall be inserted as clause 10.12 of the Trust Deed to provide the necessary mechanism as set out in paragraph 3 above to effect the Recurring Redemption Offer.

“10.12 Subject to the Manager being granted a general mandate (“**General Mandate**”) from the Holders by way of an extraordinary resolution at a Holders’ general meeting and compliance with all applicable laws and regulations, the Manager will offer a right to all Holders to redeem part or all of their holdings in the Fund (“**Recurring Redemption Offer**”) (subject to a Redemption Levy) as the Manager determines at its discretion taking into account the best interests of the Holders, subject to the following conditions:

- 1. the Fund must be trading at a discount of its net asset value of 20% (daily average) or more for three consecutive months;
- 2. the redemption offer must only be made in the best interests of the Holders;
- 3. there is no material adverse impact to the Fund;

4. the Manager must comply with the principles and rules under the Code on Share Buy-Backs (“**Buy-Back Code**”) as if they were applicable to the Fund (including but not limited to all relevant timing and disclosure requirements under the Buy-Back Code), the SFC Products Handbook and all other applicable codes, rules, regulations and laws (together “**Applicable Regulations**”), with the only following exceptions:
  - (a) no independent advice by an independent board committee and/or independent financial adviser will be required in relation to any redemption offer made following the approval of the current Recurring Redemption Offer proposal at the Extraordinary General Meeting;
  - (b) where the redemption proceeds cannot be repatriated from the mainland due to legal or regulatory requirements beyond the control of the Manager, the redemption proceeds payment period may be extended beyond the time limits stipulated in the Applicable Regulations. In such case, the Manager must keep proper records to demonstrate and justify this and keep Holders and the SFC properly and promptly informed. In any event, the redemption proceeds must be paid to Holders as soon as possible after the receipt of the proceeds by the Fund;
5. in considering whether to proceed with a redemption offer, the Manager must take into account of all relevant prevailing market conditions (such as market liquidity, the percentage of stocks held by the Fund which have been suspended from trading and other relevant regulatory requirements) and must be reasonably satisfied that the redemption proceeds can be paid to Holders in accordance with the time limits stipulated in the Applicable Regulations;
6. there is no minimum number of redemption offer to be made in a calendar year and the maximum number for each calendar year shall not exceed three;
7. the aggregate redemption of all Holders to be no more than 20% of the total outstanding number of Units as at the relevant lodgement date of each Recurring Redemption Offer; and
8. Holders, other than any Holder that has a material interest in the Recurring Redemption Offer which is different from the interests of all other Holders, may by Extraordinary Resolution at a general meeting terminate the Manager’s entitlement to make any further redemption offer under the Recurring Redemption Offer, and

sub-clauses 10.13 to 10.23 shall apply in such circumstance.

- 10.13 The Recurring Redemption Offer will be effective from the Business Day immediately after the latest Voluntary Redemption Day (the “**Effective Date**”) until the termination of the Fund.
- 10.14 The Recurring Redemption Offer will take effect on a redemption day (“**Special Redemption Day**”) when the conditions under clause 10.12 (1) to (8) are satisfied, with the approval of the Trustee at the applicable Net Asset Value per Unit on Special Redemption Day. The Special Redemption Day shall be determined by the Manager taking into account the time required to notify the Holders, to receive from the Holders their desired portion of Units with respect to the Recurring Redemption Offer and to realise the attributable portion of assets of the Fund to satisfy such Recurring Redemption Offer.
- 10.15 The Recurring Redemption Offer will be subject to applicable regulatory approvals but will not be subject to any approval of the Holders and/or advice from any independent financial adviser.
- 10.16 On receipt by the Manager and/or, if the Manager and the Trustee so agree, the Trustee (and/or any person appointed by the Manager for such purpose) of a redemption request from a Holder which complies with the requirements of sub-clause 10.17, the Manager or, if the Manager and the Trustee have so agreed as aforesaid, the Trustee shall, subject to sub-clause 10.23, effect the redemption of the Units specified in the redemption request at the Redemption Price on the Special Redemption Day on which those Units are to be realised in accordance with the provisions of this paragraph.
- A redemption request complying with the requirements of sub-clause 10.17 shall be dealt with only on the Special Redemption Day. In order for a redemption request to be effected on the Special Redemption Day, it must be received by the Manager (or its agent) or, if applicable, the Trustee or the Registrar not later than a dealing deadline of such number of Business Days before the Special Redemption Day as determined by the Manager and as specified in the notification to the Holders with respect to the relevant Recurring Redemption Offer.
- 10.17 To be effective a request for any Recurring Redemption Offer must be given in writing signed by the Holder or any one of joint Holders and must specify the number of Units that are to be realised, and the name or names of the Holder or Holders together with the relevant certificate(s) and/or transfer receipt(s) and/or any other document(s) of the title (and/or any satisfactory indemnity or indemnities required in respect thereof). Subject as hereinafter provided, a redemption request once given cannot be revoked without the consent of the Manager.

- 10.18 The price per Unit shall be realised on the Special Redemption Day at the Redemption Price per Unit as at the appropriate Valuation Day in relation to such Special Redemption Day, less any redemption levy of up to 2% of the redemption proceeds which is to be retained by the Fund for its own benefit.
- 10.19 Any amount payable to a Holder in respect of the realisation of Units shall be paid as soon as practicable in any event no later than such date as approved by the Commission. Such amount shall be paid in accordance with and subject to the provisions of this clause 10.23.
- 10.20 Redemption proceeds of any Recurring Redemption Offer will not be paid to any redeeming Holder until:
- (a) a valid original redemption request for any Recurring Redemption Offer has been received by or on behalf of the Manager or, if relevant, the Trustee; and
  - (b) the signature of the Holder (or each joint Holder) has been verified to the satisfaction of the Manager or its agent or, if relevant, the Trustee.
- Where relevant account details have been provided, redemption proceeds will be paid in the Base Currency by cheque by ordinary post at the Holder's risk.
- 10.21 A Holder shall only be entitled to realise part of his holding of Units only if such realisation would not result in his holding fewer Units after such redemption than the Minimum Number or Value of Units.

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

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

**(A) When relevant market closed**

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

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

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

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

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

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

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

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

**4. BUY-BACK OF UNITS**

- a. During the 12-month period immediately preceding the date of this circular, the Fund has not conducted any buy-back of any Units.
- b. The Fund has not conducted any buy-back of any Units since 31 March 2015, being the date of the end of the last financial year of the Fund.

## 5. DISCLOSURE OF INTERESTS AND DEALINGS

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

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

### (b) Substantial Unitholder's interests in the Fund

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

Name of Unitholder	Nature of Interest	Number of Units held	Approximate percentage of the number of Units in issue
City of London Investment Management Limited	Investment Manager	42,075,431	20.05%

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

The intention of the above person holding 10% or more of the Units in issue as regards the acceptance of the One-off Redemption Offer cannot be determined. Assuming that (i) the One-off Redemption Offer is successful and the number of Units redeemed reaches the maximum number of Units to be redeemed (being 20% of the total outstanding number of Units as at the Lodgement Date); (ii) the number of Units in issue as at the Latest Practicable Date remains unchanged until the completion of the One-off Redemption Offer; and (iii) the above person holding 10% or more of the Units in issue does not accept the One-off Redemption Offer in respect of its Units and has not acquired or disposed any Units from the Latest Practicable Date to the completion of the One-off Redemption Offer, the above person holding 10% or more of the Units in issue will hold such number of Units, approximately 25.07% of the number of Units in issue on completion of the One-off Redemption Offer.

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

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



As at the date of this circular, none of the directors of the Manager and any entities that are the Manager's parent, the Manager's subsidiaries, the Manager's fellow subsidiaries, associated companies of any of the foregoing, and companies of which such companies are associated companies that trade in the Units as discretionary fund managers and/or for proprietary purposes (other than the entities set out in the following table) had any interests and short positions in the Fund.

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

<b>Name of Entity</b>	<b>Units</b>	<b>Approx.%</b>
The Hongkong and Shanghai Banking Corporation Limited	282,557	0.13%
HSBC International Trustee Limited	680,500	0.32%

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

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

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

## **6. UNITS IN ISSUE**

As at the Latest Practicable Date, 209,812,263 Units are in issue. Assuming that the One-off Redemption Offer is fully exercised by Unitholders, there will be approximately 167,849,811 Units in issue upon completion of the One-off Redemption Offer. There is only one class of Units in issue and all the Units rank pari passu. There has been no payment of

dividend during the two-year period preceding the Latest Practicable Date. Other than the buy-back of Units set out in clause 4. above, there has been no re organization of capital during two financial years preceding date of Firm Intention Announcement.

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

## 7. TRADING PRICES AND NET ASSET VALUES

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

<b>Date</b>	<b>Highest price (HK\$)</b>	<b>Lowest price (HK\$)</b>	<b>Highest net asset value (HK\$)</b>	<b>Lowest net asset value (HK\$)</b>
November 2014	7.29	6.75	9.75	8.75
December 2014	8.50	7.20	11.17	9.71
January 2015	8.88	8.15	11.81	10.95
February 2015	8.87	8.01	11.79	11.09
March 2015	10.04	8.46	13.69	11.56
April 2015	11.40	9.00	16.12	13.89
May 2015	13.28	10.88	17.70	14.92
June 2015	14.10	11.82	18.36	14.46
July 2015	12.52	9.31	14.27	12.06
August 2015	10.78	7.35	13.83	9.75
September 2015	8.60	8.00	10.92	10.09
October 2015	10.50	8.10	12.27	10.44
12 November 2015, being the last trading date before the Latest Practicable Date	10.58	9.86	12.83	11.93

The following table shows the closing prices of the Unit on the Stock Exchange and the net asset value per Unit on 12 November 2015 (the last trading date before the Latest Practicable Date), 28 October 2015 (the last trading date before the date of the Firm Intention Announcement) and the last trading date of each of the calendar months during the Relevant Period.

<b>Date</b>	<b>Closing price (HK\$)</b>	<b>Net asset value (HK\$)</b>
30 April 2015	11.30	16.01
29 May 2015	12.66	16.49
30 June 2015	12.56	15.32
31 July 2015	10.34	12.76
31 August 2015	8.53	10.88
30 September 2015	8.29	10.48
28 October 2015, the last trading date before the date of the Firm Intention Announcement	10.04	12.03
30 October 2015	10.48	12.16
12 November 2015, being the last trading date before the Latest Practicable Date	10.32	12.70

The highest and lowest closing price per Unit as quoted on the Stock Exchange during the Relevant Period were HK\$14.10 on 18 June 2015 and HK\$7.35 on 25 August 2015 respectively.

## **8. SECURITIES BOUGHT BACK BY THE FUND**

**THE FUND HAS NOT BOUGHT BACK ANY UNITS IN THE THREE-MONTH PERIOD PRIOR TO THE LATEST PRACTICABLE DATE AND WILL NOT BUY BACK ANY UNITS FROM THE DATE OF THIS CIRCULAR UP TO THE REDEMPTION DAY.**

## **9. CONSENT OF EXPERT**

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

<b>Name</b>	<b>Qualification</b>
Somerley Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Somerley Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of the letter from Somerley Capital Limited dated 17 November 2015 and references to its name in the form and context in which they respectively appear.

**10. DOCUMENTS FOR INSPECTION**

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

- the letter of advice from the Independent Financial Adviser dated 17 November 2015 containing its advice to the Independent Unitholders as to whether the One-off Redemption Offer and the Recurring Redemption Offer are fair and reasonable as to acceptance and voting;
- the Trust Deed;
- drafts of the Offering Circular, the key fact statement of the Fund and the Supplemental Trust Deed with the incorporation of the necessary changes to effect the Change of Investment Objective, the One-off Redemption Offer, the Recurring Redemption Offer and the changes to the Trust Deed to effect the Recurring Redemption Offer;
- the audited accounts of the Fund for the last two financial years for which these have been published; and
- written consent of Somerley Capital Limited that it has given and not withdrawn its consent to the publication of its name in this circular.

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

**I. THREE YEAR SUMMARY OF FINANCIAL INFORMATION**

The following is a summary of the financial results of the Fund for each of three years ended 31st March 2015 as extracted from the Fund's relevant annual reports.

	<b>2015</b> <i>HK\$</i>	<b>2014</b> <i>HK\$</i>	<b>2013</b> <i>HK\$</i>
Net investment income/(loss)	<u>1,272,742,147</u>	<u>(76,026,351)</u>	<u>88,785,555</u>
Profit/(loss) before taxation	1,228,032,081	(112,612,273)	30,933,113
Taxation	<u>(958,267)</u>	<u>(10,745,406)</u>	<u>(36,105,953)</u>
Increase/(decrease) in net assets attributable to unitholders and total comprehensive income for the year	<u>1,227,073,814</u>	<u>(123,357,679)</u>	<u>(5,172,840)</u>

*Notes:*

- (1) There were no extraordinary items, exceptional items and minority interests during each of the three years ended 31st March 2015.
- (2) The reports of the auditor of the Fund for the three years ended 31st March, 2015 do not contain any qualifications. The auditor of the Fund for all three years ended 31st March, 2013, 31st March, 2014 and 31st March, 2015 were KPMG.
- (3) The Fund does not report on earnings per Unit. No dividend has been declared for each of three years ended 31st March 2015.

## II. FINANCIAL INFORMATION OF THE FUND FOR THE YEAR ENDED 31ST MARCH 2015

Set out below is the full text of the audited financial statements of the Fund for the year ended 31 March 2015 extracted from the annual report of the Fund for the year ended 31 March 2015.

### STATEMENT OF ASSETS AND LIABILITIES

*as at 31 March 2015*

*(Expressed in Hong Kong dollars)*

	<i>Note</i>	<b>2015</b> \$	<b>2014</b> \$
<b>Assets</b>			
Investments at fair value through profit or loss	7, 12	2,795,193,821	1,594,407,195
Other receivables	8(c)	2,639,994	2,708,879
Cash and cash equivalents	8(d)	<u>199,280,592</u>	<u>174,128,049</u>
<b>Total assets</b>		<u>2,997,114,407</u>	<u>1,771,244,123</u>
<b>Liabilities</b>			
Taxation	6(b)	136,815,470	117,538,649
Deferred tax liabilities	6(c)	—	21,945,828
Accrued expenses and other payables	8(a), (b) & (c)	<u>4,381,454</u>	<u>2,915,977</u>
<b>Total liabilities</b>		<u>141,196,924</u>	<u>142,400,454</u>
<b>Net assets attributable to unitholders</b>		<u>2,855,917,483</u>	<u>1,628,843,669</u>
<b>Representing:</b>			
Total equity		<u>2,855,917,483</u>	<u>1,628,843,669</u>
<b>Number of units in issue</b>	10	<u>209,812,263</u>	<u>209,812,263</u>
<b>Net asset value per unit</b>		<u>13.61</u>	<u>7.76</u>

**STATEMENT OF COMPREHENSIVE INCOME***for the year ended 31 March 2015**(Expressed in Hong Kong dollars)*

	<i>Note</i>	<b>2015</b> \$	<b>2014</b> \$
Dividend income		37,156,873	38,231,422
Interest income on deposits	4, 8(d)	590,927	661,094
Net gains/(losses) from investments	5	1,234,715,803	(114,610,084)
Net foreign exchange gain/(loss)		<u>278,544</u>	<u>(308,783)</u>
Net investment income/(loss)		<u>1,272,742,147</u>	<u>(76,026,351)</u>
Management fees	8(a)	(29,248,485)	(26,971,382)
Transaction costs		(9,540,062)	(4,022,867)
Trustee's fees	8(b)	(2,167,598)	(2,014,990)
Custodian fees	8(c)	(1,754,400)	(1,678,321)
Auditor's remuneration		(600,409)	(630,986)
Legal and professional fees		(403,956)	(372,792)
Other operating expenses		<u>(995,156)</u>	<u>(894,584)</u>
Operating expenses		<u>(44,710,066)</u>	<u>(36,585,922)</u>
<b>Profit/(loss) before taxation</b>		1,228,032,081	(112,612,273)
Taxation	6(a)	<u>(958,267)</u>	<u>(10,745,406)</u>
<b>Increase/(decrease) in net assets attributable to unitholders and total comprehensive income for the year</b>		<u>1,227,073,814</u>	<u>(123,357,679)</u>



**STATEMENT OF CHANGES IN EQUITY***for the year ended 31 March 2015**(Expressed in Hong Kong dollars)*

	<i>Note</i>	<b>2015</b> \$	<b>2014</b> \$
<b>Balance at the beginning of the year</b>		1,628,843,669	1,752,201,348
Increase/(decrease) in net assets attributable to unitholders and total comprehensive income for the year		<u>1,227,073,814</u>	<u>(123,357,679)</u>
<b>Balance at the end of the year</b>		<u><u>2,855,917,483</u></u>	<u><u>1,628,843,669</u></u>

**CASH FLOW STATEMENT***for the year ended 31 March 2015**(Expressed in Hong Kong dollars)*

	<b>2015</b>	<b>2014</b>
	\$	\$
<b>Operating activities</b>		
Interest income received	590,927	661,094
Dividend income received	37,226,913	38,161,381
Management fees paid	(27,893,101)	(26,969,296)
Trustee's fees paid	(2,076,738)	(2,060,102)
Transaction costs paid	(9,540,062)	(4,022,867)
Tax paid	(3,466,700)	(3,640,892)
Proceeds from sales of investments	3,005,546,228	1,208,042,536
Payments for purchases of investments	(2,971,617,051)	(1,151,984,941)
Other operating expenses paid	<u>(3,659,081)</u>	<u>(3,918,948)</u>
<b>Net cash generated from operating activities</b>	<u>25,111,335</u>	<u>54,267,965</u>
<b>Net increase in cash and cash equivalents</b>	25,111,335	54,267,965
<b>Cash and cash equivalents at the beginning of the year</b>	174,128,049	119,915,808
<b>Effect of foreign exchange rates changes</b>	<u>41,208</u>	<u>(55,724)</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><u>199,280,592</u></u>	<u><u>174,128,049</u></u>

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in Hong Kong dollars)***1 BACKGROUND**

HSBC China Dragon Fund (“the Fund”) is a closed-ended unit trust governed by its Trust Deed dated 20 June 2007 (“the Trust Deed”), as amended. The Fund is 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 (“QFII”) 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 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 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 year ended 31 March 2015 and 31 March 2014.

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 year ended 31 March 2014.

## **2 SIGNIFICANT ACCOUNTING POLICIES**

### **(a) Statement of compliance**

The financial statements of the Fund have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong, the relevant disclosure provisions of the Trust Deed, as amended, and the relevant disclosure requirements of the Hong Kong Code on Unit Trusts and Mutual Funds issued by the SFC. A summary of the significant accounting policies adopted by the Fund is set out below.

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

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

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

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

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

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

**(c) Financial instruments**

*(i) Classification*

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

*(iv) Fair value measurement principles*

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 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” is net foreign exchange 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:

***Amendments to HKAS 32, Offsetting financial assets and financial liabilities***

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Fund.

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

**4 INTEREST INCOME ON DEPOSITS**

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

**5 NET GAINS/(LOSSES) FROM INVESTMENTS**

	<b>2015</b>	<b>2014</b>
	\$	\$
Realised gains/(losses)	573,974,454	(8,238,746)
Unrealised gains/(losses)	<u>660,741,349</u>	<u>(106,371,338)</u>
	<u><u>1,234,715,803</u></u>	<u><u>(114,610,084)</u></u>

Losses and gains presented above exclude dividend income.

**6 TAXATION**

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

Under the current general provisions of the PRC Corporate Income Tax (“CIT”) Law and published tax circulars, technically 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 provided that the relevant requirements are satisfied. In the Fund’s case, as there are uncertainties as to whether the Fund can satisfy all the specific requirements to the satisfaction of the PRC tax authorities, any preferential tax treatment under an applicable tax treaty/tax arrangement may not be acceptable to the PRC tax authorities. 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. Based on available information and prevailing market practice, 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 unrealised 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 \$22,547,473 as at 14 November 2014 (as at 31 March 2014: \$21,945,828).

On 31 October 2014, the Ministry of Finance, the State Administration of Tax and the China Securities Regulatory Commission have jointly promulgated the Circular Concerning the Temporary Exemption of the Corporate Income Tax for Capital Gains Derived by Qualified Foreign Institutional Investors and Renminbi Qualified Foreign Institutional Investors from the Transfer of Domestic Shares and Other Equity Interest Investment in China (“the Circular”).

According to the Circular, QFIIs have been granted a temporary PRC CIT exemption on capital gains deriving from PRC A Shares and other equity interest investments in PRC enterprises on or after 17 November 2014. Realised capital gains generated by QFIIs prior to 17 November 2014 would remain subject to the 10% withholding tax — unless otherwise exempt under the applicable double tax treaty.

As a result of the announcement of the Circular, the most significant change for the Fund was the cessation of withholding 10% of unrealised gains on its investments in A Shares as deferred tax liabilities as at 17 November 2014. The deferred tax liabilities in respect of unrealised gains recognised on A Shares amounted to \$22,547,473 as at 14 November 2014 have been released to the Fund.

Further to the Circular, the Manager has received the Notice on Tax Issues (HGSS6ST[2015] No.2) jointly issued by the Third Branch of Shanghai Municipal Office, SAT and the Third Branch of Shanghai Municipal Bureau of Local Taxation (“the Shanghai Tax Bureaus”) on 1 April 2015 requesting the submission of tax documents and payment of the corresponding withholding tax by 30 September 2015 in respect of their PRC sourced income earned (including capital gains realised on the sale of PRC A Shares and other equity interest instruments prior to 17 November 2014). The Fund and the Manager, as the QFII investment quota holder, have appointed tax advisers and are in the process of preparing the tax filing to the Shanghai Tax Bureau. Since the Fund has already made \$136,815,470 taxation provision for the realised gains derived from PRC A Shares trading prior to 17 November 2014, it is unlikely to have a significant impact on the Fund’s net asset values as at 31 March 2015.

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

	<b>2015</b>	<b>2014</b>
	\$	\$
PRC dividend and interest income withholding tax	1,144,869	4,182,487
PRC capital gains tax — current	21,759,226	7,323,648
PRC capital gains tax — deferred	<u>(21,945,828)</u>	<u>(760,729)</u>
	<u>958,267</u>	<u>10,745,406</u>

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

	<b>2015</b>	<b>2014</b>
	\$	\$
PRC withholding tax provision relating to prior year	117,538,649	109,832,051
PRC withholding tax provision for the year	22,904,095	11,506,135
Payment of PRC withholding tax	(3,787,848)	(3,640,892)
Effect of foreign exchange	<u>160,574</u>	<u>(158,645)</u>
	<u>136,815,470</u>	<u>117,538,649</u>

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

	<b>2015</b>	<b>2014</b>
	\$	\$
Balance at the beginning of the year	21,945,828	22,706,557
Charged to profit or loss	601,645	(760,729)
Released and credited to profit or loss	<u>(22,547,473)</u>	<u>—</u>
Balance at the end of the year	<u>—</u>	<u>21,945,828</u>

**7 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>2015</b>	<b>2014</b>
	\$	\$
Listed equities in Hong Kong	—	41,864,840
outside Hong Kong	2,381,583,201	1,324,405,018
Equity-linked instruments warrants	328,998,980	197,324,590
participation note	<u>84,611,640</u>	<u>30,812,747</u>
	<u><u>2,795,193,821</u></u>	<u><u>1,594,407,195</u></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. None of such transactions were connected transactions under the Main Board Listing Rules of the Stock Exchange.

**(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 \$29,248,485 (2014: \$26,971,382) and \$3,452,501 (2014: \$2,097,117) 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 \$2,167,598 (2014: \$2,014,990) and \$284,744 (2014: \$193,884) 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 \$1,754,400 (2014: \$1,678,321) and \$395 (2014: \$233) respectively.

A minimum clearing reserve is required to be held with the QFII custodian. As at 31 March 2015, the Fund had \$2,639,994 (as at 31 March 2014: \$2,638,838) 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 2015 amounted to \$56,630,835 and \$142,649,757 respectively (2014: \$164,198 and \$173,963,851 respectively). During the year, no interest was earned from HSBC Hong Kong (2014: Nil). Interest earned from Bank of Communications Co Ltd amounted to \$590,927 (2014: \$661,094).

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

	2015	2014
	\$	\$
<b>The Hongkong and Shanghai Banking Corporation Limited</b>		
Commission paid for the year	—	—
Average rate of commission	—	—
Total aggregate value of such transactions for the year	533,958,425	18,160,713
Percentage of such transactions in value to total transactions for the year	8.97%	0.78%

- (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 during the year ended 31 March 2015 (2014: Nil). As at 31 March 2015, The Hongkong and Shanghai Banking Corporation Limited held 282,557 units (as at 31 March 2014: 282,557 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 UNITS IN ISSUE

	2015	2014
Number of units in issue	209,812,263	209,812,263

The Fund is a closed-ended unit trust. There was no subscription and redemption of units during the year ended 31 March 2015 and 2014.

## 11 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 QFII 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 2015 are summarised below. Details of such investments held as at 31 March 2015 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 2015, 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 2014.

	2015			2014		
	% of total net assets	Change in price %	Effect on net assets attributable to the unitholders	% of total net assets	Change in price %	Effect on net assets attributable to the unitholders
<b>Investment assets</b>						
Listed equities in Hong Kong	—	5	—	2.57	5	2,093,242
outside Hong Kong	83.39	5	119,079,160	81.31	5	66,220,251
Equity-linked instruments:						
warrants	11.52	5	16,449,949	12.12	5	9,866,230
participation note	2.96	5	4,230,582	1.90	5	1,540,637
	<u>97.87</u>		<u>139,759,691</u>	<u>97.90</u>		<u>79,720,360</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.

	2015		
	Less than 1 year \$	Over 1 year \$	Total \$
<b>Assets</b>			
Cash and cash equivalents	<u>142,649,757</u>	<u>—</u>	<u>142,649,757</u>
<b>Total interest sensitivity gap</b>	<u>142,649,757</u>	<u>—</u>	<u>142,649,757</u>
	2014		
	Less than 1 year \$	Over 1 year \$	Total \$
<b>Assets</b>			
Cash and cash equivalents	<u>173,963,851</u>	<u>—</u>	<u>173,963,851</u>
<b>Total interest sensitivity gap</b>	<u>173,963,851</u>	<u>—</u>	<u>173,963,851</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 \$713,249 (2014: \$869,819); an equal change in the opposite direction would have reduced the net assets attributable to unitholders by an approximately equal amount. The analysis is performed on the same basis for 2014.

*(iii) Currency risk*

The Fund may invest in financial investments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Fund is exposed to risks that the exchange rate of its functional currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than the Hong Kong dollars ("HKD").

The fluctuations in the rate of exchange between the currency in which the asset or liability is denominated and the functional currency could result in an appreciation or depreciation in the fair value of that asset or liability. The Manager may attempt to mitigate this risk by using financial derivative instruments.

In accordance with the Fund's policy, the Manager monitors the Fund's currency exposures on an ongoing basis.

At the date of statement of assets and liabilities the Fund had the following exposure (in Hong Kong dollars equivalent):

	Assets \$	Liabilities \$	Net exposure \$
<b>31 March 2015</b>			
Renminbi	2,526,872,952	(137,065,333)	2,389,807,619
United States dollar	<u>452,100,701</u>	<u>(395)</u>	<u>452,100,306</u>
	<u><u>2,978,973,653</u></u>	<u><u>(137,065,728)</u></u>	<u><u>2,841,907,925</u></u>
<b>31 March 2014</b>			
Renminbi	1,501,077,748	(139,734,229)	1,361,343,519
United States dollar	<u>228,301,535</u>	<u>(233)</u>	<u>228,301,302</u>
	<u><u>1,729,379,283</u></u>	<u><u>(139,734,462)</u></u>	<u><u>1,589,644,821</u></u>

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

*Currency sensitivity*

As the HKD is pegged to the United States dollar ("USD"), the Fund does not expect any significant movements in USD/HKD exchange rate. During the year ended 31 March 2015, the HKD weakened in relation to the Renminbi by less than 1%. At 31 March 2015, had the HKD further weakened in relation to the Renminbi by 1% (2014: 1%), with all other variables held constant, net assets attributable to unitholders would have increased by the amounts shown in the following table.

*All amounts stated in Hong Kong dollars*

\$

**31 March 2015**

Renminbi

23,898,076

**31 March 2014**

Renminbi

13,613,435

A 1% (2014: 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 2014.

**(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 2015, 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 31 March 2015 and 31 March 2014.

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 2015 and 2014, 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 2015 was \$129,235,017 (2014: \$145,425,929).

The Fund has one class of units in issue which is not redeemable by the unitholders. All financial liabilities have contractual maturities of less than three months. At both 31 March 2015 and 31 March 2014, there were no significant exposures to liquidity risk for the Fund.

**(d) Capital management**

At 31 March 2015, the Fund had \$2,855,917,483 (2014: \$1,628,843,669) 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.

**12 Fair value information**

The Fund's financial instruments are measured at fair value on the date of statement of assets and liabilities. Fair value estimates are made at a specified point in time, based on market conditions and information about the financial instruments. Usually, fair values can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including dividend and other receivables, taxation, 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 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.

	<b>2015</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	\$	\$	\$
Listed equities	2,381,583,201	—	2,381,583,201
Equity-linked instruments	—	413,610,620	413,610,620
	<u>2,381,583,201</u>	<u>413,610,620</u>	<u>2,795,193,821</u>
	<b>2014</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	\$	\$	\$
Listed equities	1,366,269,858	—	1,366,269,858
Equity-linked instruments	—	228,137,337	228,137,337
	<u>1,366,269,858</u>	<u>228,137,337</u>	<u>1,594,407,195</u>

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

### 13 SEGMENT INFORMATION

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

The Manager'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.

#### 14 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2015

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 March 2015 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
<i>Annual improvements to HKFRSs 2010–2012 cycle</i>	1 July 2014
<i>Annual improvements to HKFRSs 2011–2013 cycle</i>	1 July 2014
<i>HKFRS 9, Financial instruments</i>	1 January 2018

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

### **III. INDEBTEDNESS STATEMENT**

At the close of business on 13 November 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this document, the Fund did not have any outstanding borrowings, mortgages, charges, debenture or other loan capital or bank overdrafts, loans or other similar indebtedness or hire purchase commitments, liabilities under acceptances or acceptances credits or any guarantees or other material contingent liabilities.

### **IV. MATERIAL CHANGE**

Save for information set out in this section below and in the section headed “Financial and Trading Prospects”, and the settlement of the Fund’s PRC enterprise income tax, which is considered to have been concluded upon the issuance of tax assessment on capital gains, the payment of the relevant tax by the Fund to the Tax Bureau on 13 October 2015 and the release of the over-provision of tax thereafter as stated on page 28 of this circular, there is no material change in the financial or trading position or outlook of the Fund subsequent to 31 March 2015, being the date to which the latest audited financial statements of the Fund were prepared, up to and including the Latest Practicable Date.

The Chinese equity markets surged from March 2015 to May 2015 mainly driven by the strong trading activities following the pro-growth measures to alleviate the cyclical economic pressures. The net asset value per Unit of the Fund rose from HK\$13.61 as of 31 March 2015 to HK\$16.49 as of 29 May 2015 (the net asset value per Unit on the last trading date of each of the calendar months was published on the Fund’s announcement on the Stock Exchange’s website, and those during the Relevant Period are disclosed in section headed “7. Trading Prices and Net Asset Values” in Appendix 1 — Explanatory Statement of this circular). The central bank of the PRC had been cutting rates and rolling out targeted liquidity measures, while a cut to the down payment requirement for second home mortgages and property transaction tax also helped boost the property sector and investor sentiment. Market also welcomed the potential positive catalysts around economic and structural reforms and the opening-up of China’s capital market.

The market went through a correction period since mid-to-late June 2015, and the same applied to the Fund as its net asset value per unit started to retreat after hitting a historical high of HK\$18.36 in June, driven by concerns over the overstretched valuations, suspension of stock trading, worries over initial public offerings liquidity within the onshore market, as well as margin financial curbs. The net asset value per Unit of the Fund dropped from HK\$15.32 as of 30 June 2015 to HK\$10.48 as of 30 September 2015. While the easing measures introduced by the Chinese authorities seemed to have provided a certain level of comfort to sentiment, the onshore turbulence, aggravated by concerns around slowing economic growth trend in China, had inevitably dampened risk appetite.

The Chinese equity market rebounded in October 2015 after the decline over the past few months, and the Fund’s net asset value per unit rebounded from HK\$10.48 as of 30 September 2015 to HK\$12.16 as of 30 October 2015. The market downtrend seemed to have



stabilized as markets in the PRC generally welcomed the counter cyclical policy measures to preserve growth, including rate cuts, relaxation on mortgage restrictions and tax cut for purchasing compact cars.

## **V. FINANCIAL AND TRADING PROSPECTS**

The investment objective of the Fund will continue to achieve long-term capital growth by (subject to the passing of the Extraordinary Resolutions as set out in the notice of the General Meeting, which is set out on pages 116 to 118 of this circular) investing primarily in A Shares directly (i) through the qualified foreign institutional investor investment quota of the Manager and (ii) up to 30% of its net asset value through Stock Connect; and indirectly through investment of (i) up to 40% of its net asset value in financial derivative instruments and securities linked to A Shares (such as CAAPs (including A Share participation certificates/notes and/or other access products issued by third party investment banks or brokers)) and (ii) up to 40% of its net asset value in ETFs (including synthetic ETFs) authorised by the SFC with exposure to A Shares; provided that the Fund's investment in CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A Shares will not exceed 50% in the aggregate of its net asset value. The Manager may consider, amongst others, profitability, prospect, outlook, valuation and volatility of the relevant securities and markets, the availability of the investments, and the economic and political environment and development affecting the relevant securities and markets in its selection criteria of investments for the Fund.

The recent policy announcements of the Chinese government to support growth and liberalise its capital markets are generally positive for the market but GDP growth appears to be in a slowing trend. The state-owned enterprises (SOE) reform blueprint is the beginning of a long-haul journey towards reshaping the SOE management system and efficiency. With the enhancement in efficiency and cost control, SOE reform will potentially improve profitability of SOEs and drive market re-rating. Going forward, the Manager expects to see key SOE reform actions in asset injection, mixed ownership and incentive system.

Recent volatility in the Chinese and Hong Kong equity markets have led to a raft of policy responses to support the market (such as the recent purchase tax cut on vehicles and property easing measures) and the Manager believes the Chinese government could potentially intensify policy support if there were more signs of risks spreading to the real economy. The Manager continues to like sectors and stocks with attractive fundamentals as well as strong earnings growth prospects, and those that stand to gain from reforms.

## **VI. LITIGATION**

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

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## NOTICE OF GENERAL MEETING

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

### HSBC CHINA DRAGON FUND

### 滙豐中國翔龍基金

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

**(Stock Code: 820)**

**Announcement**

### NOTICE OF GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a general meeting (“**General Meeting**”) of the Unitholders of HSBC China Dragon Fund (the “**Fund**”) will be held at Level 20, HSBC Main Building, 1 Queen’s Road Central, Hong Kong on 7 January 2016 at 10:00 a.m. to consider and, if thought fit, pass the following resolutions:

### EXTRAORDINARY RESOLUTIONS

**THAT:**

- (a) the Change of Investment Objective be approved in accordance with and subject to the terms set out in the circular to Unitholders of the Fund dated 17 November 2015 (a copy of which is produced to this meeting marked “A” and signed by the Chairman of this meeting for the purpose of identification);
- (b) the One-off Redemption Offer be approved in accordance with and subject to the terms set out in the circular to Unitholders of the Fund dated 17 November 2015 (a copy of which is produced to this meeting marked “A” and signed by the Chairman of this meeting for the purpose of identification);
- (c) subject to the approval of resolution (d) below, the Recurring Redemption Offer be approved in accordance with and subject to the terms set out in the circular to Unitholders of the Fund dated 17 November 2015 (a copy of which is produced to this meeting marked “A” and signed by the Chairman of this meeting for the purpose of identification);

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## NOTICE OF GENERAL MEETING

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- (d) subject to the approval of resolution (c) above, changes to the Trust Deed to effect the Recurring Redemption Offer be approved as set out in the circular to Unitholders of the Fund dated 17 November 2015 (a copy of which is produced to this meeting marked “A” and signed by the Chairman of this meeting for the purpose of identification).

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

17 November 2015

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## NOTICE OF GENERAL MEETING

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*Registered Office of the Manager:*

HSBC Main Building  
1 Queen's Road Central  
Hong Kong

**Notes:**

- (i) A Unitholder of the Fund entitled to attend and vote at the General Meeting may appoint proxy(ies) to attend and vote in his/her stead in accordance with the Trust Deed. The person appointed to act as proxy need not be a Unitholder of the Fund.
- (ii) For the purpose of determining the identity of the Unitholders who are entitled to attend and vote at the General Meeting, the register of Unitholders will be closed from 31 December 2015 to 7 January 2016 (both dates inclusive), on which days no transfer of Units can be effected. In order to qualify for attending and voting at the General Meeting, all unit certificates together with the completed transfer forms must be lodged with the office of the Registrar for registration no later than 4:30 p.m. on 30 December 2015.
- (iii) In order to be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, if any, must be deposited at the office of the Registrar, not later than 48 hours before the time fixed for holding the General Meeting or at any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the General Meeting (or any adjournment thereof) should you so wish.
- (iv) Where there are joint registered Unitholders of a Unit, any one of such Unitholders may vote at the meeting either personally or by proxy in respect of such Unit as if he/she were solely entitled thereto, but if more than one of such Unitholders is present at the meeting personally or by proxy, that one of such Unitholders so present whose name stands first on the register of Unitholders in respect of such Unit shall alone be entitled to vote in respect thereof.

*As at the date of this notice, the board of directors of the Manager is comprised as follows: The executive directors of the Manager are Mr. BERRY, Stuart Glenn, Mr. BOTELHO BASTOS, Pedro Augusto, Dr. MALDONADO-CODINA, Guillermo Eduardo and Mr. TAM, Chun Pong Stephen. The non-executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. MARTIN, Kevin Ross, Mr. PACTON, Olivier, Mr. RIKHYE, Jayant and Ms. WONG, Pik Kuen Helen.*

# HSBC CHINA DRAGON FUND

## 滙豐中國翔龍基金

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

(Stock Code: 820)

### FORM OF PROXY FOR USE BY UNITHOLDERS AT THE GENERAL MEETING TO BE HELD ON 7 JANUARY 2016

I/We (*note 1*) \_\_\_\_\_ (name) of \_\_\_\_\_  
(address) being a registered holder of (*note 2*) \_\_\_\_\_ unit(s) of  
**HSBC China Dragon Fund (the “Fund”)** hereby appoint \_\_\_\_\_ (name)  
of \_\_\_\_\_ (address)  
or failing him, THE CHAIRMAN OF THE MEETING (*note 3*) to act as my/our proxy to attend, act and vote on my/our  
behalf at the general meeting of unitholders of the Fund to be held at Level 20, HSBC Main Building, 1 Queen’s Road Central,  
Hong Kong on 7 January 2016 at 10:00 a.m. and at any adjournment thereof in respect of the resolutions set out in the notice  
of such meeting as indicated below. All capitalized terms used in this form of proxy shall have the same meanings as defined in  
the circular to the unitholders of the Fund dated 17 November 2015.

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

EXTRAORDINARY RESOLUTIONS	FOR	AGAINST
(a) the Change of Investment Objective		
(b) the One-off Redemption Offer		
(c) Subject to the approval of resolution (d) below, the Recurring Redemption Offer		
(d) Subject to the approval of resolution (c) above, changes to the Trust Deed to effect the Recurring Redemption Offer		

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 201\_\_\_\_\_

Unitholder’s Signature: \_\_\_\_\_

Notes:

1. Full name(s) and address(es) to be inserted in BLOCK CAPITALS.
2. A Unitholder should insert the total number of Units registered in his/her name(s). If no number is inserted, this form of proxy will be deemed to relate to all the Units registered in the name of the Unitholder.
3. A Unitholder entitled to attend and vote at the General Meeting may appoint one or more proxies to attend and vote in his/her stead in accordance with the Trust Deed. The person appointed to act as proxy need not be a Unitholder. If any proxy other than the Chairman of the General Meeting is preferred, a Unitholder should insert the name and address of the proxy desired in the space provided and strike out the words “or, failing him, THE CHAIRMAN OF THE MEETING”. If more than one proxy is appointed, the appointment shall specify the number of Units in respect of which each such proxy is so appointed.
4. The form of proxy must be signed by the appointor or his/her attorney duly authorised in writing or, in the case of a corporation, must either be executed under its seal or under the hand of an officer or other attorney duly authorised to sign the same. If this form of proxy is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other document of authorisation, must be notorially certified.
5. Where there are joint registered holders, any one of such Unitholders may vote at the General Meeting either personally or by proxy in respect of such Unit as if he/she were solely entitled thereto, but if more than one of such Unitholders is present at the General Meeting personally or by proxy, that one of such holders so present whose name stands first on the register of Unitholders in respect of such unit shall alone be entitled to vote in respect thereof.
6. For the purpose of determining the identity of the Unitholders who are entitled to attend and vote at the General Meeting, the register of Unitholders will be closed from 31 December 2015 to 7 January 2016, both days inclusive, during which period no transfer of Units can be effected. In order to qualify for attending and voting at the General Meeting, all Unit certificates together with duly completed transfer forms must be lodged with the office of the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 30 December 2015.
7. In order to be valid, this form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notorially certified copy of such power of attorney or authority, must be deposited at the office of the Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 48 hours before the time fixed for holding the General Meeting or at any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the General Meeting (or any adjournment thereof) should you so wish. In the event that you attend the meeting or adjourned meeting (as the case may be) after having lodged a form of proxy, the form of proxy will be deemed to have been revoked.
8. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution.
9. Pursuant to the Trust Deed at any meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded. For the purposes of the General Meeting, the Chairman will demand a poll and the Extraordinary Resolutions will be decided accordingly.
10. On a poll every holder who is present in person or by proxy shall have one vote for every unit of which he/she is the holder. A person entitled to more than one vote need not use all his/her votes or cast them in the same way.
11. ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALLED BY THE PERSON WHO SIGNS IT.

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

香港聯合交易所有限公司、香港交易及結算所有限公司、香港中央結算有限公司及香港證券及期貨事務監察委員會對本贖回表格的內容概不負責，對其準確性或完整性亦不發表任何聲明，並明確表示概不對因本贖回表格的全部或任何部份內容而產生或因倚賴該等內容而引致的任何損失承擔任何責任。

Unless the context otherwise requires, terms used in this form shall bear the same meanings as those defined in the CIRCULAR TO UNITHOLDERS IN RELATION TO (1) CHANGE OF INVESTMENT OBJECTIVE, (2) ONE-OFF REDEMPTION OFFER, (3) RECURRING REDEMPTION OFFER, (4) CHANGES TO THE TRUST DEED OF THE FUND TO EFFECT THE RECURRING REDEMPTION OFFER AND (5) NOTICE OF GENERAL MEETING dated 17 November 2015 (Unitholder Circular) issued by HSBC GLOBAL ASSET MANAGEMENT (HONG KONG) LIMITED as manager of HSBC CHINA DRAGON FUND

除文義另有所指外，本表格所用詞彙與滙豐環球投資管理(香港)有限公司(作為滙豐中國翔龍基金的經理人)向單位持有人所發出有關(1)更改投資目標、(2)一次性贖回要約、(3)經常性贖回要約、(4)更改本基金的信託契據以使經常性贖回要約生效及(5)持有人大會通告的日期為2015年11月17日的通函(「單位持有人通函」)所界定者具有相同涵義。

REDEMPTION FORM — FOR USE IF YOU WANT TO ACCEPT THE ONE-OFF REDEMPTION OFFER UNDER THE UNITHOLDER CIRCULAR.

贖回表格 — 在閣下欲接納單位持有人通函下的一次性贖回要約時適用。

## HSBC CHINA DRAGON FUND 滙豐中國翔龍基金

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

(Stock Code: 820)

根據《證券及期貨條例》(香港法例第571章)第104條

獲認可之香港單位信託

(股份代號：820)

Receiving Agent 收款代理	FOR THE CONSIDERATION stated below, the holder(s) ("Unitholder(s)") of unit(s) ("Units") of the Fund named below hereby participate in the One-off Redemption Offer subject to the terms and conditions contained herein and in the Unitholder Circular. 在本表格及單位持有人通函所載條款及條件的規限下，名列下方的本基金的單位(「單位」)的持有人(「單位持有人」)謹此按下列代價參與一次性贖回要約。		
Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong 香港中央證券登記 有限公司 香港灣仔皇后大道東183號 合和中心17樓 1712-1716號舖	Number of Unit(s) (Note) 單位數目(附註)	FIGURE 數目	WORDS 大寫
	Certificate number(s) 證書號碼		
	Unitholder(S) name(s) and address(es) in full 單位持有人 全名及地址 (EITHER TYPEWRITTEN OR WRITTEN IN BLOCK CAPITALS) (請用打字機或正楷填寫)	Family name(s) or company name(s): 姓氏或公司名稱：	Forename(s): 名字：
		Registered Address: 登記地址：	
		Telephone number: 電話號碼：	
	CONSIDERATION 代價	The net asset value per Unit of the HSBC CHINA DRAGON FUND as at the Redemption Date less the Redemption Levy (i.e. up to 2% of the net asset value of the Units being redeemed) 滙豐中國翔龍基金於贖回日的每單位資產淨值減贖回徵費(即最高為被贖回單位資產淨值的2%)	
Signed by the Unitholder(s) in the presence of: 單位持有人在下列見證人見證下簽署：			ALL JOINT REGISTERED UNITHOLDERS MUST SIGN HERE 所有聯名登記單位持有人均須在此簽署
	SIGNED by the Unitholder (s), this _____ day of _____, 2016 由單位持有人於2016年_____月_____日簽署		

### SIGNATURE OF WITNESS

見證人簽署

### NAME OF WITNESS

見證人姓名

### Address of Witness

見證人地址

### Occupation

職業

Note: Insert the total number of Units for which the One-off Redemption Offer is accepted.

附註：請填上接納一次性贖回要約的相關單位總數。



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

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

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

#### HOW TO COMPLETE THIS FORM

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

To accept the One-off Redemption Offer made by the Fund, you should duly complete and sign this redemption form and forward this form, together with the relevant certificate(s) representing the Units and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Units which is/are in your name which you intend to accept the One-off Redemption Offer, by post or by hand, marked “**HSBC CHINA DRAGON FUND — One-off Redemption Offer**” on the envelope, to the Receiving Agent, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible, but in any event so as to reach the Receiving Agent no later than 4:30 p.m. on 25 January 2016 (or such later time and/or date(s) as the Fund may determine and announce with the consent of the Trustee of the Fund and HSBC Global Asset Management (Hong Kong) Limited).

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

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

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

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

1. My/Our execution of this redemption form (whether or not such form is dated), which shall be binding on my/our successors and assignees, shall constitute:

- (a) my/our irrevocable acceptance of the One-off Redemption Offer made by HSBC Global Asset Management (Hong Kong) Limited as manager of the Fund, as contained in the Unitholder Circular, for the consideration and subject to the terms and conditions therein and herein mentioned, in respect of the number of Units specified in this redemption form;
- (b) my/our irrevocable instruction and authority to HSBC Global Asset Management (Hong Kong) Limited and/or the Fund, the Receiving Agent and/or their respective agent(s) to send (i) with respect to the portion of my/our Units redeemed under the One-off Redemption Offer, a cheque crossed (or cheques crossed) “Not negotiable — account payee only” drawn in my/our favour for the cash consideration to which I/we shall have become entitled under the terms of the One-off Redemption Offer, by ordinary post at my/our risk to the person and the address stated below or, if no name and address is stated below, to me or the first-named of us (in the case of joint registered Unitholders) at the registered address shown in the register of Unitholders within the time specified in the Unitholder Circular after the Redemption Day and (ii) with respect to the portion of my/our Units NOT redeemed under the One-off Redemption Offer, the relevant certificate(s) representing such number of Units which is/are in my/our name, by ordinary post at my/our risk to the person and the address stated below or, if no name and address is stated below, to me or the first-named of us (in the case of joint registered Unitholders) at the registered address shown in the register of Unitholders within 10 Business Days after the Redemption Day:

*(Insert name and address of the person to whom the cheque(s) is/are to be sent if different from the registered Unitholder or the first-named of joint registered Unitholders.)*

Name: (in block capitals) \_\_\_\_\_

Address: (in block capitals) \_\_\_\_\_

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

If you have questions in relation to the One-off Redemption Offer, please telephone the Unitholder Helpline at (852) 2862 8646. The Unitholder Helpline is available from 9:00 a.m. to 6:00 p.m. Monday to Friday (other than public holidays) and will remain open until 25 January 2016. Please note that, the Unitholder Helpline will only be able to provide information contained in this document and information relating to the Fund’s register of Unitholders and will be unable to give advice on the merits of the One-off Redemption Offer or to provide financial, legal, tax or investment advice.

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

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

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

#### 本表格填寫方法

本贖回表格應與單位持有人通函一併閱讀。單位持有人通函「釋義」一節的界定詞彙，已納入本贖回表格並構成本贖回表格的一部分。閣下如欲接納本基金提出的一次性贖回要約，應填妥及簽署本贖回表格，連同代表閣下有意接納一次性贖回要約的相關名下單位的證書及／或任何其他所有權文件(及／或就此所需並令人滿意的任何彌償保證)，以郵遞方式或由專人盡快送交收款代理香港中央證券登記有限公司，地址為香港灣仔皇后大道東183號合和中心17樓1712-1716號舖，信封面請註明「滙豐中國翔龍基金——一次性贖回要約」，惟無論如何不得遲於2016年1月25日下午4時30分(或本基金獲本基金受託人及滙豐環球投資管理(香港)有限公司同意而可能決定及公佈的較後時間及／或日期)送達收款代理。

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

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

#### 一次性贖回要約的接納表格

致： 滙豐中國翔龍基金及滙豐環球投資管理(香港)有限公司

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

(a) 本人／吾等按單位持有人通函及本表格所述代價並在條款及條件的規限下，就本贖回表格所註明的單位數目，不可撤回地接納由滙豐環球投資管理(香港)有限公司(作為本基金經理人)提出、載於單位持有人通函的一次性贖回要約；

(b) 本人／吾等不可撤回地指示及授權滙豐環球投資管理(香港)有限公司及／或本基金、收款代理及／或彼等各自的代理人，(i)就本人／吾等根據一次性贖回要約贖回的該部分單位，於贖回日後在單位持有人通函指定的時間內，以「不得轉讓——只准入抬頭人賬戶」方式向本人／吾等開出劃線支票(或各劃線支票)，作為本人／吾等根據一次性贖回要約的條款應有權收取的現金代價，有關支票按以下地址以平郵方式寄予以下人士，或如無於下欄填上姓名及地址，則按單位持有人名冊所示登記地址以平郵方式寄予本人或吾等當中名列首位者(如屬聯名登記單位持有人)，郵誤風險概由本人／吾等承擔，並且(ii)就本人／吾等根據一次性贖回要約不贖回該部分的單位，於贖回日後的10個營業日內，將代表本人／吾等名下該等單位數目的相關證書按以下地址以平郵方式寄予以下人士，或如無於下欄填上姓名及地址，則按單位持有人名冊所示登記地址以平郵方式寄予本人或吾等當中名列首位者(如屬聯名登記單位持有人)，郵誤風險概由本人／吾等承擔；

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

姓名：(請用正楷填寫)

地址：(請用正楷填寫)

(c) 本人／吾等不可撤回地指示及授權滙豐環球投資管理(香港)有限公司及／或本基金或彼等可能指定的有關人士，代表本人／吾等填妥、修訂及簽立任何文件，包括但不限於在本贖回表格填上日期，或(如本人／吾等或任何其他人士已在本贖回表格填上日期)刪去該日期然後填上另一日期，以及作出任何其他可能必需或權宜的行動，以將本人／吾等接納一次性贖回要約而提交的單位轉歸本基金或彼等可能指定的有關人士所有；

(d) 本人／吾等承諾於必需或合宜時簽立其他有關文件及以進一步保證的方式作出有關行動及事宜，以贖回本人／吾等根據接納一次性贖回要約而提交予本基金、滙豐環球投資管理(香港)有限公司或彼等可能指定的有關人士的單位，該等被贖回單位不附帶任何性質的一切第三方權利、留置權、押記、衡平權、不利權益及產權負擔，並連同於確實意向公告日期附於、或將於其後附於該等單位的一切權利；

(e) 本人／吾等同意追認滙豐環球投資管理(香港)有限公司及／或本基金或彼等各自的代理人或彼／彼等可能指定的有關人士於行使本表格所載任何權限時可能作出或進行的各種行動或事宜；

(f) 本人／吾等不可撤回地指示及授權滙豐環球投資管理(香港)有限公司及／或本基金或彼等各自的代理人，在交回隨附經本人／吾等正式簽署的其他所有權文件(如有)(及／或任何就此所需並令人滿意的彌償保證)後，憑此代表本人／吾等向滙豐環球投資管理(香港)有限公司或本基金或收款代理領取本人／吾等就單位應獲發的證書，並將有關證書送交收款代理，且授權及指示收款代理在一次性贖回要約的條款及條件的規限下持有有關證書，猶如有關證書連同本贖回表格一併送交收款代理；及

(g) 本人／吾等委任滙豐環球投資管理(香港)有限公司及／或本基金為本人／吾等就本贖回表格所涉全部單位的受權人，該授權書於一次性贖回要約在所有方面成為無條件的日期及時間起生效，並隨後不得撤回。

2. 本人／吾等明白，本人／吾等接納一次性贖回要約，將構成本人／吾等向滙豐環球投資管理(香港)有限公司及／或本基金保證：(i)本贖回表格所註明的單位數目，將在不附帶任何性質的一切第三方權利、留置權、押記、衡平權、不利權益及產權負擔，並連同於確實意向公告日期附於、或將於其後附於該等單位的一切權利的情況下贖回；及(ii)倘本人／吾等的註冊地址位於香港境外的司法管轄區，本人／吾等已全面遵守所有有關司法管轄區的法例，取得所有所需的政府、外匯管制或其他同意，符合所有必要的監管手續或法律規定，及已支付任何人士應付的任何轉讓稅或其他稅項，本人／吾等並無採取或不採取任何行動而將引致或可能引致滙豐環球投資管理(香港)有限公司及／或本基金或任何其他人士違反與一次性贖回要約或本人／吾等接納一次性贖回要約有關的任何司法管轄區的法律或監管規定，且本人／吾等根據所有適用法例獲准收取及接納一次性贖回要約(及其任何修改)，而按照所有適用法例，該接納為有效及具有約束力。

3. 倘按一次性贖回要約的條款本人／吾等的接納屬無效或被視為無效，則上文第1段所載的所有指示、授權及承諾均會失效；在此情況下，本人／吾等授權並要求你們將代表本人／吾等名下單位數目的證書及／或任何其他所有權文件(及／或任何就此所需並令人滿意的彌償保證)連同已正式註銷的本贖回表格，以平郵方式寄予上文第1(b)段所列的人士及地址以交還本人／吾等，或如未有列明姓名及地址，則按單位持有人名冊所示登記地址以平郵方式寄予本人或吾等當中名列首位者(如為聯名登記單位持有人)以交還本人／吾等，郵誤風險概由本人／吾等承擔。

4. 本人／吾等茲附上將由你們按一次性贖回要約的條款及條件持有的本人／吾等所持全部或部份單位的有關證書及／或其他所有權文件(及／或任何就此所需並令人滿意的彌償保證)。本人／吾等明白，概不會就任何提交的贖回表格、代表單位的證書及／或其他所有權文件(及／或就此所需並令人滿意的彌償保證)發出認收書。本人／吾等亦了解，寄發一切文件的郵誤風險概由本人／吾等自行承擔。

5. 本人／吾等保證，本人／吾等為本贖回表格所列數目的單位的登記持有人，且本人／吾等有十足權利、權力及授權，可以接納一次性贖回要約的方式向本基金出售有關單位及轉移有關單位的所有權及擁有權。

6. 本人／吾等向滙豐環球投資管理(香港)有限公司及本基金保證，本人／吾等已遵守於單位持有人名冊所列本人／吾等地址的所在司法管轄區關於本人／吾等接納一次性贖回要約的法例，包括取得可能規定所需的任何政府、外匯管制或其他同意，及符合必要手續、監管或法律規定。

7. 本人／吾等向滙豐環球投資管理(香港)有限公司及本基金保證，本人／吾等將全面負責支付於單位持有人名冊所列本人／吾等地址的所在有關司法管轄區、關於本人／吾等接納一次性贖回要約而應付的任何轉讓稅、註銷稅或其他稅項或徵稅。

8. 本人／吾等確認，除單位持有人通函及本贖回表格明文規定外，據此作出的所有接納、指示、授權及承諾均不可撤回及為無條件。

9. 本人／吾等確認，本人／吾等根據一次性贖回要約贖回的單位將於贖回後註銷。

10. 本人／吾等向及對滙豐環球投資管理(香港)有限公司及本基金不可撤回地承諾、聲明、保證及同意(本人／吾等的繼承人及承讓人亦受此約束)，就根據一次性贖回要約獲接納或被視為已獲接納的(接納未被有效撤回)以及未註銷的單位而言，本人／吾等授權本基金及／或其代理人，將可能須向本人／吾等(作為單位持有人)寄發的任何通告、通函、保證書或其他文件或通訊(包括代表本人／吾等單位的任何有關證書)寄送予香港中央證券登記有限公司(收件人：「滙豐中國翔龍基金」)，地址為香港灣仔皇后大道東183號合和中心17樓1712-1716號舖。

11. 本基金保留將任何並不完全恰當或無隨附有單位證書及／或其他所有權文件(及／或任何就此所需並令人滿意的彌償保證)的一次性贖回要約的接納視為有效的權利，惟在該等情況下，應付的代價將不會寄發，直至收款代理已收到有關證書及／或其他所有權文件(及／或任何就此所需並令人滿意的彌償保證)為止。

閣下如對一次性贖回要約有任何疑問，請致電單位持有人熱線(852) 2862 8646，單位持有人熱線的開放時間為星期一至五上午九時正至下午六時正(公眾假期除外)，單位持有人熱線將一直開放至2016年1月25日止。請注意，單位持有人熱線將僅能提供本文件所載資料及有關本基金單位持有人名冊的資料，而不能就一次性贖回要約的利弊給予意見或提供財務、法律、稅務或投資意見。



## PERSONAL DATA

### Personal Information Collection Statement

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

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

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

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

#### 2. Purposes

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

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

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

#### 3. Transfer of personal data

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

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

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

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

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

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

## 個人資料

### 收集個人資料聲明

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

#### 1. 收集閣下個人資料的原因

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

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

#### 2. 用途

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

- 處理閣下的接納及核實或遵循本贖回表格及單位持有人通函載列的條款及申請程序；
- 註銷以閣下名義登記的單位；
- 存置或更新有關的單位持有人名冊；
- 核實或協助核實簽名，以及進行任何其他資料核實或交換；
- 確定閣下根據一次性贖回要約所享有的權利；
- 發佈由滙豐環球投資管理(香港)有限公司及／或本基金及／或收款代理的業務的任何其他用途；及
- 有關滙豐環球投資管理(香港)有限公司及／或本基金及／或收款代理的業務的任何其他用途；及
- 有關上文所述任何其他附帶或關連用途及／或以便滙豐環球投資管理(香港)有限公司及／或本基金及／或收款代理履行彼等對單位持有人及／或監管機構的義務及單位持有人可能不時同意或被告知的任何其他用途。

#### 3. 轉交個人資料

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

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

#### 4. 查閱及更正個人資料

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

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

閣下一經簽署本贖回表格，即表示同意上述所有內容

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

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

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

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

☐  
☐  
☐

I/We would like to receive a **printed copy in English** now.  
本人／我們現在希望收取一份英文印刷本。

I/We would like to receive a **printed copy in Chinese** now.  
本人／我們現在希望收取一份中文印刷本。

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

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

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

☐  
☐  
☐  
☐

read the **Website version** of all future Corporate Communications published on the Fund’s website in place of receiving printed copies; **OR**  
瀏覽在本基金網站發表之公司通訊網上版本，以代替印刷本；或

to receive the printed **English version** of all future Corporate Communications **ONLY**; **OR**  
僅收取本公司通訊之英文印刷本；或

to receive the printed **Chinese version** of all future Corporate Communications **ONLY**; **OR**  
僅收取本公司通訊之中文印刷本；或

to receive both printed **English and Chinese versions** of all future Corporate Communications.  
同時收取本公司通訊之英文及中文印刷本。

Name(s) of Unitholders<sup>#</sup>

基金單位持有人姓名<sup>#</sup>

Date

日期

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

Address<sup>#</sup>

地址<sup>#</sup>

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

Contact telephone number

聯絡電話號碼

Signature(s)

簽名

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

Notes/附註：

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

閣下寄回此變更申請表格時，請將郵寄標籤剪貼於信封上。

如在本港投寄毋須貼上郵票。

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

No postage stamp necessary if posted in Hong Kong.

郵寄標籤 MAILING LABEL

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

HCHD1712015-100

# 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))

(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)

17 November 2015

Dear Unitholders,

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

The Circular to Unitholders in relation to (1) Change of Investment Objective; (2) One-off Redemption Offer; (3) Recurring Redemption Offer; (4) Changes to the Trust Deed of the Fund to effect the Recurring Redemption Offer and (5) Notice of General Meeting (the “Document”) of HSBC China Dragon Fund (the “Fund”) has been prepared in English and Chinese. Copies prepared in the language different from those you have received are available from Computershare Hong Kong Investor Services Limited (the Fund’s Registrar) on request, or on the Fund’s website at [www.assetmanagement.hsbc.com/hk-chinadragonfund](http://www.assetmanagement.hsbc.com/hk-chinadragonfund) for five (5) years from the date of first publication and the HKExnews’s at [www.hkexnews.hk](http://www.hkexnews.hk).

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

Should you have any queries relating to this letter, please call the enquiry hotline at (852) 2862 8646 during business hours (9:00 a.m. to 6:00 p.m., Mondays to Fridays).

Yours faithfully,

**BOTELHO BASTOS, Pedro Augusto**

*Director*

For and on behalf of

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

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各位單位持有人：

### 致現有單位持有人之函件 — 選擇收取公司通訊的方式及語言

滙豐中國翔龍基金(「本基金」)致單位持有人關於(1)更改投資目標、(2)一次性贖回要約、(3)經常性贖回要約、(4)更改本基金的信託契據以使經常性贖回要約生效及(5)持有人大會通告的通函(「該文件」)備有英文及中文版。香港中央證券登記有限公司(本基金之過戶登記處)在收到閣下的要求後，可提供閣下所收到的版本以外另一種語言編製的版本。有關文件亦將由首次刊載日期起計五(5)年內刊載於本基金網站[www.assetmanagement.hsbc.com/hk-chinadragonfund](http://www.assetmanagement.hsbc.com/hk-chinadragonfund)內，並於香港交易所披露易網站[www.hkexnews.hk](http://www.hkexnews.hk)登載。

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

若閣下對本函件有任何疑問，請於星期一至星期五早上九時至下午六時致電查詢熱線(852) 2862 8646。

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

巴培卓(BOTELHO BASTOS, Pedro Augusto)

謹啟

2015年11月17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。

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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**

### **NOTICE OF GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that a general meeting (“**General Meeting**”) of the Unitholders of HSBC China Dragon Fund (the “**Fund**”) will be held at Level 20, HSBC Main Building, 1 Queen’s Road Central, Hong Kong on 7 January 2016 at 10:00 a.m. to consider and, if thought fit, pass the following resolutions:

### **EXTRAORDINARY RESOLUTIONS**

#### **THAT:**

- (a) the Change of Investment Objective be approved in accordance with and subject to the terms set out in the circular to Unitholders of the Fund dated 17 November 2015 (a copy of which is produced to this meeting marked “A” and signed by the Chairman of this meeting for the purpose of identification);
- (b) the One-off Redemption Offer be approved in accordance with and subject to the terms set out in the circular to Unitholders of the Fund dated 17 November 2015 (a copy of which is produced to this meeting marked “A” and signed by the Chairman of this meeting for the purpose of identification);
- (c) subject to the approval of resolution (d) below, the Recurring Redemption Offer be approved in accordance with and subject to the terms set out in the circular to Unitholders of the Fund dated 17 November 2015 (a copy of which is produced to this meeting marked “A” and signed by the Chairman of this meeting for the purpose of identification);
- (d) subject to the approval of resolution (c) above, changes to the Trust Deed to effect the Recurring Redemption Offer be approved as set out in the circular to Unitholders of the Fund dated 17 November 2015 (a copy of which is produced to this meeting marked “A” and signed by the Chairman of this meeting for the purpose of identification).

HSBC Global Asset Management (Hong Kong) Limited  
*Manager of HSBC China Dragon Fund*  
17 November 2015

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

**Notes:**

- (i) A Unitholder of the Fund entitled to attend and vote at the General Meeting may appoint proxy(ies) to attend and vote in his/her stead in accordance with the Trust Deed. The person appointed to act as proxy need not be a Unitholder of the Fund.
- (ii) For the purpose of determining the identity of the Unitholders who are entitled to attend and vote at the General Meeting, the register of Unitholders will be closed from 31 December 2015 to 7 January 2016 (both dates inclusive), on which days no transfer of Units can be effected. In order to qualify for attending and voting at the General Meeting, all unit certificates together with the completed transfer forms must be lodged with the office of the Registrar for registration no later than 4:30 p.m. on 30 December 2015.
- (iii) In order to be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, if any, must be deposited at the office of the Registrar, not later than 48 hours before the time fixed for holding the General Meeting or at any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the General Meeting (or any adjournment thereof) should you so wish.
- (iv) Where there are joint registered Unitholders of a Unit, any one of such Unitholders may vote at the meeting either personally or by proxy in respect of such Unit as if he/she were solely entitled thereto, but if more than one of such Unitholders is present at the meeting personally or by proxy, that one of such Unitholders so present whose name stands first on the register of Unitholders in respect of such Unit shall alone be entitled to vote in respect thereof.

*As at the date of this notice, the board of directors of the Manager is comprised as follows: The executive directors of the Manager are Mr. BERRY, Stuart Glenn, Mr. BOTELHO BASTOS, Pedro Augusto, Dr. MALDONADO-CODINA, Guillermo Eduardo and Mr. TAM, Chun Pong Stephen. The non-executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. MARTIN, Kevin Ross, Mr. PACTON, Olivier, Mr. RIKHYE, Jayant and Ms. WONG, Pik Kuen Helen.*

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## **HSBC CHINA DRAGON FUND**

### **滙豐中國翔龍基金**

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

**(Stock Code: 820)**

### **Announcement**

#### **DESPATCH OF CIRCULAR TO UNITHOLDERS IN RELATION TO (1) CHANGE OF INVESTMENT OBJECTIVE, (2) ONE-OFF REDEMPTION OFFER, (3) RECURRING REDEMPTION OFFER, (4) CHANGES TO THE TRUST DEED OF THE FUND TO EFFECT THE RECURRING REDEMPTION OFFER AND (5) NOTICE OF GENERAL MEETING**

The circular to Unitholders for (1) the Change of Investment Objective, (2) the One-off Redemption Offer; (3) the Recurring Redemption Offer and (4) the changes to the Trust Deed to effect the Recurring Redemption Offer has been dispatched to the Unitholders of the Fund on 17 November 2015.

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

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

Reference is made to (i) the announcement dated 29 October 2015 (the "Announcement") by HSBC Global Asset Management (Hong Kong) Limited (the "Manager") of HSBC China Dragon Fund (the "Fund") in relation to, among other things, (1) the proposed Change of Investment Objective, (2) the proposed One-off Redemption Offer; (3) the proposed Recurring Redemption Offer and (4) the proposed changes to the Trust Deed to effect the Recurring Redemption Offer and (ii) the circular issued by the Manager dated 17 November 2015 (the "Circular").

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

The Circular containing, among other things, (i) further details of (1) the proposed Change of Investment Objective, (2) the proposed One-off Redemption Offer; (3) the proposed Recurring Redemption Offer and (4) the proposed changes to the Trust Deed to effect the Recurring Redemption



Offer, (ii) a letter of advice from the independent financial adviser to the Unitholders and (iii) a notice convening the General Meeting, has been despatched to the Unitholders on 17 November 2015.

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

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

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

Investors who have any questions regarding the above may contact the Manager at Level 22, HSBC Main Building, 1 Queen's Road Central, Hong Kong (telephone number: (852) 2284 1229).

HSBC Global Asset Management (Hong Kong) Limited  
*Manager of HSBC China Dragon Fund*  
17 November 2015

*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. BOTELHO BASTOS, Pedro Augusto, Dr. MALDONADO-CODINA, Guillermo Eduardo and Mr. TAM, Chun Pong Stephen. The non-executive directors of the Manager are Dr. APENBRINK Rudolf Eduard Walter, Mr. MARTIN, Kevin Ross, Mr. PACTON, Olivier, Mr. RIKHYE, Jayant and Ms. WONG, Pik Kuen Helen*



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## HSBC CHINA DRAGON FUND

### 滙豐中國翔龍基金

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

### **PROPOSED CHANGE OF INVESTMENT OBJECTIVE, PROPOSED ONE-OFF REDEMPTION OFFER, PROPOSED RECURRING REDEMPTION OFFER AND PROPOSED CHANGES TO THE TRUST DEED OF THE FUND TO EFFECT THE PROPOSED RECURRING REDEMPTION OFFER**

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

The Manager intends to seek Independent Unitholders' approval on (a) the Change of Investment Objective, (b) the One-off Redemption Offer, (c) the Recurring Redemption Offer and (d) the changes to the Trust Deed to effect the Recurring Redemption Offer.

#### **(a) Change of Investment Objective**

The Manager would like to achieve the investment objective of the Fund with the ability to invest in A Shares from investing directly in A Shares through Stock Connect. It is proposed that the Fund's objective be changed as follows (changes underlined and bold): to achieve long-term capital growth by investing primarily in A Shares directly through (i) the qualified foreign institutional investor investment quota of the Manager and (ii) **Stock Connect**; and indirectly through investment of (i) up to 40% of its net asset value in financial derivative instruments and securities linked to A Shares (such as CAAPs (including A Share participation certificates/notes and/or other access products issued by third party investment banks or brokers)) and (ii) up to 40% of its net asset value in ETFs (including synthetic ETFs) authorised by the SFC with exposure to A Shares; provided that the Fund's investment in CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A Shares will not exceed 50% in the aggregate of its net asset value. The Manager may consider, amongst others, profitability, prospect, outlook, valuation and volatility of the relevant securities and markets, the availability of the investments, and the economic and political environment and development affecting the relevant securities and markets in its selection criteria of investments for the Fund. The Fund will not invest more than 10% of its net asset value in CAAPs issued by a single issuer; and the Fund's aggregate investment in (i) CAAPs shall not be more than 40% of its net asset value and (ii) **A Shares through the Stock Connect shall not be more than 30% of the Fund's net asset value.**

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

The Manager also wishes to offer Unitholders, subject to certain conditions, the One-off Redemption Offer to redeem for cash the whole or a part of each Unitholder's Units at, subject to a Redemption Levy, the net asset value of the Units as at the Redemption Day being redeemed on a one-off basis.

There is no minimum number of Units which a qualifying Unitholder can apply to redeem under the One-off Redemption Offer; however, a Unitholder may not apply to redeem more Units than such Unitholder holds as of the Lodgement Date. A Unitholder may apply to redeem the whole or a part of his or her holding of Units. The total number of Units to be redeemed by the Unitholders shall not exceed 20% of the total outstanding number of Units as at the Lodgement Date. Regardless of the number of Units a Unitholder has validly applied to redeem, in the event that the aggregate number of Units for which applications are made under the One-off Redemption Offer exceeds 20% of the total outstanding number of Units as at the Lodgement Date, the number of Units that such Unitholder can eventually redeem will be reduced proportionally. Under such situation, the Fund will satisfy the redemption requests of Unitholders wishing to redeem their Units on a pro rata basis based on the number of Units the Unitholders have validly applied to redeem, rounded down to the nearest whole Unit.

The One-off Redemption Offer will be conditional upon the following conditions being fulfilled:

- (i) the Independent Unitholders' approval by way of an Extraordinary Resolution at the General Meeting by way of a poll to approve the One-off Redemption Offer; and
- (ii) the SFC's approval of the One-off Redemption Offer.

The One-off Redemption Offer will not be conditional on any minimum number of redemption applications being received from the Unitholders.

Please also see (d) below regarding the uncertainty on the payment date of the redemption proceeds.

**(c) Recurring Redemption Offer and the changes to the Trust Deed to effect the Recurring Redemption Offer**

The Manager also wishes to seek an one-off approval from the Independent Unitholders to grant a general redemption right to the Manager and to make corresponding changes to the Trust Deed to effect the possible Recurring Redemption Offer.

Subject to the one-off passing of the proposed Extraordinary Resolution and the SFC's approval for such general redemption right, the Manager will offer a right to all Unitholders to redeem part or all of their holdings in the Fund (subject to a Redemption Levy) as the Manager determines at its discretion taking into account the best interests of the Unitholders, subject to the following conditions:

- 1. the Fund must be trading at a discount of its net asset value of 20% (daily average) or more for three consecutive months;
- 2. the redemption offer must only be made in the best interests of the Unitholders;
- 3. there is no material adverse impact to the Fund;
- 4. the Manager must comply with the principles and rules under the Applicable Regulations, with the only following exceptions:

- (a) no independent advice by an independent board committee and/or independent financial adviser will be required in relation to any redemption offer made following the approval of the current Recurring Redemption Offer proposal at the Extraordinary General Meeting;
  - (b) where the redemption proceeds cannot be repatriated from China due to legal or regulatory requirements beyond the control of the Manager, the redemption proceeds payment period may be extended beyond the time limits stipulated in the Applicable Regulations. In such case, the Manager must keep proper records to demonstrate and justify this and keep Unitholders and the SFC properly and promptly informed. In any event, the redemption proceeds must be paid to Unitholders as soon as possible after the receipt of the proceeds by the Fund;
5. in considering whether to proceed with a redemption offer, the Manager must take into account of all relevant prevailing market conditions (such as market liquidity, the percentage of stocks held by the Fund which have been suspended from trading and other relevant regulatory requirements) and must be reasonably satisfied that the redemption proceeds can be paid to Unitholders in accordance with the time limits stipulated in the Applicable Regulations;
  6. there is no minimum number of redemption offer to be made in a calendar year and the maximum number for each calendar year shall not exceed three;
  7. the aggregate redemption of all Unitholders to be no more than 20% of the total outstanding number of Units as at the relevant lodgement date of each Recurring Redemption Offer; and
  8. Independent Unitholders may by Extraordinary Resolution at a general meeting terminate the Manager's entitlement to make any further redemption offer under the Recurring Redemption Offer.

Each Recurring Redemption Offer will be subject to applicable regulatory approvals but will not be subject to any further approval of the Unitholders nor the advice of the independent financial advisor.

The Manager's entitlement to offer such redemption right will be conditional upon the following conditions being fulfilled:

- (i) the Independent Unitholders' one-off approval by way of an Extraordinary Resolution at the General Meeting by way of a poll to approve the Recurring Redemption Offer and the changes to the Trust Deed to effect the Recurring Redemption Offer; and
- (ii) the SFC's approval of the Recurring Redemption Offer and the changes to the Trust Deed to effect the Recurring Redemption Offer.

Please also see (d) below regarding the uncertainty on the payment date of the redemption proceeds.

**(d) Uncertainty on the payment date of the redemption proceeds for the One-off Redemption Offer and the Recurring Redemption Offer**

**Due to the legal and regulatory requirements in PRC, redemption proceeds payable to Unitholders out of the Fund's assets in the PRC may be paid to the Unitholders in more than one month from the relevant redemption day. The Manager shall use its best endeavours to repatriate and distribute such proceeds to the Unitholders within two months after the relevant redemption day. However, distribution of redemption proceeds payable out of the Fund's assets in the PRC will be subject to the prior approval of SAFE and may be delayed beyond the control of the Manager. There is no assurance that redemption proceeds payable out of the Fund's assets in the PRC will be distributed within two months. The Fund will also use its assets outside PRC to settle part of the redemption proceeds and that part of the redemption proceeds payable out of the assets of the Fund outside the PRC will be payable within 10 Business Days from the relevant redemption day.**

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

**WARNING:** As the proposed Change of Investment Objective, the proposed One-off Redemption Offer, the proposed Recurring Redemption Offer and the proposed changes to the Trust Deed to effect the Recurring Redemption Offer are subject to approvals from the Independent Unitholders, such proposals may or may not proceed, Unitholders and prospective investors of the Fund are advised to exercise caution when dealing in the Units. If in doubt, please seek professional advice.

## A. INTRODUCTION

Reference is made to the announcements dated 17 June 2015, 17 July 2015, 17 August 2015, 17 September 2015 and 16 October 2015 by the Manager in relation to, among other things, the possible Change of Investment Objective, the possible One-off Redemption Offer, the possible annual redemption offer and the possible changes to the Trust Deed to effect the possible annual redemption offer; and certain update regarding the tax exposure of the Fund.

The total net asset value and capitalisation (being the Unit's closing price on the Stock Exchange multiplied by the total number of Units in issue) of the Fund as at 28 October 2015 are HK\$2,522,017,079 and HK\$2,106,515,121, respectively, representing a discount of 16.5%.

The purpose of this announcement is to provide you with further information in this regard.

## B. CHANGE OF INVESTMENT OBJECTIVE

*(a) The Manager proposes to change the investment objective of the Fund (the "Change of Investment Objective") as follows:*

The Manager would like to achieve the investment objective of the Fund with the ability to invest in A Shares from investing directly in A Shares through Stock Connect. It is proposed that the Fund's objective be changed as follows (changes underlined and bold): to achieve long-term capital growth by investing primarily in A Shares directly through (i) the qualified foreign institutional investor investment quota of the Manager and (ii) **Stock Connect**; and indirectly through investment of (i) up to 40% of its net asset value in financial derivative instruments and securities linked to A Shares (such as CAAPs (including A Share participation certificates/notes and/or other access products issued by third party investment banks or brokers)) and (ii) up to 40% of its net asset value in ETFs (including synthetic ETFs) authorised by the SFC with exposure to A Shares; provided that the Fund's investment in CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A Shares will not exceed 50% in the aggregate of its net asset value. The Manager may consider, amongst others, profitability, prospect, outlook, valuation and volatility of the relevant securities and markets, the availability of the investments, and the economic and political environment and development affecting the relevant securities and markets in its selection criteria of investments for the Fund. The Fund will not invest more than 10% of its net asset value in CAAPs issued by a single issuer; and the Fund's aggregate investment in (i) CAAPs shall not be more than 40% of its net asset value and (ii) **A Shares through the Stock Connect shall not be more than 30% of the Fund's net asset value.**

As of the date of this announcement, only the Shanghai-Hong Kong Stock Connect has been launched. No other Stock Connect programme has been launched, but the Fund may invest through such programme in future, as and when it is available. Shanghai-Hong Kong Stock Connect is a securities trading and clearing linked programme developed by, among others, the Stock Exchange, Shanghai Stock Exchange ("SSE"), HKSCC and China Securities Depository and Clearing Corporation ("**ChinaClear**") with an aim to achieve mutual stock market access between mainland China and Hong Kong. Shanghai-Hong Kong Stock Connect provides a "northbound link" through which Hong Kong and overseas investors ("**Stock Connect Investors**") including the Fund may purchase and indirectly hold eligible A Shares listed on the SSE ("**SSE Shares**") ("**Northbound Trading**").

Further information about the Stock Connect is available online at the website:  
[http://www.hkex.com.hk/eng/market/sec\\_tradinfra/chinaconnect/chinaconnect.htm](http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm)

Independent Unitholders should refer to the section headed "Key Risk Factors" below for the risk with respect to investments through Stock Connect.

Independent Unitholders should carefully consider the risk factors described in the Offering Circular and from page 5 to page 10 below before exercising their votes to approve the resolution with respect to the Change of Investment Objective.

**(b) Key Risk Factors**

Unitholders should carefully consider the risk factors described in the Offering Circular and below before deciding on whether to approve the Change of Investment Objective.

- (i) *Availability of Stock Connect Programme:* As of the date of this announcement, only the Shanghai-Hong Kong Stock Connect has been launched. No other Stock Connect programme has been launched, but the Fund may invest through such programme in future, as and when it is available. The launch of the programme is subject to applicable laws, regulations and various implementation requirements including but not limited to the relevant stock exchange trading and clearing rules, and will take place only when trading systems have been finalised, all regulatory approvals have been granted and market participants have had sufficient opportunity to configure and adapt their operational and technical systems. Even if the programme is launched successfully, the Fund may not be able to participate in such programme, and the Fund's ability to access the A Share market may be limited accordingly. The Manager will update the relevant disclosures in the Offering Circular as and when necessary.

Shanghai-Hong Kong Stock Connect is a new trading programme. Currently there is no manual trade facility or block trade facility for the securities acquired through Shanghai-Hong Kong Stock Connect ("**Stock Connect Securities**") under Northbound Trading, the Fund's investment options may become limited as a result. The scope of securities in Shanghai Hong Kong Stock Connect is subject to adjustment by the applicable regulator, agency or authority with jurisdiction, authority or responsibility in respect of Shanghai-Hong Kong Stock Connect from time to time. This may adversely affect the Fund's ability to achieve its investment objective. In addition, Shanghai-Hong Kong Stock Connect and its technology and risk management capability has only a short operating history. There is no assurance that the systems and controls of the Shanghai-Hong Kong Stock Connect programme will function as intended or whether they will be adequate.

Shanghai-Hong Kong Stock Connect may be subject to further regulatory or other changes and developments in both the Hong Kong and China markets that could adversely affect the Fund's ability to invest via Shanghai-Hong Kong Stock Connect or its investment strategy.

There is no assurance that Shanghai-Hong Kong Stock Connect will be permitted to continue in existence.

- (ii) *Quota Limitations:* Shanghai-Hong Kong Stock Connect is subject to quota limitations which may restrict the Fund's ability to deal via Shanghai-Hong Kong Stock Connect on a timely basis. Northbound Trading under Shanghai-Hong Kong Stock Connect is subject to a maximum cross-boundary aggregate investment quota together with a daily quota. When the aggregate quota balance for Northbound Trading is less than the daily quota, the corresponding buy orders will be suspended on the next trading day (sell orders will still be accepted) until the aggregate quota balance returns to the daily quota level. Once the daily quota is used up, acceptance of the corresponding buy orders will also be immediately suspended and no further buy orders will be accepted for the remainder of the day. Buy orders which have been accepted will not be affected by the using up of the daily quota, while sell orders will be continued to be accepted. Depending on the aggregate quota balance situation, buying services will be resumed on the following trading day. This may impact the Fund's ability to implement its investment strategy effectively.

Trade orders are entered into China Stock Connect System ("CSC") based on time order. Trade orders cannot be amended, but may be cancelled and re-entered into the CSC as new orders at the back of the queue. Due to quota restrictions or other market intervention events, there can be no assurance that trades executed through a broker will be completed.

- (iii) *Pre-Trade Checking:* PRC law provides that SSE may reject a sell order if an investor does not have sufficient available A Shares in its account.

The sell order of A Shares by the Fund through Stock Connect may be held in a Special Segregated Account, that is, a special account as defined in the rules with respect to the Stock Connect ("**SPSA Order**"). In respect of a sell order of A Shares by the Fund that is not a SPSA Order, the Stock Exchange will carry out a pre-trade checking on all the Fund's sell orders of Shanghai-Hong Kong Stock Connect Securities on the Northbound Trading link at the level of the Stock Exchange's registered exchange participants ("**Exchange Participants**") to ensure there is no overselling by any individual exchange participant ("**Pre-Trade Checking**"). The Pre-Trade Checking requirement may require a pre-trade delivery of the Stock Connect Securities from a Stock Connect Investor's domestic custodian or sub-custodian to the Exchange Participant which will hold and safekeep such securities so as to ensure that they can be traded on a particular trading day. There is a risk that creditors of the Exchange Participant may seek to assert that such securities are owned by the Exchange Participant and not the Stock Connect Investor, if it is not made clear that the Exchange Participant acts as a custodian in respect of such securities for the benefit of the Stock Connect Investor.

The Stock Exchange will carry out enhanced pre-trade checking in respect of any SPSA Order ("**Enhanced Pre-Trade Checking**"). In relation to Enhanced Pre-Trade Checking, the Fund needs to ensure that it has been designated a special segregated account with a corresponding investor identification number and there are sufficient available A Shares in a relevant Special Segregated Account to cover a proposed SPSA Order. Otherwise, the required number of A Shares may not be delivered from the special segregated account on a settlement day to fulfil the sell order. As the Fund trades SSE Shares through brokers that do not require pre-trade delivery of securities, no pre-trade delivery of securities is required and the risk in the preceding paragraph is mitigated.

Given the Pre-Trade Checking requirements and hence the pre-trade delivery of Stock Connect Securities to an Exchange Participant, the Manager may determine that it is in the interest of the Fund that it only executes Shanghai-Hong Kong Stock Connect trades through a broker who is affiliated to the Fund's sub-custodian that is an Exchange Participant. In that

situation, whilst the Manager will be cognisant of its best execution obligations it will not have the ability to trade through multiple brokers and any switch to a new broker will not be possible without a commensurate change to the Fund's sub-custody arrangements.

- (iv) *Default Risk:* SSE Shares will be held following settlement by brokers or custodians as clearing participants in accounts in CCASS maintained by HKSCC as central securities depositary in Hong Kong and as nominee holder. HKSCC is the "nominee holder" of the SSE Shares acquired by a Stock Connect Investor. While the distinct concepts of nominee holder and beneficial owner are generally recognized under the PRC Shanghai-Hong Kong Stock Connect rules as well as other laws and regulations in mainland China, the application of such rules is untested, and there is no assurance that PRC courts will recognise such rules, e.g. in liquidation proceedings of PRC companies or other legal proceedings. In the unlikely event that HKSCC becomes subject to winding up proceedings in Hong Kong, investors should note that SSE Shares will not be regarded as part of the general assets of HKSCC available for distribution to creditors under PRC and Hong Kong law. In addition, a failure or delay by HKSCC in the performance of its obligations may result in a failure of settlement, or the loss, of Stock Connect Securities and/or monies in connection with them and the Fund may suffer losses as a result.

ChinaClear has established a risk management framework and measures that are approved and supervised by the CSRC. Pursuant to the General Rules of CCASS, if ChinaClear (as the host central counterparty) defaults, HKSCC will, in good faith, seek recovery of the outstanding Stock Connect Securities and monies from ChinaClear through available legal channels and through ChinaClear's liquidation process, if applicable. HKSCC will in turn distribute the Stock Connect Securities and/or monies recovered to clearing participants on a pro-rata basis as prescribed by the relevant authority or responsibility in respect of Shanghai-Hong Kong Stock Connect. Stock Connect Investors in turn will only be distributed the Stock Connect Securities and/or monies to the extent recovered directly or indirectly from HKSCC. Although the likelihood of a default by ChinaClear is considered to be remote, Unitholders should be aware of this arrangement and of this potential exposure.

- (v) *Corporate Action:* According to existing mainland China practices, the Fund as beneficial owner of A Shares traded via Shanghai-Hong Kong Stock Connect cannot appoint proxies to attend shareholders' meetings on its behalf. Stock Connect Investors like the Fund who hold the SSE Shares (as beneficial owners) through HKSCC are therefore eligible to exercise their rights through the nominee only. However, under the CCASS Rules, HKSCC as nominee holder will not be obliged to take any legal action or enter into court proceedings to enforce any rights on behalf of Stock Connect Investors in mainland China but HKSCC may provide assistance to the Stock Connect Investors subject to conditions.

Accordingly, the Fund may only exercise voting rights with respect to SSE Shares by giving voting instructions to HKSCC (through CCASS participants) who will then consolidate such instructions and submit them in the form of a combined single voting instruction to the relevant SSE-listed company. Therefore, the Fund may not be able to exercise voting rights in respect of the underlying company in the same manner as in other markets.

In addition, any corporate action in respect of Stock Connect Securities will be announced by the relevant issuer through the SSE website and certain officially appointed newspapers. Stock Connect Investors may refer to the SSE website and the relevant newspapers for the latest listed company announcements or, alternatively, the website of the Hong Kong Exchanges and Clearing Limited for corporate actions in respect of Stock Connect Securities issued on the previous trading day. However, SSE-listed issuers publish corporate documents in Chinese only and English translations will not be available.



Given the short timescale within which proxy voting or other corporate actions are required to be taken in relation to the Stock Connect Securities, there is no assurance that CCASS participants who participate in Shanghai-Hong Kong Stock Connect will or will continue to provide or arrange for the provision of any voting or other related services. Accordingly, there is no assurance that the Fund will be able to exercise any voting rights or participate in any corporate actions in relation to Stock Connect Securities in time or at all.

Stock Connect Securities are uncertificated and are held by HKSCC as nominee for its account holders. Physical deposit and withdrawal of Stock Connect Securities are not available under the Northbound Trading for the Fund. The Fund's title or interests in, and entitlements to, Stock Connect Securities (whether legal, equitable or otherwise) will be subject to applicable requirements, including laws relating to any disclosure of interest requirement or foreign shareholding restriction. It is uncertain whether the Chinese courts would recognise the ownership interest of Stock Connect Investors to allow them standing to take legal action against Chinese companies.

- (vi) *Day Trading:* Save with a few exceptions, day (turnaround) trading is generally not permitted on the A Share market. If the Fund buys Stock Connect Securities on a dealing day (T), it may not be able to sell the Stock Connect Securities until on or after T+1 day.
- (vii) *Investor Compensation:* Investors should note that if the Fund engages in any Northbound Trading, the Fund will not be covered by Hong Kong's Investor Compensation Fund or the China Securities Investor Protection Fund and thus investors will not benefit from compensation under such schemes.
- (viii) *Delays in Trading:* Market participants must match, execute or arrange the execution of any sale and buy orders or any transfer instructions from investors in respect of any Stock Connect Securities in accordance with the Shanghai-Hong Kong Stock Connect rules. This rule against off-exchange trading and transfers for trading of Stock Connect Securities under Northbound Trading may delay or disrupt reconciliation of orders by market participants. However, to facilitate market players in conducting Northbound Trading and the normal course of business operation, off-exchange or "non-trade" transfer of Stock Connect Securities for the purposes of post-trade allocation to different funds/sub-funds by fund managers have been specifically allowed.
- (ix) *Difference in Trading Days/Hours:* Due to differences in public holidays between Hong Kong and mainland China or other reasons such as bad weather conditions, there may be a difference in trading days and trading hours between SSE and the Stock Exchange. Shanghai-Hong Kong Stock Connect will only operate on days when both markets are open for trading and when banks in both markets are open on the corresponding settlement days. There may be occasions when it is a normal trading day for the mainland China market but it is not possible to carry out any A Shares trading in Hong Kong. Additionally, the Stock Exchange (or any relevant subsidiary) may, under certain circumstances as specified in the rules of the Stock Exchange, temporarily suspend or restrict all or part of the order-routing and related supporting services with regard to all or any Northbound Trading and for such duration and frequency as the Stock Exchange may consider appropriate at any time and without advance notice. As such, there is a risk of price fluctuations in A Shares during the time when Northbound Trading is suspended or restricted as described above.
- (x) *Restricted Stock:* A stock may be recalled from the scope of eligible stocks for trading via Shanghai-Hong Kong Stock Connect for various reasons, and in such event the stock can only be sold but is restricted from being bought. This may adversely affect the ability of the Fund to trade via Shanghai-Hong Kong Stock Connect. Under Shanghai-Hong Kong Stock Connect, the Manager will only be allowed to sell A Shares but restricted from further buying if: (i) the particular A Share stock subsequently ceases to be a constituent stock of the relevant

indices; (ii) the particular A Share stock is subsequently under "risk alert"; and/or (iii) the corresponding H share of the particular A Share stock subsequently ceases to be traded on the Stock Exchange. Price fluctuation limits are also applicable to A Shares.

- (xi) *Fees and Tax:* In addition to paying trading fees and stamp duties in connection with trading in A Shares, the Fund carrying out Northbound Trading may be subject to new portfolio fees, dividend tax and tax concerned with income arising from stock transfers as determined by the relevant authorities.

Pursuant to the circular dated 31 October 2014 on the Taxation Policy of the Pilot Programme for the Mutual Stock Market Access between Shanghai and Hong Kong Stock Markets under Caishui [2014] No.81 ("**Circular No. 81**"), in respect of trading of A Shares through the Stock Connect:

- corporate income tax shall be exempt on a temporary basis on the gains earned by Hong Kong market investors (including corporate and individual investors) from the transfer of A Shares listed on the Shanghai Stock Exchange; and

- Hong Kong market investors are required to pay tax on dividend and bonus of A Shares at a standard rate of 10%, which will be withheld and paid to the relevant PRC tax authority by the respective listed companies (before the Hong Kong Securities Clearing Company Limited is able to provide details such as investor identities and holding periods to the China Securities Depository and Clearing Corporation Limited, the policy of differentiated rates of taxation based on holding periods will temporarily not be implemented).

Under Circular No. 81, Hong Kong market investors trading through Stock Connect are required to pay stamp duty arising from the sale and purchase of A Shares and the transfer of A Shares by way of succession and gift in accordance with the prevailing PRC taxation regulations.

- (xii) *Local Requirements:* Under Shanghai-Hong Kong Stock Connect, A Share listed companies and trading of A Shares are subject to market rules and disclosure requirements of the A Share market. Any changes in laws, regulations and policies of the A Share market or rules in relation to Shanghai-Hong Kong Stock Connect may affect share prices. Foreign shareholding restrictions and disclosure obligations are also applicable to A Shares.

The Fund and the Manager will be subject to restrictions on trading (including restriction on retention of proceeds) in A Shares as a result of their interest in the A Shares and are responsible for compliance with all notifications, reports and relevant requirements in connection with such interests.

Under current PRC law, once an investor holds up to 5% of the shares of a PRC-listed company, the investor is required to disclose his interest within three days in accordance with the applicable regulations and during the reporting period he cannot trade the shares of that company. The investor is also required to disclose any change in his shareholding and comply with related trading restrictions in accordance with PRC law.

- (xiii) *Foreign Exchange Fluctuation:* Stock Connect Securities under Northbound Trading will be traded and settled in RMB. The Fund will be exposed to currency risk if it invests in a RMB product due to the need for the conversion of the currency into RMB. The Fund will also incur currency conversion costs. Even if the price of the RMB asset remains the same when the Fund purchases it and when the Fund redeems / sells it, the Fund will still incur a loss when it converts the redemption / sale proceeds into local currency if RMB has depreciated.

- (xiv) *Conflict of Interest*: The Fund may trade the Stock Connect Securities through a broker affiliated to the Trustee. In the event that there are circumstances where there may be a conflict of interest, the Manager will have regard to its obligations to act as investment manager in the interests of the Fund as far as practicable, and its obligations to other clients when undertaking any investments. In the event that such conflicts do arise, the Manager will act in the best interests of the Fund and use its best efforts to resolve such conflicts fairly.

***(c) Reason for the Change of Investment Objective***

The Manager believes that the proposed Change of Investment Objective to invest directly in A Shares through Stock Connect will provide more flexibility to the Manager to achieve the investment objective of the Fund with the ability to invest in A Shares from offshore.

**C. ONE-OFF REDEMPTION OFFER**

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

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

As at the date of this announcement, 209,812,263 Units are in issue. Currently, Unitholders do not have the right to redeem any part of their holdings of Units.

The Manager wishes to offer a right to the Unitholders to redeem the whole or a part of their Units on a one-off basis on the Redemption Day (the "**One-off Redemption Offer**") for cash subject to the terms and conditions of the One-off Redemption Offer and proposes to seek approvals of the Independent Unitholders by way of an Extraordinary Resolution at the General Meeting on the One-off Redemption Offer.

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

The Manager proposes to offer the Unitholders, subject to certain conditions, the One-off Redemption Offer, being a right to apply to redeem the whole or a part of their Units at, subject to a Redemption Levy, the net asset value of the Units being redeemed (calculated using the relevant market closing price of the underlying investments of the Fund and the Fund's applicable operating expenses accrued or incurred to date on the Value Day) on the Redemption Day provided that for the Fund as a whole the total number of Units to be redeemed by the Unitholders shall not exceed 20% of the total outstanding number of Units as at the Lodgement Date. The redemption of Units by a Unitholder pursuant to the One-off Redemption Offer will not attract Hong Kong ad valorem or fixed stamp duty. The redemption of Units by a Unitholder pursuant to the One-off Redemption Offer will not be subject to any dealing charges other than the Redemption Levy. The Redemption Levy, which is up to 2% of the net asset value of the Units being redeemed (i.e. the redemption price), incorporates commission, stamp duty, transaction cost and total market impact of implementation (i.e. the price difference during the order implementation between the execution price and the price at the time of valuation) will be deducted from the redemption price and will be retained by the Fund for the benefit of the Fund. The actual level of the Redemption Levy will be determined by the Manager according to the Manager's estimation of the above-mentioned commission, stamp duty, transaction cost and total market impact of implementation on the Redemption Day. Each redeeming Unitholder will bear the same percentage of Redemption Levy, namely, the same percentage of the net asset value of the Units being redeemed. The Redemption Levy will be announced together with the net asset value of the Fund as of the Value Day by 5:00pm on 27 January 2016.

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

The estimated cost for the One-off Redemption Offer is HK\$3,100,000, approximately 0.12% of the net asset value of the Fund as at 28 October 2015. Such cost will primarily include legal fees and costs, and fees and costs incurred by and payable to the independent financial advisor and the Registrar with respect to the One-off Redemption Offer and will be borne by the Fund, that is, indirectly by all the Unitholders before the Redemption Day. Redemption Levy, which is up to 2% of the net asset value of the Units being redeemed (i.e. the redemption price), will be borne by the redeeming Unitholders pursuant to the One-off Redemption Offer.

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

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

**Due to the legal and regulatory requirements in PRC, redemption proceeds payable to Unitholders out of the Fund's assets in the PRC may be paid to the Unitholders in more than one month from the Redemption Day. The Manager shall use its best endeavours to repatriate and distribute such proceeds to the Unitholders within two months after the Redemption Day (i.e. on or before 26 March 2016). However, distribution of redemption proceeds payable out of the Fund's assets in the PRC will be subject to the prior approval of SAFE and may be delayed beyond the control of the Manager. There is no assurance that redemption proceeds payable out of the Fund's assets in the PRC will be distributed within two months. Investors should refer to the risk factor headed under "Uncertainty on the payment date of the redemption proceeds" below. The Fund will also use its assets outside PRC to settle part of the redemption proceeds and that part of the redemption proceeds payable out of the assets of the Fund outside the PRC will be payable by 12 February 2016. As of 28 October 2015, A Shares invested directly through QFII and other net assets in the PRC account for approximately 84% of the net asset value of the Fund, for reference, the redemption proceeds payable out of the assets in the PRC as of 28 October 2015 is approximately 40% of the total redemption proceeds (assuming that 20% of the total outstanding Units are being redeemed).**

(iv) Limits on the One-off Redemption Offer

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

The total number of Units to be redeemed by the Unitholders shall not exceed 20% of the total outstanding number of Units as at the Lodgement Date. Regardless of the number of Units a Unitholder has validly applied to redeem, in the event that the aggregate number of Units for which applications are made under the One-off Redemption Offer exceeds 20% of the total outstanding

number of Units as at the Lodgement Date, the number of Units that such Unitholder can eventually redeem will be reduced proportionally. Under such situation, the Fund will satisfy the redemption requests of Unitholders wishing to redeem their Units on a pro rata basis based on the number of Units the Unitholders have validly applied to redeem, rounded down to the nearest whole Unit.

The Fund will dispose of its investments in an orderly manner in order to effect the One-off Redemption Offer. In the event that the aggregate number of Units for which applications to redeem are made under the One-off Redemption Offer exceeds 20% of the outstanding number of Units as at the Lodgement Date, the Manager shall, subject to the redemption requests complying with the requirements of the Trust Deed, (i) limit the number of Units to be redeemed under the One-off Redemption Offer to 20% of the outstanding number of Units as at the Lodgement Date and (ii) realise its investments and apply all or part of such realisation proceeds to satisfy the redemption requests of Unitholders wishing to redeem their Units on a pro rata basis based on the number of Units the Unitholders have validly applied to redeem, rounded down to the nearest whole Unit. Any request for the One-off Redemption Offer **which is not satisfied** shall be void and certificates representing such Units shall be returned to Unitholders within 10 Business Days after the Redemption Day.

If the aggregate of the actual applications for redemption by the Unitholders made under the One-off Redemption Offer is less than or equal to the aggregate maximum limit of 20% of the total outstanding number of Units as at the Lodgement Date, all Units applied to be redeemed will be redeemed. The balance between the Units actually redeemed and 20% of the total outstanding number of Units as at the Lodgement Date will neither be carried forward nor be available for any subsequent redemption by any Unitholder on any subsequent trading day of the Fund. The Manager shall, subject to the redemption requests complying with the requirements of the Trust Deed (including, amongst others, any request for the One-off Redemption Offer must be given in writing signed by the Unitholder or any one of joint Unitholders and must specify the number of Units that are to be realised, and the name or names of the Unitholder or Unitholders together with the relevant certificate(s) and/or transfer receipt(s) and/or any other document(s) of the title (and/or any satisfactory indemnity or indemnities required in respect thereof), the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the Manager or its agent or, if relevant, the Trustee), (i) satisfy all such redemption requests and (ii) realise its investments and apply all or part of such realisation proceeds to satisfy such redemption requests under the One-off Redemption Offer.

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

The One-off Redemption Offer will be subject to certain conditions referred to in the section headed "Conditions to the One-off Redemption Offer" below and the full terms and details of the One-off Redemption Offer will be described more fully in a circular to Unitholders.

All redeemed Units will be cancelled.

#### (v) Indicative Timetable

The expected timetable for the One-off Redemption Offer set out below is indicative only and is subject to change. Any changes to the expected timetable will be announced separately by the Fund.

All references to time are Hong Kong dates. This timetable is prepared on the assumption that there would be a quorum present at the General Meeting and no adjournment would be necessary.

Target SFC approval date for the circular and a notice of general meeting to Unitholders	6 November 2015
Posting of the notice of general meeting and the circular in relation to the Change of Investment Objective, the One-off Redemption Offer, the Recurring Redemption Offer and changes to the Trust Deed to effect the Recurring Redemption Offer on the Fund's website and/or by post to Unitholders	17 November 2015
Target date of the General Meeting to approve the Extraordinary Resolution	7 January 2016
Commencement date for lodging the redemption request with the Registrar	8 January 2016
Lodgement Date of the One-off Redemption Offer (i.e. last date for lodgment of One-off Redemption Offer request)	25 January 2016
Redemption Day of the One-off Redemption Offer	26 January 2016
Date of announcement of the net asset value of the Fund as of the Value Day	27 January 2016
Registrar to dispatch the balanced certificates to the Unitholders and return of certificates representing request that do not satisfy One-off Redemption Offer (by ordinary post)	12 February 2016
Target payment date of the One-off Redemption Offer	The Manager shall use its best endeavours to pay all the redemption proceeds, less the Redemption Levy, to Unitholders on or before 26 March 2016 (i.e. within 2 months after the Redemption Day). However, distribution of redemption proceeds payable out of the Fund's assets in the PRC will be subject to the prior approval of SAFE and may be delayed beyond the control of the Manager. There is no assurance that redemption proceeds payable out of the Fund's assets in the PRC will be distributed within two months. (see Key Risk Factors (b)(i) below)

***(b) Key Risk Factors***

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

- (i) ***Uncertainty on the payment date of the redemption proceeds:*** the Manager shall use its best endeavours to pay all the redemption proceeds, less the Redemption Levy, to Unitholders on or before 26 March 2016 (i.e. within 2 months after the Redemption Day). However, distribution of redemption proceeds payable out of the Fund's assets in the PRC will be subject to the prior approval of SAFE and may be delayed beyond the control of the Manager. There is no assurance that redemption proceeds payable out of the Fund's assets in the PRC will be distributed within two months. The Fund will also use its assets outside PRC to settle part of the redemption proceeds and that part of the redemption proceeds payable out of the assets of the Fund outside the PRC will be payable by 12 February 2016. Accordingly, the Fund may need to pay the redemption proceeds, less the Redemption Levy, by instalments depending on a number of factors including, but not limited to, the total amount of redemption requests, the amount of offshore assets held by the Fund (i.e. assets outside the PRC), the monthly repatriation limit on the net realised profits and principal funds by QFIIs, the time required by the Fund to repatriate funds from the PRC.

According to the legal and regulatory requirements in PRC, the amount the Fund can repatriate each month is limited (up to 20% of the QFII's total asset value in the PRC as of the end of the immediately preceding calendar year). This may delay the payment of redemption proceeds to holders, especially when the Fund needs more than one repatriation to pay the redemption proceeds. According to legal and regulatory requirements in PRC, repatriation also requires prior approval from SAFE. The Manager has no control on SAFE's approval time, which may also cause delay in paying repatriation proceeds to holders. If the Fund is required to repatriate disposition proceeds from the PRC to satisfy the entire or part of the redemption requests accepted by the Fund in respect of the One-off Redemption Offer, the payment of such redemption proceeds under the One-off Redemption Offer is subject to the applicable PRC repatriation rules and the regulatory and tax clearance approval process which may cause delays or adjustment in calculation of the repatriation limits. The Fund will pay all the redemption proceeds to the Unitholders as soon as possible after receipt of the proceeds by the Fund. Based on the current legal and regulatory requirements in PRC, the Manager is reasonably satisfied that redemption proceeds can be repatriated from the PRC within two months after the Redemption Day;

- (ii) ***Uncertainty on the trading price and the net asset value of the Fund:*** under the One-off Redemption Offer, the net asset value at which the eligible Units will be redeemed shall be determined using the relevant market closing price of the underlying investments of the Fund and the Fund's applicable operating expenses accrued or incurred to date on the Value Day, and subject to the Redemption Levy and the relevant calculation method, shall be announced by the Manager no later than two Business Days after the Value Day. The Redemption Levy is to be retained by the Fund for the benefit of the Fund. Unitholders should note that the net asset value at which the eligible Units will be redeemed may be higher or lower than the traded price of the Units. There is no assurance that the Fund will be traded at a price that is equal to or at a reduced discount to its net asset value subsequent to the effecting of the One-off Redemption Offer or that the performance of the Fund will be improved or enhanced thereafter;
- (iii) ***Uncertainty on whether a Unitholder may redeem all its Units:*** as the total number of Units to be redeemed by the Unitholders shall not exceed 20% of the total outstanding number of



Units as a whole as at the Lodgement Date, a Unitholder may not be able to redeem all the Units he or she applies to redeem under the One-off Redemption Offer regardless of whether he or she applies to redeem more or less than 20% of the Units he or she owns at the Lodgement Date.

In the event that the aggregate number of Units for which applications to redeem are made under the One-off Redemption Offer exceeds 20% of the outstanding number of Units as at the Lodgement Date, the Manager shall apply the relevant realisation proceeds to satisfy the redemption requests of Unitholders wishing to redeem their Units on a pro rata basis based on the number of Units the Unitholders have validly applied to redeem, rounded down to the nearest whole Unit. Unitholders should refer to the section headed "Limits on the One-off Redemption Offer" above for details;

- (iv) *Risk of Odd Lots:* any Units held by Unitholders that are not successfully redeemed under the One-off Redemption Offer may be in odd lots. The realisable price of such odd lot Units may be significantly lower than the traded price for such Units;
- (v) *Impact on the total expense ratio and size of the Fund:* the One-Off Redemption Offer, (i) if effected, will increase the total expense ratio of the Fund as a result of the expenses incurred with respect to the One-off Redemption Offer and such expenses are not covered by the Redemption Levy and (ii) reduce the size of the Fund after such One-off Redemption Offer is effected. The Manager may decide to terminate the Fund on any date if on such date the asset value of the Fund shall be less than HK\$400,000,000 under the Trust Deed; and
- (vi) *Remittance risk:* all documents and remittances will be sent to the Unitholders through ordinary post at their own risk. These documents and remittances will be sent to the Unitholders at their respective addresses as they appear in the register of Unitholders, and in the case of joint Unitholders, to the Unitholder whose name appears first in the register of Unitholders.

**(c) Taxation**

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

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

**(i) Hong Kong**

- **Profits Tax**

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

- Stamp Duty

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

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

(ii) The PRC

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

- Withholding tax

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

- Enterprise Income Tax

On 14 November 2014, the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission have jointly promulgated the Circular Concerning the Temporary Exemption of the Enterprise Income Tax for Gains Earned by QFII and RQFII from Transfer of Domestic Shares and Other Equity Interest Investment in China (the "**Tax Circular**"). According to the Tax Circular, amongst other things: (i) enterprise income tax shall be exempt on a temporary basis on the gains earned by QFIIs from the transfer of domestic shares and other equity interest investment in China with effect from 17 November 2014; and (ii) enterprise income tax shall be imposed on such gains earned by QFIIs before 17 November 2014 in accordance with the tax laws.

As a result of the promulgation of the Tax Circular, the Manager had decided on the following changes to the tax provision practice of the Fund:

- (i) the Fund has ceased withholding 10% of unrealized gains on its investments in A Shares and generally in other securities linked to A Shares as a tax provision from 14 November 2014 (the last valuation day before 17 November 2014) on the basis that any gains subsequently realized from 17 November 2014 onwards will be temporarily exempt from enterprise income tax;
- (ii) the amount of tax provision for unrealized gains on the Fund's investments in A Shares and generally in other securities linked to A Shares withheld by the Fund as a tax provision up to 14 November 2014 has been released to the Fund;
- (iii) the Fund has ceased to withhold 10% of realized gains on its investments in A Shares and generally in other securities linked to A Shares as a tax provision from 17 November 2014; and
- (iv) the Fund will continue to retain the amount withheld up to and including 14 November 2014 as a tax provision with respect to realized gains on its investments in A Shares and generally in other securities linked to A Shares.

The Fund had received notification from the Shanghai Municipal Tax Bureau (the "**Tax Bureau**") instructing the Manager, as a QFII, to report and settle the enterprise income tax on the gains earned

by the QFII from transfer of equity related investments in China before 30 September 2015 in accordance with the relevant provisions of the PRC Enterprise Income Tax rules and regulations and the Tax Circular.

As stated in the announcement by the Fund dated 14 October 2015, the Manager has sought professional tax advice and obtained the tax residency certificate issued by the Hong Kong Inland Revenue Department for the Fund. The Manager has engaged external tax advisor to make the relevant enterprise income tax filings with the Tax Bureau in September 2015 with respect to the realised capital gains derived from the Fund's investment in shares and other equity interest through the QFII investment quota of the Manager in China from 17 November 2009 to 16 November 2014 following the external tax advice. It was determined by the Tax Bureau on 12 October 2015 that the enterprise income tax payable by the Fund with respect to its investments in shares and other equity interest through the QFII investment quota of the Manager in China from 17 November 2009 to 16 November 2014 was HK\$11,030,906.88. The Manager considers that the tax assessment has been concluded upon the payment and settlement of the relevant tax by the Fund with the Tax Bureau on 13 October 2015. Accordingly, upon the receipt of professional tax advice and consultation with the trustee of the Fund, the Fund has an over-provision of tax of HK\$121,553,537.16. Such over-provision has been released and recognised as a gain in the books of the Fund resulting in an actual increase of HK\$121,553,537.16 (5.13% or HK\$0.58 per Unit of the Fund) on the net asset value of the Fund as of 13 October 2015.

Investors should note that the settlement of the tax assessment with the Tax Bureau is made in accordance with the current tax rules and prevailing practice of the Tax Bureau, the net asset value of the Fund may require further adjustment to take into account any retrospective application of new tax regulations and development including change in interpretation of the relevant regulations by the Chinese tax authorities.

The Manager (after taking professional tax advice) may, at its discretion make modification to the tax provision policy of the Fund based on new developments and interpretation of the relevant regulations. Such provision (if made) may be more than or less than the Fund's actual tax liabilities and 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 the gains and income of the Fund 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.

- Stamp tax

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

According to the latest notice issued by the Ministry of Finance and the State Administration of Taxation, the transfer of A Shares and B shares each is subject to 0.1% stamp tax of the total proceeds but only on the selling side.

- Business tax

Pursuant to the notice Caishui [2005] No. 155 issued jointly by the State Administration of Taxation and the Ministry of Finance in December 2005, gains derived by QFIIs from securities trading carried out by the PRC brokers are exempted from business tax in the PRC.

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

The One-off Redemption Offer will be conditional upon the following conditions being fulfilled:

- (i) the Independent Unitholders' approval by way of an Extraordinary Resolution at the General Meeting to approve the One-off Redemption Offer; and
- (ii) the SFC's approval of the One-off Redemption Offer.

The One-off Redemption Offer will not lapse or be conditional on any minimum number of redemption applications made by the Unitholders. The above conditions (d)(i) and (ii) to the One-off Redemption Offer may not be waived.

***(e) Overseas Unitholders***

Based on the register of Unitholders as at 28 October 2015, there were no Unitholder with registered addresses outside Hong Kong.

***(f) Dealings in Units by the Fund, the Manager and any entities that are their parent, their subsidiaries, their fellow subsidiaries, associated companies of any of the foregoing, and companies of which such companies are associated companies***

The Fund has not repurchased any Units in the six-month period prior the date of this announcement and will not repurchase any Units from the date of this announcement up to the Redemption Day.

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

As at the date of this announcement, none of the directors of the Manager and any entities that are the Manager's parent, the Manager's subsidiaries, the Manager's fellow subsidiaries, associated companies of any of the foregoing, and companies of which such companies are associated companies that trade in the Units as discretionary fund managers and/or for proprietary purposes (other than the entities set out in the following table) had any interests and short positions in the Fund.

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

Name of Entity	Units	Approx.%
The Hongkong and Shanghai Banking Corporation Limited	282,557	0.13%
HSBC International Trustee Limited	680,500	0.32%

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

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

The Manager has not entered into any undertaking to accept or not to accept the One-off Redemption Offer from any Unitholder.

Commencing from the Business Day following the date of this announcement up to the Business Day following the Lodgement Date, any dealings in the Units by the Manager and any entities that are the Manager's parent, the Manager's subsidiaries, the Manager's fellow subsidiaries, associated companies of any of the foregoing, and companies of which such companies are associated companies that trade as discretionary fund managers and/or for proprietary purposes from the date of this announcement up to the Lodgement Date will be filed with the Manager no later than 10 a.m. on the Business Day following the date of transaction. The Manager will then submit such dealing information to the SFC and such dealing information will be disclosed on the Fund's website as soon as practicable. Such information will be maintained on the Fund's website for a period of five years following the Lodgement Date.

***(g) Holding Structure***

Set out below is a table showing the estimated holding structure of the Fund prior to and after the completion of the One-off Redemption Offer on the assumptions that (i) the aggregate number of Units for which applications are made under the One-off Redemption Offer reaches 20% of the outstanding number of Units as at the Lodgement Date; and (ii) the number of the Units in issue as at the date of this announcement remains unchanged until the completion of the One-off Redemption Offer.

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

	Immediately before the completion of the One-off Redemption Offer		Immediately after the completion of the One-off Redemption Offer	
	<i>Units</i>	<i>Approx.%</i>	<i>Units</i>	<i>Approx.%</i>
Public Unitholders	208,849,206	99.54%	167,079,365	99.54%
Fellow subsidiaries and/or associated companies of the Manager that trade in the Units as discretionary fund managers and/or for proprietary purposes own or control or direct the holding of voting rights and rights over the Units	963,057	0.46%	770,446	0.46%

***(h) Odd Lots Arrangements***

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

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

***(i) Nominee Registration of Units***

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

***(j) Other Arrangements***

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

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

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

The Manager considers that the One-off Redemption Offer is in the best interests of the Unitholders. The One-off Redemption Offer will provide the Unitholders an option to exit part of their investment in the Fund. In addition, given the Fund has been trading at an average discount of 23.2% to its net asset value over the past twelve months (for reference, as at 28 October 2015, the Fund has been trading at a discount of 16.5% to its net asset value), the Manager believes that the One-off Redemption Offer may potentially narrow such discount. However, there is no assurance that the Fund will be traded at a price that is equal to or at a reduced discount to its net asset value subsequent to the effecting of the One-off Redemption Offer or that the performance of the Fund will be improved or enhanced thereafter.

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

- (i) enable the redeeming Unitholders to receive redemption proceeds equivalent to the net asset value of the Fund attributable to their redeeming Units on the Value Day, less the Redemption Levy;
- (ii) reduce the total net asset value, and therefore size, of the Fund by an amount proportionate to the actual number of Units redeemed. The Manager may decide to terminate the Fund on any date if on such date the asset value of the Fund shall be less than HK\$400,000,000 under the Trust Deed; and
- (iii) increase the total expense ratio of the Fund from 1.8% for the financial year ended 31 March 2015 to approximately 2.03% after the One-Off Redemption Offer (assuming that 20% of the total outstanding Units are being redeemed).

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

Other than the Change of Investment Objective, the Recurring Redemption Offer and the changes to the Trust Deed to effect the Recurring Redemption Offer, the management of the Fund will remain unchanged and the Fund's listing on the Stock Exchange will be maintained upon completion of the One-off Redemption Offer. No other major changes will be introduced to the Fund. The size of the Fund will be reduced after the One-off Redemption Offer, and the Manager may decide to terminate the Fund on any date if on such date the asset value of the Fund shall be less than HK\$400,000,000 under the Trust Deed.

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

**D. THE RECURRING REDEMPTION OFFER AND THE CHANGES TO THE TRUST DEED TO EFFECT THE RECURRING REDEMPTION OFFER**

***(a) Background to the Recurring Redemption Offer***

The Manager wishes to seek an one-off approval from the Independent Unitholders by way of the Extraordinary Resolution at the General Meeting to grant a general redemption right to the Manager and to make corresponding changes to the Trust Deed to effect the proposed Recurring Redemption Offer (as defined below).

Subject to the one-off passing of the proposed Extraordinary Resolution and the SFC's approval for such general redemption right, the Manager will offer a right to all Unitholders to redeem part or all of their holdings in the Fund (subject to a Redemption Levy) as the Manager determines at its discretion taking into account the best interests of the Unitholders, subject to the following conditions:

1. the Fund must be trading at a discount of its net asset value of 20% (daily average) or more for three consecutive months;
2. the redemption offer must only be made in the best interests of the Unitholders;
3. there is no material adverse impact to the Fund;
4. the Manager must comply with the principles and rules under the Code on Share Buy-Backs ("**Code**") as if they were applicable to the Fund (including but not limited to all relevant timing and disclosure requirements under the Code), the SFC Products Handbook and all other applicable codes, rules, regulations and laws (together "**Applicable Regulations**"), with the only following exceptions:
  - (a) no independent advice by an independent board committee and/or independent financial adviser will be required in relation to any redemption offer made following the approval of the current Recurring Redemption Offer proposal at the Extraordinary General Meeting;
  - (b) where the redemption proceeds cannot be repatriated from China due to legal or regulatory requirements beyond the control of the Manager, the redemption proceeds payment period may be extended beyond the time limits stipulated in the Applicable Regulations. In such case, the Manager must keep proper records to demonstrate and justify this and keep Unitholders and the SFC properly and promptly informed. In any event, the redemption proceeds must be paid to Unitholders as soon as possible after the receipt of the proceeds by the Fund;
5. in considering whether to proceed with a redemption offer, the Manager must take into account of all relevant prevailing market conditions (such as market liquidity, the percentage of stocks held by the Fund which have been suspended from trading and other relevant regulatory requirements) and must be reasonably satisfied that the redemption proceeds can be paid to Unitholders in accordance with the time limits stipulated in the Applicable Regulations;
6. there is no minimum number of redemption offer to be made in a calendar year and the maximum number for each calendar year shall not exceed three;
7. the aggregate redemption of all Unitholders to be no more than 20% of the total outstanding number of Units as at the relevant lodgement date of each Recurring Redemption Offer; and



8. Independent Unitholders may by Extraordinary Resolution at a general meeting terminate the Manager's entitlement to make any further redemption offer under the Recurring Redemption Offer.

Each Recurring Redemption Offer will be subject to applicable regulatory approvals but will not be subject to any further approval of the Unitholders nor the advice of the independent financial advisor.

***(b) Terms and Procedures of the Recurring Redemption Offer***

The Manager proposes to offer the Unitholders, subject to the conditions under (a)(1) to (8) above, the Recurring Redemption Offer, being a right to apply to redeem the whole or a part of their Units at, subject to a Redemption Levy, the net asset value of the Units being redeemed (calculated using the relevant market closing price of the underlying investments of the Fund and the Fund's applicable operating expenses accrued or incurred to date on the relevant value day) on the relevant redemption day.

The Redemption Levy, which is up to 2% of the net asset value of the Units being redeemed (i.e. the redemption price), incorporates commission, stamp duty, transaction cost and total market impact of implementation (i.e. the price difference during the order implementation between the execution price and the price at the time of valuation) will be deducted from the redemption price and will be retained by the Fund for the benefit of the Fund. The actual level of the Redemption Levy will be determined by the Manager according to the Manager's estimation of the above-mentioned commission, stamp duty, transaction cost and total market impact of implementation on the relevant redemption day.

Each redeeming Unitholder will bear the same percentage of Redemption Levy, namely, the same percentage of the net asset value of the Units being redeemed. The Redemption Levy will be announced together with the net asset value of the Fund as of the relevant value day.

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

The estimated cost (at the price level as at the date of this announcement) for the Recurring Redemption Offer is (i) HK\$1,600,000, approximately 0.06% of the net asset value of the Fund as at 28 October 2015 for the first Recurring Redemption Offer; and (ii) HK\$900,000, approximately 0.04% of the net asset value of the Fund as at 28 October 2015 for each subsequent Recurring Redemption Offer. Such cost will primarily include legal fees and costs, and fees and costs incurred by and payable to the Registrar with respect to the Recurring Redemption Offer and will be borne by the Fund, that is, indirectly by all the Unitholders before the redemption day with respect to Recurring Redemption Offer. Redemption Levy, which is up to 2% of the net asset value of the Units being redeemed (i.e. the redemption price), will be borne by the redeeming Unitholders pursuant to the Recurring Redemption Offer.

The Recurring Redemption Offer shall occur on the relevant redemption day. Unitholders who wish to accept the Recurring Redemption Offer must provide completed redemption requests to the Registrar no later than the time specified in the circular with respect to such Recurring Redemption Offer on the relevant lodgement date; provided that the Unitholders are only entitled to make a redemption request under the Recurring Redemption Offer with respect to the Units they hold as of the relevant lodgement date. Unitholders that are interested in exercising their rights under the Recurring Redemption Offer shall be required to return their redemption requests forms together with the relevant certificate(s) and/ or transfer receipt(s) and / or any other document(s) of title (and / or any satisfactory indemnity or indemnities required in respect thereof) for the number of Units in respect of which Unitholders intend to redeem, by post or by hand to the Registrar by no later than the time specified in the circular with respect to such Recurring Redemption Offer on the relevant lodgement date. No further action shall be required from the Unitholders that elect to continue to hold onto their

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

**Due to the legal and regulatory requirements in PRC, redemption proceeds payable to Unitholders out of the Fund's assets in the PRC may be paid to the Unitholders in more than one month from the relevant redemption day. The Manager shall use its best endeavours to repatriate and distribute such proceeds to the Unitholders within two months after the relevant redemption day. However, distribution of redemption proceeds payable out of the Fund's assets in the PRC will be subject to the prior approval of SAFE and may be delayed beyond the control of the Manager. There is no assurance that redemption proceeds payable out of the Fund's assets in the PRC will be distributed within two months. Investors should refer to the risk factor headed under "Uncertainty on the payment date of the redemption proceeds" above. The Fund will also use its assets outside PRC to settle part of the redemption proceeds and that part of the redemption proceeds payable out of the assets of the Fund outside the PRC will be payable within 10 Business Days from the relevant redemption day. As such, the Fund may need to pay the redemption proceeds to Unitholders by instalments and the Fund will pay all the redemption proceeds to the Unitholders as soon as possible after receipt of the proceeds by the Fund. As of 28 October 2015, A Shares invested directly through QFII and other net assets in the PRC account for approximately 84% of the net asset value of the Fund, for reference, the redemption proceeds payable out of the assets in the PRC as of 28 October 2015 is approximately 40% of the total redemption proceeds (assuming that 20% of the total outstanding Units are being redeemed).**

The Manager will despatch a circular to all Unitholders prior to any Recurring Redemption Offer including the timing, procedures and limits of the Recurring Redemption Offer. All redeemed Units will be cancelled.

***(c) Overseas Unitholders***

With respect to each Recurring Redemption Offer, the Fund will make enquiries regarding the legal restrictions under the applicable securities legislation of the relevant jurisdictions and the requirements of the relevant regulatory body or stock exchange with respect to the Recurring Redemption Offer in relation to any Overseas Unitholders and determine whether the Recurring Redemption Offer will be extended to all the Overseas Unitholders.

***(d) Changes to the Trust Deed to effect the Recurring Redemption Offer***

The Manager wishes to convene the General Meeting to seek approvals of the Independent Unitholders by way of the Extraordinary Resolution to approve the changes to the Trust Deed to effect the Recurring Redemption Offer.

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

***(e) Key Risk Factors***

The risk factors with respect to the One-off Redemption Offer in this announcement generally apply to the Recurring Redemption Offer. Additional risk factors will also be set out in the circular to all Unitholders prior to such Recurring Redemption Offer.

In addition, Unitholders should be aware that:

(i) the Recurring Redemption Offer, (i) if effected, will increase the total expense ratio of the Fund as a result of the expenses incurred with respect to the Recurring Redemption Offer and such expenses are not covered by the Redemption Levy and (ii) reduce the size of the Fund after each time a

Recurring Redemption Offer is made. The Manager may decide to terminate the Fund on any date if on such date the asset value of the Fund shall be less than HK\$400,000,000; and

(ii) a decrease in the net asset value of the Fund may not necessarily trigger a Recurring Redemption Offer (for instance, where such decrease does not meet the threshold of discount referred to under (1) in the sub-section headed "Background to the Recurring Redemption Offer" above) and should carefully consider the risk factors described above and in the relevant circular before deciding on whether to apply for redemption of their Units under the Recurring Redemption Offer.

***(f) Reason for the Recurring Redemption Offer***

The Manager considers that the Recurring Redemption Offer is in the best interests of the Unitholders. The Recurring Redemption Offer will provide the Unitholders an option to exit part of their investment in the Fund. In addition, given the Fund has been trading at an average discount of 23.2% to its net asset value over the past twelve months, the Manager believes that the Recurring Redemption Offer and the amendments to the Trust Deed by a supplemental Trust Deed may potentially narrow such discount. However, there is no assurance that the Fund will be traded at a price that is equal to or at a reduced discount to its net asset value subsequent to the effecting of the Recurring Redemption Offer and the amendments to the Trust Deed by a supplemental Trust Deed or that the performance of the Fund will be improved or enhanced thereafter.

The financial effect of each Recurring Redemption Offer will be set out in the circular to all Unitholders prior to such Recurring Redemption Offer.

Assuming that the One-off Redemption Offer and two Recurring Redemption Offer have taken place in a year with 20% of the total outstanding Units on each of the relevant lodgement date being redeemed in full with respect to each such One-off Redemption Offer and Recurring Redemption Offer (that is, 48.8% of the total outstanding Units in issue before all such redemption offers being redeemed in total), this will increase the total expense ratio of the Fund from 1.8% for the financial year ended 31 March 2015 to approximately 2.30% after such One-off Redemption Offer and Recurring Redemption Offer.

***(g) Conditions to the Manager's ability to offer the Recurring Redemption Offer***

Subject to the conditions set forth in (a)(1) to (8) above, the Manager will offer a right to all Unitholders to redeem part or all of their holdings in the Fund (subject to a Redemption Levy) as the Manager determines at its discretion. The Manager's entitlement to offer such redemption right will be conditional upon the following conditions being fulfilled:

- (i) the Independent Unitholders' one-off approval by way of an Extraordinary Resolution at the General Meeting by way of a poll to approve the Recurring Redemption Offer and the changes to the Trust Deed to effect the Recurring Redemption Offer; and
- (ii) the SFC's approval of the Recurring Redemption Offer and the changes to the Trust Deed to effect the Recurring Redemption Offer.

**E. CIRCULAR AND THE GENERAL MEETING**

***Circular***

Details, including the terms and conditions, of the proposed Change of Investment Objective, the proposed One-off Redemption Offer, the proposed Recurring Redemption Offer and the proposed changes to the Trust Deed to effect the Recurring Redemption Offer, the General Meeting and all other information reasonably necessary to enable the Independent Unitholders to make an informed decision on whether to vote for or against the resolutions proposed, the letter of advice from an

independent financial adviser and the Trustee's view on the proposed Change of Investment Objective, the proposed One-off Redemption Offer, the proposed Recurring Redemption Offer and the proposed changes to the Trust Deed to effect the Recurring Redemption Offer shall be set out in a circular, together with the notice of the General Meeting, to be despatched to all Unitholders within 21 days of the date of this announcement. Copies of the circular will be sent to all Unitholders.

### ***Approval Required***

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

- (i) the Change of Investment Objective;
- (ii) the One-off Redemption Offer;
- (iii) the Recurring Redemption Offer; and
- (iv) the changes to the Trust Deed to effect the Recurring Redemption Offer.

Unitholders should note that the Manager's right to exercise the Recurring Redemption Offer under (iii) is conditional upon obtaining the necessary Independent Unitholders' approval at the General Meeting for (iv) above.

The Trustee, the custodian of the Fund, the Manager and their respective Connected Persons will be required to abstain from voting on the Extraordinary Resolution. Only Independent Unitholders will be entitled to vote on the Extraordinary Resolution. As at 29 October 2015, the Manager is unaware of any Unitholders (other than those mentioned above who represents 0.46% of the total issued Units of the Fund) that are required to abstain from voting in respect of the Extraordinary Resolutions proposed at the General Meeting.

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

### ***Independent Financial Adviser***

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

Somerley Capital Limited has been appointed as the independent financial adviser to advise the Unitholders (a) on the fairness and reasonableness of the terms of the One-off Redemption Offer and the Recurring Redemption Offer and whether to vote for or against the One-off Redemption Offer and the Recurring Redemption Offer and whether it is in the interest of the Unitholders as a whole as well as the principal factors and reasons considered by it in arriving such advice; and (b) whether to accept the One-off Redemption Offer and the Recurring Redemption Offer. A letter of advice from Somerley Capital Limited as the independent financial adviser as well as the Trustee's view on the proposed

Change of Investment Objective, the proposed One-off Redemption Offer, the proposed Recurring Redemption Offer and the proposed changes to the Trust Deed to effect the Recurring Redemption Offer will be set out in the circular to be despatched to the Unitholders.

## **F. GENERAL**

**As the proposed Change of Investment Objective, the proposed One-off Redemption Offer, the proposed Recurring Redemption Offer and the proposed changes to the Trust Deed to effect the Recurring Redemption Offer, such proposals may or may not proceed, Unitholders and prospective investors of the Fund are advised to exercise caution when dealing in the Units. If in doubt, please seek professional advice.**

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

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

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

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

## **G. DEFINITIONS**

"A Share"	shares issued by companies incorporated in the PRC and listed on the PRC Stock Exchanges, traded in RMB and available for investment by domestic (Chinese) investors and holders of QFII licence
"Business Day"	a day (other than a Saturday or Sunday) on which the Stock Exchange is open for normal trading and banks are open for normal banking business in Hong Kong provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which the Stock Exchange and banks in Hong Kong are open for any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise
"CAAPs"	Chinese A Share access product(s), being a security/securities (such as a note, warrant, option, participation certificate) linked to A Shares or portfolios of A Shares which aim to replicate synthetically the economic benefit of the relevant A Shares or portfolios of A Shares

"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Code"	the Code on Unit Trusts and Mutual Funds issued by the SFC, as the same may from time to time be modified, amended, revised or replaced, or supplemented either by published guidelines, policies, practice statements or other guidance issued by the SFC or, in any particular case, by specific written guidance issued by the SFC in response to a specific request by the Manager and/or the Trustee
"Connected Person"	has the meaning given to it in the Code
"ETFs"	exchange traded funds
"Extraordinary Resolution"	a resolution proposed as such and passed on a poll by 75% or more of the votes of those present and entitled to vote in person or by proxy at a duly convened meeting of the Unitholders
"Fund"	HSBC China Dragon Fund
"General Meeting"	the general meeting of the Unitholders to be held
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HSBC"	HSBC Holdings plc.
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Unitholder(s)"	Unitholders other than any Unitholder that has a material interest in the One-off Redemption Offer and the Recurring Redemption Offer which is different from the interests of all other Unitholders
"Lodgement Date"	the last date for lodgement of redemption requests pursuant to the One-off Redemption Offer which shall be no less than 14 days after the date of the General Meeting approving the Change of Investment Objective, the One-off Redemption Offer, the Recurring Redemption Offer and the changes to the Trust Deed to effect the Recurring Redemption Offer
"Manager"	HSBC Global Asset Management (Hong Kong) Limited
"Offering Circular"	the offering circular of the Fund dated 3 June 2015 and includes any amendments and supplements thereto
"Overseas Unitholder(s)"	Unitholder(s) whose addresses, as shown in the register of Unitholders, are outside Hong Kong as of the Lodgement Date or the lodgement date with respect to each Recurring Redemption Offer

"PRC" or "China"	the People's Republic of China, but for the purposes of this announcement and the Fund's investment objective and investment approach only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"QFII"	qualified foreign institutional investor approved by the China Securities Regulatory Commission pursuant to the "Measures for the Administration of Investment in Domestic Securities by Qualified Foreign Institutional Investors" (《合格境外機構投資者境內證券投資管理辦法》) promulgated by China Securities Regulatory Commission, People's Bank of China and State Administration of Foreign Exchange on 24 August, 2006 and came into effect on 1 September, 2006, as may be amended from time to time
"Redemption Day"	the Business Day immediately following the Lodgement Date
"Redemption Levy"	the redemption fee of up to 2% of the redemption price, payable in relation to the redemption of Units by a redeeming Unitholder pursuant to the One-off Redemption Offer and the Recurring Redemption Offer (as applicable) as described in this announcement
"Registrar"	Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
"SFC"	the Securities and Futures Commission of Hong Kong
"Stock Connect"	Shanghai-Hong Kong Stock Connect and any other similar stock connect programme between another city of the PRC and Hong Kong when it becomes available to and can be utilised by the Fund
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Trust Deed"	the trust deed dated 20 June 2007 between the Trustee and the Manager and includes any amendments and supplements thereto
"Trustee"	HSBC Institutional Trust Services (Asia) Limited
"Unit(s)"	unit(s) of the Fund
"Unitholder(s)"	unitholder(s) of Units

"Value Day"

the Redemption Day, being the date on which the relevant market closing price of the underlying investments of the Fund, and the Fund's applicable operating expenses accrued or incurred to date shall be used to calculate the net asset value of the Fund to be adopted as the redemption price for the purpose of the One-off Redemption Offer

HSBC Global Asset Management (Hong Kong) Limited  
*Manager of HSBC China Dragon Fund*  
29 October 2015

*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. BOTELHO BASTOS, Pedro Augusto, Dr. MALDONADO-CODINA, Guillermo Eduardo and Mr. TAM, Chun Pong Stephen. The non-executive directors of the Manager are Dr. APENBRINK Rudolf Eduard Walter, Mr. MARTIN, Kevin Ross, Mr. PACTON, Olivier, Mr. RIKHYE, Jayant and Ms. WONG Pik Kuen, Helen.*



**IMPORTANT**

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**HSBC CHINA DRAGON FUND**

滙豐中國翔龍基金

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

**(Stock Code: 820)**

**Voluntary Announcement – Fund Performance**

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

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

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

The row “The Fund’s non A-share and non QFII investments” represents the indicative performance of the Fund’s other investments such as H-shares, red chips and B-shares.

The relevant figures are gross of 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 <sup>(2)</sup>									
	2015 Year-to- date	2014 full year	2013 full year	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>(3)</sup>
				Year-to- date since 1 January up to 31 December <sup>(1)</sup>	Year-to- date since 1 January up to 5 September <sup>(1)</sup>					
The Fund’s A-share and other QFII investments (gross of fees and net of capital gain tax provision) <sup>(1)</sup>	-5.25%	32.32%	1.25%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
MSCI China A	-7.06%	46.91%	1.02%	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.	N.A.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
MSCI China	N.A.	N.A.	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance <sup>(4)</sup>			
	up to 30 September 2015 <sup>(1)</sup>			up to 5 September 2012 <sup>(1)</sup>
	6 months	1 year	Since August 07 <sup>(3)</sup>	Since August 07 <sup>(3)</sup>
The Fund's A-share and other QFII investments (gross of fees and net of capital gain tax provision) <sup>(1)</sup>	-22.59%	22.90%	11.62%	N.A.
MSCI China A	-21.70%	25.54%	1.20%	N.A.
The Fund's non A-share and non QFII investments (gross of fees)	N.A.	N.A.	N.A.	-16.52%
MSCI China	N.A.	N.A.	N.A.	-15.50%

The following table demonstrates the performance of the Fund as a whole up to 30 September 2015. "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 2015:

	Calendar year performance <sup>(2)</sup>									Cumulative performance <sup>(4)</sup>		
	2015 year-to-date	2014 full year	2013 full year	2012 full year	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>(3)</sup>	6 months	1 year	Since August 07 <sup>(3)</sup>
Net asset value of the Fund (net of fees)	-6.18%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	-23.05%	21.30%	6.18%

As at 30 September 2015:

Net asset value per unit of the Fund:	HK\$10.48
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$8.29
Discount / Premium to net asset value:	20.90% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 September 2015. All performance figures are total return figures in Hong Kong dollars.

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

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

Note:

1. The Fund has changed its investment objectives on 6 September 2012; please refer to the latest Offering Circular of the Fund for details. Before the change of investment objectives, the Fund aims to invest in various types of Chinese equities, including but not limited to A-shares, B-shares, H-shares and red chips. After the change of investment objectives, the Fund mainly invests directly and indirectly in China A-shares. After the change of investment objectives, although the Fund may still invests in other investments such as B-shares, H-shares and red chips, such other investments shall not exceed 10% of the net asset value of the Fund. As a result, with effect from 6 September 2012, when calculating the performance in the tables above, the Fund classifies all its assets under "The Fund's A-share and other QFII investments".
2. Calendar year performance is the gain or loss of the Fund throughout a particular year.
3. Performance figures are calculated since 1 August 2007, being the first dealing day of the month following the launch of the Fund on 20 July 2007.
4. Cumulative performance is the gain or loss of the Fund over certain period of time up to the relevant date.

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

The listing of the Fund on the Stock Exchange of Hong Kong does not guarantee a liquid market and the Fund may be delisted. The Fund's market price on the Stock Exchange of Hong Kong may be different from its net asset value per unit. Currency movement may affect the value of investments. Investment in emerging market involves higher risks. The

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

HSBC Global Asset Management (Hong Kong) Limited  
Manager of HSBC China Dragon Fund  
26 October 2015

*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. BOTELHO BASTOS, Pedro Augusto, Dr. MALDONADO-CODINA, Guillermo Eduardo and Mr. TAM, Chun Pong Stephen. The non-executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. MARTIN, Kevin Ross, Mr. PACTON, Olivier, Ms. WONG Pik Kuen, Helen and Mr. RIKHYE, Jayant.*

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**HSBC CHINA DRAGON FUND**  
**滙豐中國翔龍基金**

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**(Stock Code: 820)**

**Announcement**

**POSSIBLE CHANGE OF INVESTMENT OBJECTIVE,  
POSSIBLE ONE-OFF REDEMPTION OFFER, POSSIBLE ANNUAL REDEMPTION  
OFFER AND POSSIBLE CHANGES TO THE TRUST DEED OF THE FUND TO EFFECT  
THE POSSIBLE ANNUAL REDEMPTION OFFER**

Reference is made to the announcement by the Manager on 17 June 2015 (the "**Announcement**") and the update announcement by the Manager on 17 July 2015, 17 August 2015 and 17 September 2015 in relation to the possible Change of Investment Objective, possible One-Off Redemption Offer, possible Annual Redemption Offer and possible changes to the trust deed of the Fund to effect the possible Annual Redemption Offer. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Manager wishes to update the Holders that the Manager is still considering the possible Change of Investment Objective, possible One-Off Redemption Offer, possible Annual Redemption Offer and possible changes to the trust deed of the Fund to effect the possible Annual Redemption Offer.

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

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

**As the possible Change of Investment Objective, the possible One-Off Redemption Offer, the possible Annual Redemption Offer and the possible changes to the trust deed of the Fund to effect the possible Annual Redemption Offer are subject to, amongst other things, the determination of the terms and conditions by the Manager, the obtaining of legal advice and subsequent approvals from the relevant regulators and Holders, they may be subject to change**

**and may or may not proceed. Holders and prospective investors of the Fund are advised to exercise caution when dealing in the units of the Fund.**

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

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

HSBC Global Asset Management (Hong Kong) Limited  
*Manager of HSBC China Dragon Fund*  
16 October 2015

*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. BOTELHO BASTOS, Pedro Augusto, Dr. MALDONADO-CODINA, Guillermo Eduardo and Mr. TAM, Chun Pong Stephen. The non-executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. MARTIN, Kevin Ross, Mr. PACTON, Olivier, Mr. RIKHYE, Jayant and Ms. WONG Pik Kuen, Helen.*

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**HSBC CHINA DRAGON FUND**  
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section 104 of the Securities and Futures Ordinance  
(Chapter 571 of the Laws of Hong Kong)*  
**(Stock Code: 820)**

**Announcement**

**CERTAIN UPDATE REGARDING THE TAX EXPOSURE OF THE FUND**

The Fund had received notification from the Tax Bureau instructing the Manager, as a QFII, to report and settle the enterprise income tax on the gains earned by the QFII from transfer of equity related investments in China before 30 September 2015 in accordance with the relevant provisions of the PRC Enterprise Income Tax rules and regulations and the Circular.

The Manager has engaged external tax advisor to make the relevant enterprise income tax filings with the Tax Bureau in September 2015 with respect to the realised capital gains derived from the Fund's investment in shares and other equity interest through the QFII investment quota of the Manager in China from 17 November 2009 to 16 November 2014 following the external tax advice. It was determined by the Tax Bureau on 12 October 2015 that the enterprise income tax payable by the Fund with respect to its investments in shares and other equity interest through the QFII investment quota of the Manager in China from 17 November 2009 to 16 November 2014 was HK\$11,030,906.88. The Manager considers that the tax assessment has been concluded upon the payment and settlement of the relevant tax by the Fund with the Tax Bureau on 13 October 2015. Accordingly, upon the receipt of professional tax advice and consultation with the trustee of the Fund, the Fund has an over-provision of tax of HK\$121,553,537.16. Such over-provision has been released and recognised as a gain in the books of the Fund.

**Introduction**

Reference is made to the announcement by the Manager on 17 June 2015 (the "**Announcement**") in relation to certain updates regarding the PRC tax exposure of HSBC China Dragon Fund (the "**Fund**"). Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

On 14 November 2014, the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission have jointly promulgated the Circular Concerning the Temporary Exemption of the Enterprise Income Tax for Gains Earned by Qualified Foreign Institutional Investor ("**QFII**") and RQFII from Transfer of Domestic Shares and Other Equity Interest Investment in China (the "**Circular**"). According to the Circular, amongst other things: (i) enterprise income tax shall be exempt on a temporary basis on the gains earned by QFIIs from the transfer of domestic shares and other equity interest investment in China with effect from 17 November 2014; and (ii) enterprise income tax shall be imposed on such gains earned by QFIIs before 17 November 2014 in accordance with the tax laws.

### **Implications of the Circular on the Fund**

As a result of the promulgation of the Circular, the Manager had decided on the following changes to the tax provision practice of the Fund:

- (i) the Fund has ceased withholding 10% of unrealized gains on its investments in A shares and generally in other securities linked to A shares as a tax provision from 14 November 2014 (the last valuation day before 17 November 2014) on the basis that any gains subsequently realized from 17 November 2014 onwards will be temporarily exempt from enterprise income tax;
- (ii) the amount of tax provision for unrealized gains on the Fund's investments in A shares and generally in other securities linked to A shares withheld by the Fund as a tax provision up to 14 November 2014 has been released to the Fund;
- (iii) the Fund has ceased to withhold 10% of realized gains on its investments in A shares and generally in other securities linked to A shares as a tax provision from 17 November 2014; and
- (iv) the Fund will continue to retain the amount withheld up to and including 14 November 2014 as a tax provision with respect to realized gains on its investments in A shares and generally in other securities linked to A shares.

### **Reporting to the Tax Bureau and Settlement of the Enterprise Income Tax**

As stated in the Announcement, the Fund had received notification from the Shanghai Municipal Tax Bureau (the "**Tax Bureau**") instructing the Manager, as a QFII, to report and settle the enterprise income tax on the gains earned by the QFII from transfer of equity related investments in China before 30 September 2015 in accordance with the relevant provisions of the PRC Enterprise Income Tax rules and regulations and the Circular.

The Manager has sought professional tax advice and obtained the tax residency certificate issued by the Hong Kong Inland Revenue Department for the Fund. The Manager has engaged external tax advisor to make the relevant enterprise income tax filings with the Tax Bureau in September 2015 with respect to the realised capital gains derived from the Fund's investment in shares and other equity interest through the QFII investment quota of the Manager in China from 17 November 2009 to 16 November 2014 following the external tax advice. It was determined by the Tax Bureau on 12 October 2015 that the enterprise income tax payable by the Fund with respect to its investments in shares and other equity interest through the QFII investment quota of the Manager in China from 17 November 2009 to 16 November 2014 was HK\$11,030,906.88. The Manager considers that the tax assessment has been concluded upon the payment and settlement of the relevant tax by the Fund with the Tax Bureau on 13 October 2015. Accordingly, upon the receipt of professional tax advice and consultation with the trustee of the Fund, the Fund has an over-provision of tax of HK\$121,553,537.16. Such over-provision has been released and recognised as a gain in the books of the Fund resulting in an actual increase of HK\$121,553,537.16 (5.13% or HK\$0.58 per unit of the Fund) on the net asset value of the Fund as of 13 October 2015.

### **Potential Changes to the Net Asset Value and Tax Provisioning Policy**

Investors should note that the settlement of the tax assessment with the Tax Bureau is made in accordance with the current tax rules and prevailing practice of the Tax Bureau, the net asset value of the Fund may require further adjustment to take into account any retrospective application of new tax regulations and development including change in interpretation of the relevant regulations by the Chinese tax authorities.

The Manager (after taking tax advice) may, at its discretion make modification to the tax provision policy of the Fund based on new developments and interpretation of the relevant regulations. Such provision (if made) may be more than or less than the Fund's actual tax liabilities and 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 the gains and income of the Fund will ultimately be taxed and when the investors purchased/subscribed and/or sold/redeemed the units of the Fund. Investors should note that no Holders 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.

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

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

HSBC Global Asset Management (Hong Kong) Limited  
*Manager of HSBC China Dragon Fund*  
14 October 2015

*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. BOTELHO BASTOS, Pedro Augusto, Dr. MALDONADO-CODINA, Guillermo Eduardo and Mr. TAM, Chun Pong Stephen. The non-executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. MARTIN, Kevin Ross, Mr. PACTON, Olivier, Mr. RIKHYE, Jayant and Ms. WONG Pik Kuen, Helen.*



**IMPORTANT**

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**HSBC CHINA DRAGON FUND**

滙豐中國翔龍基金

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

**(Stock Code: 820)**

**Voluntary Announcement – Fund Performance**

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

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

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

The row “The Fund’s non A-share and non QFII investments” represents the indicative performance of the Fund’s other investments such as H-shares, red chips and B-shares.

The relevant figures are gross of 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 <sup>(2)</sup>									
	2015 Year-to- date	2014 full year	2013 full year	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>(3)</sup>
				Year-to- date since 1 January up to 31 December <sup>(1)</sup>	Year-to- date since 1 January up to 5 September <sup>(1)</sup>					
The Fund’s A-share and other QFII investments (gross of fees and net of capital gain tax provision) <sup>(1)</sup>	-0.59%	32.32%	1.25%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
MSCI China A	-2.01%	46.91%	1.02%	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.	N.A.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
MSCI China	N.A.	N.A.	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance <sup>(4)</sup>			
	up to 31 August 2015 <sup>(1)</sup>			up to 5 September 2012 <sup>(1)</sup>
	6 months	1 year	Since August 07 <sup>(3)</sup>	Since August 07 <sup>(3)</sup>
The Fund's A-share and other QFII investments (gross of fees and net of capital gain tax provision) <sup>(1)</sup>	-5.92%	33.75%	17.11%	N.A.
MSCI China A	-4.12%	40.21%	6.70%	N.A.
The Fund's non A-share and non QFII investments (gross of fees)	N.A.	N.A.	N.A.	-16.52%
MSCI China	N.A.	N.A.	N.A.	-15.50%

The following table demonstrates the performance of the Fund as a whole up to 31 August 2015. "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 August 2015:

	Calendar year performance <sup>(2)</sup>									Cumulative performance <sup>(4)</sup>		
	2015 year-to-date	2014 full year	2013 full year	2012 full year	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>(3)</sup>	6 months	1 year	Since August 07 <sup>(3)</sup>
Net asset value of the Fund (net of fees)	-2.60%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	-7.72%	30.61%	10.23%

As at 31 August 2015:

Net asset value per unit of the Fund:	HK\$10.88
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$8.53
Discount / Premium to net asset value:	21.60% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 August 2015. 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 September 2015

*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. BOTELHO BASTOS, Pedro Augusto, Dr. MALDONADO-CODINA, Guillermo Eduardo and Mr. TAM, Chun Pong Stephen. The non-executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. MARTIN, Kevin Ross, Mr. PACTON, Olivier, Ms. WONG Pik Kuen, Helen and Mr. RIKHYE, Jayant.*

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**HSBC CHINA DRAGON FUND**  
**滙豐中國翔龍基金**

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**(Stock Code: 820)**

**Announcement**

**POSSIBLE CHANGE OF INVESTMENT OBJECTIVE,  
POSSIBLE ONE-OFF REDEMPTION OFFER, POSSIBLE ANNUAL REDEMPTION  
OFFER AND POSSIBLE CHANGES TO THE TRUST DEED OF THE FUND TO EFFECT  
THE POSSIBLE ANNUAL REDEMPTION OFFER**

Reference is made to the announcement by the Manager on 17 June 2015 (the "**Announcement**") and the update announcement by the Manager on 17 July 2015 and 17 August 2015 in relation to the possible Change of Investment Objective, possible One-Off Redemption Offer, possible Annual Redemption Offer and possible changes to the trust deed of the Fund to effect the possible Annual Redemption Offer. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Manager wishes to update the Holders that the Manager is still considering the possible Change of Investment Objective, possible One-Off Redemption Offer, possible Annual Redemption Offer and possible changes to the trust deed of the Fund to effect the possible Annual Redemption Offer.

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

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

**As the possible Change of Investment Objective, the possible One-Off Redemption Offer, the possible Annual Redemption Offer and the possible changes to the trust deed of the Fund to effect the possible Annual Redemption Offer are subject to, amongst other things, the determination of the terms and conditions by the Manager, the obtaining of legal advice and subsequent approvals from the relevant regulators and Holders, they may be subject to change**

**and may or may not proceed. Holders and prospective investors of the Fund are advised to exercise caution when dealing in the units of the Fund.**

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

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

HSBC Global Asset Management (Hong Kong) Limited  
*Manager of HSBC China Dragon Fund*  
17 September 2015

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**IMPORTANT**

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**HSBC CHINA DRAGON FUND**

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

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

The row “The Fund’s non A-share and non QFII investments” represents the indicative performance of the Fund’s other investments such as H-shares, red chips and B-shares.

The relevant figures are gross of 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 <sup>(2)</sup>									
	2015 Year-to- date	2014 full year	2013 full year	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>(3)</sup>
				Year-to- date since 1 January up to 31 December <sup>(1)</sup>	Year-to- date since 1 January up to 5 September <sup>(1)</sup>					
The Fund’s A-share and other QFII investments (gross of fees and net of capital gain tax provision) <sup>(1)</sup>	15.40%	32.32%	1.25%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
MSCI China A	14.59%	46.91%	1.02%	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.	N.A.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
MSCI China	N.A.	N.A.	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance <sup>(4)</sup>			
	up to 31 July 2015 <sup>(1)</sup>			up to 5 September 2012 <sup>(1)</sup>
	6 months	1 year	Since August 07 <sup>(3)</sup>	Since August 07 <sup>(3)</sup>
The Fund's A-share and other QFII investments (gross of fees and net of capital gain tax provision) <sup>(1)</sup>	13.56%	55.50%	35.94%	N.A.
MSCI China A	16.90%	64.87%	24.77%	N.A.
The Fund's non A-share and non QFII investments (gross of fees)	N.A.	N.A.	N.A.	-16.52%
MSCI China	N.A.	N.A.	N.A.	-15.50%

The following table demonstrates the performance of the Fund as a whole up to 31 July 2015. "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 July 2015:

	Calendar year performance <sup>(2)</sup>									Cumulative performance <sup>(4)</sup>		
	2015 year-to-date	2014 full year	2013 full year	2012 full year	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>(3)</sup>	6 months	1 year	Since August 07 <sup>(3)</sup>
Net asset value of the Fund (net of fees)	14.23%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	12.42%	53.18%	29.28%

As at 31 July 2015:

Net asset value per unit of the Fund:	HK\$12.76
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$10.34
Discount / Premium to net asset value:	18.97% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 July 2015. 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.
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disclosed in the Offering Circular. The Fund differs from a typical trust and investors should read the Offering Circular for details including the risk factors. The document has not been reviewed by the Securities and Futures Commission.

HSBC Global Asset Management (Hong Kong) Limited  
Manager of HSBC China Dragon Fund  
19 August 2015

*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. BOTELHO BASTOS, Pedro Augusto, Dr. MALDONADO-CODINA, Guillermo Eduardo and Mr. TAM, Chun Pong Stephen. The non-executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. MARTIN, Kevin Ross, Mr. PACTON, Olivier, Ms. WONG Pik Kuen, Helen and Mr. RIKHYE, Jayant.*



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**HSBC CHINA DRAGON FUND**  
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**Announcement**

**POSSIBLE CHANGE OF INVESTMENT OBJECTIVE,  
POSSIBLE ONE-OFF REDEMPTION OFFER, POSSIBLE ANNUAL REDEMPTION  
OFFER AND POSSIBLE CHANGES TO THE TRUST DEED OF THE FUND TO EFFECT  
THE POSSIBLE ANNUAL REDEMPTION OFFER**

Reference is made to the announcement by the Manager on 17 June 2015 (the "**Announcement**") and the update announcement by the Manager on 17 July 2015 in relation to the possible Change of Investment Objective, possible One-Off Redemption Offer, possible Annual Redemption Offer and possible changes to the trust deed of the Fund to effect the possible Annual Redemption Offer. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Manager wishes to update the Holders that the Manager is still considering the possible Change of Investment Objective, possible One-Off Redemption Offer, possible Annual Redemption Offer and possible changes to the trust deed of the Fund to effect the possible Annual Redemption Offer.

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

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

**As the possible Change of Investment Objective, the possible One-Off Redemption Offer, the possible Annual Redemption Offer and the possible changes to the trust deed of the Fund to effect the possible Annual Redemption Offer are subject to, amongst other things, the determination of the terms and conditions by the Manager, the obtaining of legal advice and subsequent approvals from the relevant regulators and Holders, they may be subject to change**

**and may or may not proceed. Holders and prospective investors of the Fund are advised to exercise caution when dealing in the units of the Fund.**

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

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

HSBC Global Asset Management (Hong Kong) Limited  
*Manager of HSBC China Dragon Fund*  
17 August 2015

*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. BOTELHO BASTOS, Pedro Augusto, Dr. MALDONADO-CODINA, Guillermo Eduardo and Mr. TAM, Chun Pong Stephen. The non-executive directors of the Manager are Dr. Rudolf Eduard Walter APENBRINK, Mr. MARTIN, Kevin Ross, Mr. PACTON, Olivier, Mr. RIKHYE, Jayant and Ms. WONG Pik Kuen, Helen.*

# 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 2015

Dear Unitholders,

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

The 2015 Annual Report (the “Document”) of HSBC China Dragon Fund (the “Fund”) has been prepared in English and Chinese. Copies prepared in the language different from those you have received are available from Computershare Hong Kong Investor Services Limited (the Fund’s Registrar) on request, or on the Fund’s website at [www.assetmanagement.hsbc.com/hk-chinadragonfund](http://www.assetmanagement.hsbc.com/hk-chinadragonfund) for five (5) years from the date of first publication and the HKExnews’s at [www.hkexnews.hk](http://www.hkexnews.hk).

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

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

Yours faithfully,

**Pedro BASTOS**

*Director*

For and on behalf of

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

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各位單位持有人：

### 致現有單位持有人之函件 — 選擇收取公司通訊的方式及語言

滙豐中國翔龍基金(「本基金」)2015年年報(「該文件」)備有英文及中文版。香港中央證券登記有限公司(本基金之過戶登記處)在收到閣下的要求後，可提供閣下所收到的版本以外另一種語言編製的版本。有關文件亦將由首次刊載日期起計五(5)年內刊載於本基金網站[www.assetmanagement.hsbc.com/hk-chinadragonfund](http://www.assetmanagement.hsbc.com/hk-chinadragonfund)內，並於香港交易所披露易網站[www.hkexnews.hk](http://www.hkexnews.hk)登載。

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

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

代表

滙豐環球投資管理(香港)有限公司  
作為滙豐中國翔龍基金之經理人

董事

巴培卓

謹啟

2015年7月31日

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

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

## Change Request Form 變更申請表格

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

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

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

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

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

☐  
☐  
☐

I/We would like to receive a **printed copy in English** now.  
本人／我們現在希望收取一份英文印刷本。

I/We would like to receive a **printed copy in Chinese** now.  
本人／我們現在希望收取一份中文印刷本。

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

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

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

☐  
☐  
☐  
☐

read the **Website version** of all future Corporate Communications published on the Fund’s website in place of receiving printed copies; **OR**  
瀏覽在本基金網站發表之公司通訊網上版本，以代替印刷本；或

to receive the printed **English version** of all future Corporate Communications **ONLY**; **OR**  
僅收取本公司通訊之英文印刷本；或

to receive the printed **Chinese version** of all future Corporate Communications **ONLY**; **OR**  
僅收取本公司通訊之中文印刷本；或

to receive both printed **English and Chinese versions** of all future Corporate Communications.  
同時收取本公司通訊之英文及中文印刷本。

Name(s) of Unitholders<sup>#</sup>

基金單位持有人姓名<sup>#</sup>

Date

日期

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

Address<sup>#</sup>

地址<sup>#</sup>

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

Contact telephone number

聯絡電話號碼

Signature(s)

簽名

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

Notes/附註：

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

閣下寄回此變更申請表格時，請將郵寄標籤剪貼於信封上。

如在本港投寄毋須貼上郵票。

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

No postage stamp necessary if posted in Hong Kong.

郵寄標籤 MAILING LABEL

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

HCHD-H31072015-100

<b>IMPORTANT</b>
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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**

**Product Key Facts Update**

HSBC Global Asset Management (Hong Kong) Limited, as the Manager of the Fund, hereby announces that the Product Key Facts of the Fund has been revised to update the ongoing charges figure according to the ongoing expenses chargeable to the Fund and the Fund's average net asset value for the year ended 31 March 2015. A copy of the Product Key Facts dated July 2015 has been posted on the Fund's website on 31 July 2015.

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

Investors who have any questions regarding the above may contact the Manager at Level 22, HSBC Main Building, 1 Queen's Road Central, Hong Kong (telephone number: (852) 2284 1229).

HSBC Global Asset Management (Hong Kong) Limited  
Manager of HSBC China Dragon Fund  
31 July 2015

*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. BOTELHO BASTOS, Pedro Augusto, Dr. MALDONADO-CODINA, Guillermo Eduardo and Mr. TAM, Chun Pong Stephen. The non-executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. MARTIN, Kevin Ross, Mr. PACTON, Olivier, Ms. WONG Pik Kuen, Helen and Mr. RIKHYE, Jayant.*

# **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

### **2015 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 2014 to 31 March 2015.

The annual results of the Fund for the period from 1 April 2014 to 31 March 2015 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 2014 to 31 March 2015.

## **Manager’s report**

### **Review**

Chinese equities had a stellar run during the 1-year period, driven by various reform measures and pro-growth policy measures announced as China strived to transform its long term growth model while maintaining a stable growth trajectory. Both the offshore Chinese equities, represented by the MSCI China index, and the onshore market, measured by the MSCI China A made significant gains.

Chinese equities started the second quarter with a positive note, as China’s 1Q14 Gross Domestic Product (GDP) registered a growth of 7.4% year-on-year, slightly above the consensus forecast of 7.3%, while manufacturing activity has also shown signs of pick up. However, market momentum was moderated going into the third quarter of 2014. Dwindling growth in Europe posted threat to the region’s export growth, while weaker economic

indicators in China, such as falling industrial production and fixed asset investment, reignited concerns over the country's economic outlook. The positive sentiment from the announcement of the Shanghai-Hong Kong Stock Connect Programme and loosening of mortgage policy was therefore muted.

Markets surged during the last quarter of 2014, as investors responded positively to two major events. The long-awaited Shanghai-Hong Kong Stock Connect Programme was officially launched on 17 November, allowing investors in Shanghai and Hong Kong to engage in southbound and northbound trade respectively, and representing an important step towards China's capital market reform. On the other hand, the People's Bank of China (PBoC) on 21 November surprised markets by cutting the one-year benchmark deposit rate by 25bps to 2.75% and the one-year benchmark lending rate by 40bps to 5.6%, the first time since July 2012. The uptrend was further bolstered going into the first quarter of 2015 on the back of further monetary loosening, and the announcement made by the China Securities Regulatory Commission (CSRC) on 27 March 2015 that newly established domestic mutual funds in mainland China will be allowed to invest in Hong Kong stock market through Shanghai-Hong Kong Stock Connect without QDII quota.

## **Outlook**

To maintain a stable growth trajectory, the Chinese authorities have stepped up efforts in introducing pro-growth measures. On the monetary front, the central bank has been cutting rates and rolling out targeted liquidity measures to alleviate the cyclical economic pressures against a moderating growth backdrop. For the property market, the recent announcement on the cut to the down payment requirement for second home mortgages and property transaction tax, in combination with the recent policy rate cuts, should help stimulate home sales, support the second-hand property market and facilitate upgrading demand. In fact, there was pricing recovery for the first time in the past 13 months, where month-on-month price change turned positive, and Shanghai and Shenzhen saw the strongest price rebound among tier-1 cities.

There are also other potential positive catalysts on the horizon around economic and structural reforms. Premier Li Keqiang covered a wide range of key reform areas for 2015 at the recent National People's Congress, including financial, fiscal/tax, SOE and hukou reforms and laid out key growth strategies. The announcement of MRF and soon-to-be-launched Shenzhen Hong Kong Stock Connect programme represent further opening of China's capital market.

Recent volatility in Chinese equity markets have led to a raft of policy responses to support the market and we believe the Government could also potentially intensify policy support to the financial sector if there were more signs of risks spreading to the real economy and other asset markets such as property or the FX/debt market.

## Statement of assets and liabilities

As at 31 March 2015

	Note	2015 HK\$	2014 HK\$
<b>Assets</b>			
Investments at fair value through profit or loss	7, 12	2,795,193,821	1,594,407,195
Other receivables	8(c)	2,639,994	2,708,879
Cash and cash equivalents	8(d)	<u>199,280,592</u>	<u>174,128,049</u>
<b>Total assets</b>		<u>2,997,114,407</u>	<u>1,771,244,123</u>
<b>Liabilities</b>			
Taxation	6(b)	136,815,470	117,538,649
Deferred tax liabilities	6(c)	–	21,945,828
Accrued expenses and other payables	8(a), (b) & (c)	<u>4,381,454</u>	<u>2,915,977</u>
<b>Total liabilities</b>		<u>141,196,924</u>	<u>142,400,454</u>
<b>Net assets attributable to unitholders</b>		<u>2,855,917,483</u>	<u>1,628,843,669</u>
Representing:			
<b>Total equity</b>		<u>2,855,917,483</u>	<u>1,628,843,669</u>
<b>Number of units in issue</b>	10	<u>209,812,263</u>	<u>209,812,263</u>
<b>Net asset value per unit</b>		<u>13.61</u>	<u>7.76</u>



## Statement of comprehensive income

For the year ended 31 March 2015

	Note	2015 HK\$	2014 HK\$
Dividend income		37,156,873	38,231,422
Interest income on deposits	4, 8(d)	590,927	661,094
Net gains/(losses) from investments	5	1,234,715,803	(114,610,084)
Net foreign exchange gain/(loss)		<u>278,544</u>	<u>(308,783)</u>
<b>Net investment income/(loss)</b>		<u>1,272,742,147</u>	<u>(76,026,351)</u>
Management fees	8(a)	(29,248,485)	(26,971,382)
Transaction costs		(9,540,062)	(4,022,867)
Trustee's fees	8(b)	(2,167,598)	(2,014,990)
Custodian fees	8(c)	(1,754,400)	(1,678,321)
Auditor's remuneration		(600,409)	(630,986)
Legal and professional fees		(403,956)	(372,792)
Other operating expenses		<u>(995,156)</u>	<u>(894,584)</u>
<b>Operating expenses</b>		<u>(44,710,066)</u>	<u>(36,585,922)</u>
<b>Profit/(loss) before taxation</b>		1,228,032,081	(112,612,273)
Taxation	6(a)	<u>(958,267)</u>	<u>(10,745,406)</u>
<b>Increase/(decrease) in net assets attributable to unitholders and total comprehensive income for the year</b>		<u>1,227,073,814</u>	<u>(123,357,679)</u>

## Statement of changes in equity

For the year ended 31 March 2015

	Note	2015 HK\$	2014 HK\$
<b>Balance at the beginning of the year</b>		1,628,843,669	1,752,201,348
Increase/(decrease) in net assets attributable to unitholders and total comprehensive income for the year		<u>1,227,073,814</u>	<u>(123,357,679)</u>
<b>Balance at the end of the year</b>		<u>2,855,917,483</u>	<u>1,628,843,669</u>

## Cash flow statement

For the year ended 31 March 2015

	2015 HK\$	2014 HK\$
<b>Operating activities</b>		
Interest income received	590,927	661,094
Dividend income received	37,226,913	38,161,381
Management fees paid	(27,893,101)	(26,969,296)
Trustee's fees paid	(2,076,738)	(2,060,102)
Transaction costs paid	(9,540,062)	(4,022,867)
Tax paid	(3,466,700)	(3,640,892)
Proceeds from sales of investments	3,005,546,228	1,208,042,536
Payments for purchases of investments	(2,971,617,051)	(1,151,984,941)
Other operating expenses paid	<u>(3,659,081)</u>	<u>(3,918,948)</u>
<b>Net cash generated from operating activities</b>	<u>25,111,335</u>	<u>54,267,965</u>
<b>Net increase in cash and cash equivalents</b>	25,111,335	54,267,965
<b>Cash and cash equivalents at the beginning of the year</b>	174,128,049	119,915,808
<b>Effect of foreign exchange rates changes</b>	<u>41,208</u>	<u>(55,724)</u>
<b>Cash and cash equivalents at the end of the year</b>	<u>199,280,592</u>	<u>174,128,049</u>

# Notes to the financial statements

For the year ended 31 March 2015

## 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 (“QFII”) 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 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 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 year ended 31 March 2015 and 31 March 2014.

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 year ended 31 March 2014.

## **2 Significant accounting policies**

### ***(a) Statement of compliance***

The financial statements of the Fund have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong, the relevant disclosure provisions of the Trust Deed, as amended, and the relevant disclosure requirements of the Hong Kong Code on Unit Trusts and Mutual Funds issued by the SFC. A summary of the significant accounting policies adopted by the Fund is set out below.

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

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

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

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

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

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

**(c) Financial instruments**

**(i) Classification**

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

(iv) Fair value measurement principles

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 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" is net foreign exchange 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:

*Amendments to HKAS 32, Offsetting financial assets and financial liabilities*

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Fund.

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

**4 Interest income on deposits**

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

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

	<b>2015</b>	<b>2014</b>
	<b>HK\$</b>	<b>HK\$</b>
Realised gains/(losses)	573,974,454	(8,238,746)
Unrealised gains/(losses)	<u>660,741,349</u>	<u>(106,371,338)</u>
	<u><u>1,234,715,803</u></u>	<u><u>(114,610,084)</u></u>

Losses and gains presented above exclude dividend income.

## 6 Taxation

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

Under the current general provisions of the PRC Corporate Income Tax (“CIT”) Law and published tax circulars, technically 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 provided that the relevant requirements are satisfied. In the Fund’s case, as there are uncertainties as to whether the Fund can satisfy all the specific requirements to the satisfaction of the PRC tax authorities, any preferential tax treatment under an applicable tax treaty/tax arrangement may not be acceptable to the PRC tax authorities. 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. Based on available information and prevailing market practice, 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 unrealised 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 \$22,547,473 as at 14 November 2014 (as at 31 March 2014: \$21,945,828).

On 31 October 2014, the Ministry of Finance, the State Administration of Tax and the China Securities Regulatory Commission have jointly promulgated the Circular Concerning the Temporary Exemption of the Corporate Income Tax for Capital Gains Derived by Qualified Foreign Institutional Investors and Renminbi Qualified Foreign Institutional Investors from the Transfer of Domestic Shares and Other Equity Interest Investment in China (“the Circular”).

According to the Circular, QFIIs have been granted a temporary PRC CIT exemption on capital gains deriving from PRC A Shares and other equity interest investments in PRC enterprises on or after 17 November 2014. Realised capital gains generated by QFIIs prior to 17 November 2014 would remain subject to the 10% withholding tax - unless otherwise exempt under the applicable double tax treaty.

As a result of the announcement of the Circular, the most significant change for the Fund was the cessation of withholding 10% of unrealised gains on its investments in A Shares as deferred tax liabilities as at 17 November 2014. The deferred tax liabilities in respect of unrealised gains recognised on A Shares amounted to \$22,547,473 as at 14 November 2014 have been released to the Fund.

Further to the Circular, the Manager has received the Notice on Tax Issues (HGSS6ST[2015] No.2) jointly issued by the Third Branch of Shanghai Municipal Office, SAT and the Third Branch of Shanghai Municipal Bureau of Local Taxation (“the Shanghai Tax Bureaus”) on 1 April 2015 requesting the submission of tax documents and payment of the corresponding withholding tax by 30 September 2015 in respect of their PRC sourced income earned (including capital gains realised on the sale of PRC A Shares and other equity interest instruments prior to 17 November 2014). The Fund and the Manager, as the QFII investment quota holder, have appointed tax advisers and are in the process of preparing the tax filing to the Shanghai Tax Bureau. Since the Fund has already made \$136,815,470 taxation provision for the realised gains derived from PRC A Shares trading prior to 17 November 2014, it is unlikely to have a significant impact on the Fund’s net asset values as at 31 March 2015.

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

	<b>2015 HK\$</b>	<b>2014 HK\$</b>
PRC dividend and interest income withholding tax	1,144,869	4,182,487
PRC capital gains tax – current	21,759,226	7,323,648
PRC capital gains tax – deferred	(21,945,828)	(760,729)
	<u>958,267</u>	<u>10,745,406</u>

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

	<b>2015 HK\$</b>	<b>2014 HK\$</b>
PRC withholding tax provision relating to prior year	117,538,649	109,832,051
PRC withholding tax provision for the year	22,904,095	11,506,135
Payment of PRC withholding tax	(3,787,848)	(3,640,892)
Effect of foreign exchange	<u>160,574</u>	<u>(158,645)</u>
	<u>136,815,470</u>	<u>117,538,649</u>

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

	2015 HK\$	2014 HK\$
Balance at the beginning of the year	21,945,828	22,706,557
Charged to profit or loss	601,645	(760,729)
Released and credited to profit or loss	<u>(22,547,473)</u>	<u>—</u>
Balance at the end of the year	<u>—</u>	<u>21,945,828</u>

**7 Investments at fair value through profit or loss**

	2015 HK\$	2014 HK\$
Listed equities		
– in Hong Kong	-	41,864,840
– outside Hong Kong	2,381,583,201	1,324,405,018
Equity-linked instruments		
– warrants	328,998,980	197,324,590
– participation note	<u>84,611,640</u>	<u>30,812,747</u>
	<u>2,795,193,821</u>	<u>1,594,407,195</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. None of such transactions were connected transactions under the Main Board Listing Rules of the Stock Exchange.

(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 \$29,248,485 (2014: \$26,971,382) and \$3,452,501 (2014: \$2,097,117) 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 \$2,167,598 (2014: \$2,014,990) and \$284,744 (2014: \$193,884) 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 \$1,754,400 (2014: \$1,678,321) and \$395 (2014: \$233) respectively.

A minimum clearing reserve is required to be held with the QFII custodian. As at 31 March 2015, the Fund had \$2,639,994 (as at 31 March 2014: \$2,638,838) 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 2015 amounted to \$56,630,835 and \$142,649,757 respectively (2014: \$164,198 and \$173,963,851 respectively). During the year, no interest was earned from HSBC Hong Kong (2014: Nil). Interest earned from Bank of Communications Co Ltd amounted to \$590,927 (2014: \$661,094).

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

	<b>2015</b>	<b>2014</b>
	<b>HK\$</b>	<b>HK\$</b>
<b>The Hongkong and Shanghai Banking Corporation Limited</b>		
Commission paid for the year	—	—
Average rate of commission	—	—
Total aggregate value of such transactions for the year	533,958,425	18,160,713
Percentage of such transactions in value to total transactions for the year	8.97%	0.78%

- (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 during the year ended 31 March 2015 (2014: Nil). As at 31 March 2015, The Hongkong and Shanghai Banking Corporation Limited held 282,557 units (as at 31 March 2014: 282,557 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 Units in issue

	2015	2014
Number of units in issue	<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 year ended 31 March 2015 and 2014.

## 11 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 QFII 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 2015 are summarised below. Details of such investments held as at 31 March 2015 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 2015, 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 2014.



	2015			2014		
	% of total net assets	Change in price %	Effect on net assets attributable to the unitholders HK\$	% of total net assets	Change in price %	Effect on net assets attributable to the unitholders HK\$
<b>Investment assets</b>						
Listed equities						
– in Hong Kong	–	5	–	2.57	5	2,093,242
– outside Hong Kong	83.39	5	119,079,160	81.31	5	66,220,251
Equity-linked instruments:						
– warrants	11.52	5	16,449,949	12.12	5	9,866,230
– participation note	2.96	5	4,230,582	1.90	5	1,540,637
	<u>97.87</u>		<u>139,759,691</u>	<u>97.90</u>		<u>79,720,360</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.

	2015		
	Less than 1 year HK\$	Over 1 year HK\$	Total HK\$
<b>Assets</b>			
Cash and cash equivalents	<u>142,649,757</u>	<u>–</u>	<u>142,649,757</u>
<b>Total interest sensitivity gap</b>	<u>142,649,757</u>	<u>–</u>	<u>142,649,757</u>
	2014		
	Less than 1 year HK\$	Over 1 year HK\$	Total HK\$
<b>Assets</b>			
Cash and cash equivalents	<u>173,963,851</u>	<u>–</u>	<u>173,963,851</u>
<b>Total interest sensitivity gap</b>	<u>173,963,851</u>	<u>–</u>	<u>173,963,851</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 \$713,249 (2014: \$869,819); an equal change in the opposite direction would have reduced the net assets attributable to unitholders by an approximately equal amount. The analysis is performed on the same basis for 2014.

### (iii) Currency risk

The Fund may invest in financial investments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Fund is exposed to risks that the exchange rate of its functional currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than the Hong Kong dollars ("HKD").

The fluctuations in the rate of exchange between the currency in which the asset or liability is denominated and the functional currency could result in an appreciation or depreciation in the fair value of that asset or liability. The Manager may attempt to mitigate this risk by using financial derivative instruments.

In accordance with the Fund's policy, the Manager monitors the Fund's currency exposures on an ongoing basis.

At the date of statement of assets and liabilities the Fund had the following exposure (in Hong Kong dollars equivalent):

	<b>Assets HK\$</b>	<b>Liabilities HK\$</b>	<b>Net exposure HK\$</b>
<b>31 March 2015</b>			
Renminbi	2,526,872,952	(137,065,333)	2,389,807,619
United States dollar	<u>452,100,701</u>	<u>(395)</u>	<u>452,100,306</u>
	<u>2,978,973,653</u>	<u>(137,065,728)</u>	<u>2,841,907,925</u>
<b>31 March 2014</b>			
Renminbi	1,501,077,748	(139,734,229)	1,361,343,519
United States dollar	<u>228,301,535</u>	<u>(233)</u>	<u>228,301,302</u>
	<u>1,729,379,283</u>	<u>(139,734,462)</u>	<u>1,589,644,821</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 2015, the HKD weakened in relation to the Renminbi by less than 1%. At 31 March 2015, had the HKD further weakened in relation to the Renminbi by 1% (2014: 1%), with all other variables held constant, net assets attributable to unitholders would have increased by the amounts shown in the following table.

All amounts stated in Hong Kong dollars

	<b>HK\$</b>
<b>31 March 2015</b>	
Renminbi	<u>23,898,076</u>
<b>31 March 2014</b>	
Renminbi	<u>13,613,435</u>

A 1% (2014: 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 2014.

### **(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 2015, 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 31 March 2015 and 31 March 2014.

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 2015 and 2014, 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 2015 was \$129,235,017 (2014: \$145,425,929).

The Fund has one class of units in issue which is not redeemable by the unitholders. All financial liabilities have contractual maturities of less than three months. At both 31 March 2015 and 31 March 2014, there were no significant exposures to liquidity risk for the Fund.

**(d) Capital management**

At 31 March 2015, the Fund had \$2,855,917,483 (2014: \$1,628,843,669) 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.

**12 Fair value information**

The Fund's financial instruments are measured at fair value on the date of statement of assets and liabilities. Fair value estimates are made at a specified point in time, based on market

conditions and information about the financial instruments. Usually, fair values can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including dividend and other receivables, taxation, 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 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.

	<b>2015</b>		
	<b>Level 1 HK\$</b>	<b>Level 2 HK\$</b>	<b>Total HK\$</b>
Listed equities	2,381,583,201	–	2,381,583,201
Equity-linked instruments	–	413,610,620	413,610,620
	<u>2,381,583,201</u>	<u>413,610,620</u>	<u>2,795,193,821</u>

	<b>2014</b>		
	<b>Level 1 HK\$</b>	<b>Level 2 HK\$</b>	<b>Total HK\$</b>
Listed equities	1,366,269,858	–	1,366,269,858
Equity-linked instruments	–	228,137,337	228,137,337
	<u>1,366,269,858</u>	<u>228,137,337</u>	<u>1,594,407,195</u>

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

### 13 Segment information

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

The Manager'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.

### 14 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2015

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 March 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Fund:

	<b>Effective for accounting periods beginning on or after</b>
<i>Annual improvements to HKFRSs 2010-2012 cycle</i>	1 July 2014
<i>Annual improvements to HKFRSs 2011-2013 cycle</i>	1 July 2014
<i>HKFRS 9, Financial instruments</i>	1 January 2018

The Fund is in the process of making an assessment of what the impact of these amendments, new standards and interpretation 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 2015

	HSBC China Dragon Fund		
	Holdings	Market value HK\$	% of total net assets attributable to unitholders
<b>Equities</b>			
<i>Listed investments</i>			
<i>The People's Republic of China</i>			
Angang Steel Co Ltd – A Share	6,024,630	47,568,198	1.67
Anhui Water Resources Development Co Ltd – A Share	1,444,401	26,760,743	0.94
Apeloa Pharmaceutical Co Ltd – A Share	2,420,300	28,725,133	1.01
Baoshan Iron & Steel Co Ltd – A Share	5,092,800	45,300,799	1.59
Beijing Dabeinong Technology Group Co Ltd – A Share	1,352,000	40,858,442	1.43
Beijing Huaye Real Estate Co Ltd – A Share	2,473,076	40,628,656	1.42
Beijing New Building Materials Plc – A Share	368,876	14,631,652	0.51
Beijing Oriental Yuhong Waterproof Technology Co Ltd – A Share	261,300	13,837,960	0.48
Cangzhou Mingzhu Plastic Co Ltd – A Share	606,200	16,577,954	0.58
Changzhou Tiansheng Co Ltd – A Share	1,453,102	20,967,533	0.73
Chengdu Xingrong Investment Co Ltd – A Share	2,424,700	26,929,545	0.94
China COSCO Holdings Co Ltd – A Share	5,421,962	50,396,300	1.76
China Life Insurance Co Ltd – A Share	1,085,579	50,275,137	1.76
China Merchants Bank Co Ltd – A Share	1,296,850	25,225,954	0.88
China Merchants Energy Shipping Co Ltd – A Share	1,646,200	13,923,246	0.49
China Railway Construction Corp – A Share	2,871,259	66,719,773	2.34
China Shenhua Energy Co Ltd – A Share	878,250	22,042,829	0.77
China State Construction Engineering Corp Ltd – A Share	2,857,996	27,421,555	0.96
China Vanke Co Ltd – A Share	734,976	12,680,491	0.44
China Yangtze Power Co Ltd – A Share	1,720,720	23,388,822	0.82
Chongqing Changan Automobile Co Ltd – A Share	1,779,300	45,080,256	1.58
CITIC Securities Co Ltd – A Share	2,631,000	107,844,083	3.78
Citichamp Dartong Co Ltd – A Share	3,302,293	40,306,901	1.41
CPI Yuanda Environmental Protection (Group) Co Ltd – A Share	308,248	10,863,571	0.38
Daqin Railways Co Ltd – A Share	888,000	12,225,420	0.43
GoerTek Inc – A Share	1,132,384	47,095,213	1.65
Great Wall Motor Co Ltd – A Share	66,459	4,312,459	0.15
Gree Electric Appliances Inc – A Share	207,000	11,321,797	0.40
Guangdong Hongtu Technology Holdings Co Ltd – A Share	226,200	7,740,230	0.27
Haitong Securities Co Ltd – A Share	2,417,000	70,688,263	2.47
Hangzhou Binjiang Real Estate Group Co Ltd – A Share	1,698,300	27,963,985	0.98
Hua Xia Bank Co Ltd – A Share	1,601,541	25,830,544	0.90
Huagong Tech Co Ltd – A Share	126,264	2,522,303	0.09
Huatai Securities Co Ltd – A Share	1,389,484	52,215,642	1.83
Industrial & Commercial Bank of China Co Ltd – A Share	9,024,400	54,680,102	1.91
Inner Mongolia Yili Industrial Group Co Ltd – A Share	694,748	26,767,692	0.94



<b>HSBC China Dragon Fund</b>			
	<b>Holdings</b>	<b>Market value HK\$</b>	<b>% of total net assets attributable to unitholders</b>
Irico Display Devices Co Ltd – A Share	2,576,425	44,322,137	1.55
Jiangsu Changhai Composite Materials Co Ltd – A Share	750,011	27,763,136	0.97
Jiangsu Hengbao Co Ltd – A Share	1,447,304	38,404,624	1.34
JiaoZuo WanFang Aluminum Manufacturing Co Ltd – A Share	2,334,373	35,841,929	1.25
Jilin Aodong Medicine Industry Group Co Ltd – A Share	1,041,953	47,681,981	1.67
JSTI Group – A Share	1,158,844	29,707,874	1.04
Kingenta Ecological Engineering Group Co Ltd – A Share	578,386	26,583,784	0.93
Maanshan Iron & Steel Co Ltd – A Share	6,545,400	36,143,292	1.27
Neusoft Corp – A Share	415,139	14,584,048	0.51
New Hope Liuhe Co Ltd – A Share	1,256,100	32,483,574	1.14
Ningbo Yunsheng Group Co Ltd – A Share	836,607	24,195,897	0.85
ORG Packaging Co Ltd – A Share	600,997	26,564,361	0.93
PetroChina Co Ltd – A Share	3,321,600	48,675,967	1.70
Ping An Bank Co Ltd – A Share	2,637,960	51,906,053	1.82
Ping An Insurance Group Co Ltd – A Share	183,952	17,992,025	0.63
Poly Real Estate Group Co Ltd – A Share	2,795,613	40,164,664	1.41
Qifeng New Material Co Ltd – A Share	1,131,343	19,787,529	0.69
Qingdao Haier Co Ltd – A Share	1,273,022	41,064,013	1.44
RiseSun Real Estate Development Co Ltd – A Share	1,329,831	35,287,445	1.24
Shanghai Fosun Pharmaceutical (Group) Co Ltd – A Share	1,444,104	44,724,371	1.57
Shanghai International Airport Co Ltd – A Share	904,700	27,261,587	0.95
Shanghai Jinjiang International Hotels Development Co Ltd – A Share	361,925	13,003,992	0.46
Shanghai Pudong Development Bank Co Ltd – A Share	3,161,851	62,372,446	2.18
Shanghai Tunnel Engineering Co Ltd	2,265,300	31,441,918	1.10
Shenzhen Kaifa Technology Co Ltd – A Share	114,000	1,630,721	0.06
Shenzhen Overseas Chinese Town Holdings Co Ltd – A Share	2,602,900	31,347,561	1.10
Suning Universal Co Ltd – A Share	2,785,600	31,077,026	1.09
Sunshine City Group Co Ltd – A Share	1,342,000	33,615,234	1.18
Tianshui Huatian Technology Co Ltd – A Share	514,000	11,487,954	0.40
Weifu High-Technology Group Co Ltd – A Share	483,631	21,286,096	0.75
Wuhan Humanwell Hi-Tech Industry Co Ltd – A Share	503,805	22,576,837	0.79
Xiamen C & D Inc – A Share	1,889,092	33,229,592	1.16
Xiamen Faratronic Co Ltd – A Share	412,580	18,334,171	0.64
Xiamen King Long Motor Co Ltd – A Share	1,662,513	41,664,409	1.46
Yunnan Wenshan Electric Power Co Ltd – A Share	2,497,511	27,488,596	0.96
Zhejiang Wanfeng Auto Wheel Co Ltd	614,894	33,032,235	1.16
Zhejiang Yankon Group Co Ltd – A Share	2,953,154	43,903,819	1.54
ZTE Corp – A Share	1,854,799	50,631,120	1.77
		<u>2,381,583,201</u>	<u>83.39</u>
<b>Equities (Total)</b>		<u>2,381,583,201</u>	<u>83.39</u>

<b>HSBC China Dragon Fund</b>			
	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
<b>Equity-linked instruments</b>			
<i>Listed investments</i>			
Citigroup Global Markets Holding – Gree Electric Appliances Inc – A Share Covered American Call Warrants 15 January 2016	274,319	15,017,089	0.52
Citigroup Global Markets Holding – Ping An Insurance (Group) Co of China Ltd – A Share Covered American Call Warrants 15 January 2016	279,735	27,384,671	0.96
Credit Suisse Nassau – Hundsun Technologies Inc – Participation Note 26 February 2020	288,900	39,280,730	1.37
HSBC Bank Plc – China Merchants Bank Co Ltd – A Share Covered American Call Warrants 23 August 2023	2,325,576	45,300,310	1.59
HSBC Bank Plc – China Pacific Insurance (Group) Co Ltd – A Equity Covered American Call Warrants 19 February 2019	1,389,544	58,907,742	2.06
HSBC Bank Plc – China Vanke Co Ltd – A Share Warrants 11 February 2019	1,514,935	26,161,655	0.92
HSBC Bank Plc – Jiangsu Transportation – Covered Call Warrants 15 December 2024	778,502	19,975,228	0.70
HSBC Bank Plc – Livzon Pharmaceutical Group Inc – Warrants 4 December 2024	411,100	30,695,850	1.07
HSBC Bank Plc – Shanghai Pudong Development Bank – A Share Covered American Call Warrants 11 February 2019	1,096,288	21,652,328	0.76
		<u>284,375,603</u>	<u>9.95</u>
<i>Unlisted but quoted investments</i>			
CICC Financial Trading Ltd – China Everbright Bank Co – A Share Covered American Call Warrants 18 November 2017	9,720,700	57,492,828	2.01
CICC Financial Trading Ltd – Huaxia Bank Co Ltd – A Share Covered American Call Warrants 18 November 2017	1,636,100	26,411,278	0.93
CICC Financial Trading Ltd – Songz Automobile Air Condition Co Ltd – A Share Participation Note 11 December 2017	930,135	22,842,430	0.80
UBS – Inner Mongolia Yili Industrial Group Co Ltd – A Share Participation Note 4 September 2015	577,359	22,488,481	0.79
		<u>129,235,017</u>	<u>4.53</u>
<b>Equity-linked instruments (Total)</b>		<u>413,610,620</u>	<u>14.48</u>
<b>Total investments</b> (Total cost of investments: \$2,030,917,227)		2,795,193,821	97.87
<b>Other net liabilities</b>		<u>60,723,662</u>	<u>2.13</u>
<b>Total net assets attributable to unitholders</b>		<u>2,855,917,483</u>	<u>100.00</u>

## Statement of movements in portfolio holdings

For the year ended 31 March 2015

	<i>% of total net asset attributable to unitholders</i>	
	<b>2015</b>	<b>2014</b>
Equities	83.39	83.88
Equity-linked instruments	<u>14.48</u>	<u>14.01</u>
<b>Total investments</b>	97.87	97.89
<b>Other net assets</b>	<u>2.13</u>	<u>2.11</u>
<b>Net assets attributable to unitholders</b>	<u><u>100.00</u></u>	<u><u>100.00</u></u>

## Performance table

For the year ended 31 March 2015

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

*Year/period end*

31 March 2015	HK\$2,855,917,483
31 March 2014	HK\$1,628,843,669
31 March 2013	HK\$1,752,201,348
31 March 2012	HK\$2,757,478,558

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

*Year/period end*

31 March 2015	HK\$13.61
31 March 2014	HK\$7.76
31 March 2013	HK\$8.35
31 March 2012	HK\$7.89

### (c) *Price record (Dealing NAV)*

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.

<b>Year</b>	<b>Net asset value per unit</b>	
	<b>Lowest</b>	<b>Highest</b>
	<b>HK\$</b>	<b>HK\$</b>
2015	7.39	13.69
2014	7.60	9.58
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

## Issuance of Results

The audited annual report of the Fund for the period from 1 April 2014 to 31 March 2015 will be despatched to Unitholders on or about 31 July 2015.

Hong Kong, 27 July 2015

By Order of the Board  
**HSBC Global Asset Management (Hong Kong) Limited**  
as Manager of HSBC China Dragon Fund  
**Pedro BASTOS**  
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. BOTELHO BASTOS, Pedro Augusto, Dr. MALDONADO-CODINA, Guillermo Eduardo and Mr. TAM, Chun Pong Stephen. The non-executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. MARTIN, Kevin Ross, Mr. PACTON, Olivier, Mr. RIKHYE, Jayant and Ms. WONG, Pik Kuen Helen.

**IMPORTANT**

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**HSBC CHINA DRAGON FUND**

滙豐中國翔龍基金

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

**(Stock Code: 820)**

**Voluntary Announcement – Fund Performance**

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

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

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

The row “The Fund’s non A-share and non QFII investments” represents the indicative performance of the Fund’s other investments such as H-shares, red chips and B-shares.

The relevant figures are gross of 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 <sup>(2)</sup>									
	2015 Year-to- date	2014 full year	2013 full year	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>(3)</sup>
				Year-to- date since 1 January up to 31 December <sup>(1)</sup>	Year-to- date since 1 January up to 5 September <sup>(1)</sup>					
The Fund’s A-share and other QFII investments (gross of fees and net of capital gain tax provision) <sup>(1)</sup>	38.84%	32.32%	1.25%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
MSCI China A	33.88%	46.91%	1.02%	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.	N.A.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
MSCI China	N.A.	N.A.	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance <sup>(4)</sup>			
	up to 30 June 2015 <sup>(1)</sup>			up to 5 September 2012 <sup>(1)</sup>
	6 months	1 year	Since August 07 <sup>(3)</sup>	Since August 07 <sup>(3)</sup>
The Fund's A-share and other QFII investments (gross of fees and net of capital gain tax provision) <sup>(1)</sup>	38.84%	101.48%	63.56%	N.A.
MSCI China A	33.88%	112.33%	45.79%	N.A.
The Fund's non A-share and non QFII investments (gross of fees)	N.A.	N.A.	N.A.	-16.52%
MSCI China	N.A.	N.A.	N.A.	-15.50%

The following table demonstrates the performance of the Fund as a whole up to 30 June 2015. "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 June 2015:

	Calendar year performance <sup>(2)</sup>									Cumulative performance <sup>(4)</sup>		
	2015 year-to-date	2014 full year	2013 full year	2012 full year	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>(3)</sup>	6 months	1 year	Since August 07 <sup>(3)</sup>
Net asset value of the Fund (net of fees)	37.15%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	37.15%	98.19%	55.22%

As at 30 June 2015:

Net asset value per unit of the Fund:	HK\$15.32
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$12.56
Discount / Premium to net asset value:	18.02% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 June 2015. 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 July 2015

*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. BOTELHO BASTOS, Pedro Augusto, Dr. MALDONADO-CODINA, Guillermo Eduardo and Mr. TAM, Chun Pong Stephen . The non-executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. MARTIN, Kevin Ross, Mr. PACTON, Olivier, Ms. WONG Pik Kuen, Helen and Mr. RIKHYE, Jayant.*

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

**HSBC CHINA DRAGON FUND**  
**滙豐中國翔龍基金**

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

**Announcement**

**POSSIBLE CHANGE OF INVESTMENT OBJECTIVE,  
POSSIBLE ONE-OFF REDEMPTION OFFER, POSSIBLE ANNUAL REDEMPTION  
OFFER AND POSSIBLE CHANGES TO THE TRUST DEED OF THE FUND TO EFFECT  
THE POSSIBLE ANNUAL REDEMPTION OFFER**

Reference is made to the announcement by the Manager on 17 June 2015 (the "**Announcement**") in relation to the possible Change of Investment Objective, possible One-Off Redemption Offer, possible Annual Redemption Offer and possible changes to the trust deed of the Fund to effect the possible Annual Redemption Offer. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Manager wishes to update the Holders that the Manager is still considering the possible Change of Investment Objective, possible One-Off Redemption Offer, possible Annual Redemption Offer and possible changes to the trust deed of the Fund to effect the possible Annual Redemption Offer.

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

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

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



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

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

HSBC Global Asset Management (Hong Kong) Limited  
*Manager of HSBC China Dragon Fund*  
17 July 2015

*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. BOTELHO BASTOS, Pedro Augusto, Dr. MALDONADO-CODINA, Guillermo Eduardo and Mr. TAM, Chun Pong Stephen. The non-executive directors of the Manager are Dr. Rudolf Eduard Walter APENBRINK, Mr. MARTIN, Kevin Ross, Mr. PACTON, Olivier, Mr. RIKHYE, Jayant and Ms. WONG Pik Kuen, Helen.*

**IMPORTANT**

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**HSBC CHINA DRAGON FUND**

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**Voluntary Announcement – Fund Performance**

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

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

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

The row “The Fund’s non A-share and non QFII investments” represents the indicative performance of the Fund’s other investments such as H-shares, red chips and B-shares.

The relevant figures are gross of 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 <sup>(2)</sup>									
	2015 Year-to- date	2014 full year	2013 full year	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>(3)</sup>
				Year-to- date since 1 January up to 31 December <sup>(1)</sup>	Year-to- date since 1 January up to 5 September <sup>(1)</sup>					
The Fund’s A-share and other QFII investments (gross of fees and net of capital gain tax provision) <sup>(1)</sup>	48.45%	32.32%	1.25%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
MSCI China A	45.66%	46.91%	1.02%	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.	N.A.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
MSCI China	N.A.	N.A.	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance <sup>(4)</sup>			
	up to 29 May 2015 <sup>(1)</sup>			up to 5 September 2012 <sup>(1)</sup>
	6 months	1 year	Since August 07 <sup>(3)</sup>	Since August 07 <sup>(3)</sup>
The Fund's A-share and other QFII investments (gross of fees and net of capital gain tax provision) <sup>(1)</sup>	70.47%	119.42%	74.88%	N.A.
MSCI China A	74.58%	136.05%	58.61%	N.A.
The Fund's non A-share and non QFII investments (gross of fees)	N.A.	N.A.	N.A.	-16.52%
MSCI China	N.A.	N.A.	N.A.	-15.50%

The following table demonstrates the performance of the Fund as a whole up to 29 May 2015. "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 May 2015:

	Calendar year performance <sup>(2)</sup>									Cumulative performance <sup>(4)</sup>		
	2015 year-to-date	2014 full year	2013 full year	2012 full year	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>(3)</sup>	6 months	1 year	Since August 07 <sup>(3)</sup>
Net asset value of the Fund (net of fees)	47.63%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	69.13%	116.40%	67.07%

As at 29 May 2015:

Net asset value per unit of the Fund:	HK\$16.49
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$12.66
Discount / Premium to net asset value:	23.22% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 29 May 2015. 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 June 2015

*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. BOTELHO BASTOS, Pedro Augusto, Dr. MALDONADO-CODINA, Guillermo Eduardo and Mr. TAM, Chun Pong Stephen . The non-executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. MARTIN, Kevin Ross, Mr. PACTON, Olivier, Ms. WONG Pik Kuen, Helen and Mr. RIKHYE, Jayant.*

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**HSBC CHINA DRAGON FUND**

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**Announcement**

**POSSIBLE CHANGE OF INVESTMENT OBJECTIVE,  
POSSIBLE ONE-OFF REDEMPTION OFFER, POSSIBLE ANNUAL REDEMPTION  
OFFER AND POSSIBLE CHANGES TO THE TRUST DEED OF THE FUND TO  
EFFECT THE POSSIBLE ANNUAL REDEMPTION OFFER; CERTAIN UPDATE  
REGARDING THE TAX EXPOSURE OF THE FUND**

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

**Possible Change of Investment Objective, Possible One-off Redemption Offer, Possible Annual Redemption Offer and Possible Changes to the Trust Deed of the Fund to effect the Possible Annual Redemption Offer**

The Manager is considering, subject to certain outstanding matters, to seek Holders' approval on:

(i) the possible Change of Investment Objective: the Manager is considering to change the investment objective of the Fund such that the Fund may also invest in A Shares through the Stock Connect, subject to the condition that exposure to A Shares through the Stock Connect will not be more than 30% of the Fund's net asset value,

(ii) the possible One-Off Redemption Offer to the Holders: the Manager is considering to offer to all Holders a right to redeem part or all of their holdings in the Fund (subject to a redemption levy) at the applicable net asset value per unit of the Fund on a valuation day designated by the Manager after receiving approval from the Holders, subject to the Holders' compliance with certain conditions and procedures, the applicable laws and regulations (including but not limited to the applicable repatriation restrictions and regulations in PRC

and the applicable regulatory and tax clearance approval process in PRC) and the aggregate redemption of all Holders to be no more than 20% of the Fund's net asset value of the relevant valuation day,

(iii) the possible Annual Redemption Offer: the Manager may, if it at its discretion considers it is in the interests of the Holders to do so, offer a right to all Holders to redeem part or all of their holdings in the Fund (subject to a redemption levy) annually at the applicable net asset value per unit of the Fund on a valuation day designated by the Manager, subject to the Holders' compliance with certain conditions and procedures, the applicable laws and regulations (including but not limited to the applicable repatriation restrictions and regulations in PRC and the applicable regulatory and tax clearance approval process in PRC) and the aggregate redemption of all Holders to be no more than an aggregate upper limit to be determined by the Manager at its discretion, provided that there is no guarantee that such redemption right will be offered to the Holders on an annual basis, and

(iv) possible changes to the trust deed of the Fund to effect the possible Annual Redemption Offer.

Holders should note that the payments of redemption proceeds with respect to the One-Off Redemption Offer and the Annual Redemption Offer are subject to the applicable PRC repatriation rules and the regulatory and tax clearance approval process which may cause delays or adjustment in calculation of the repatriation limits.

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

#### **Certain Update Regarding the Tax Exposure of the Fund**

Further to the announcements of the Fund dated 17 November 2014, 25 November 2014 and 8 December 2014 in relation to certain changes to the tax provision practice of the Fund, the Qualified Foreign Institutional Investor ("QFII") for the Fund has recently received notification from the Shanghai Municipal Tax Bureau instructing the QFII to report and settle the enterprise income tax on the gains earned by the QFII from transfer of equity related investments in China before 30 September 2015 in accordance with the relevant provisions of the PRC Enterprise Income Tax rules and regulations and the *Circular Concerning the Temporary Exemption of the Enterprise Income Tax for Gains Earned by QFII and RQFII from Transfer of Domestic Shares and Other Equity Interest Investment in China* (the "**Circular**"). The notification does not contain details of the tax filing basis. It therefore remains uncertain as to how such gains or income that may be derived from the Fund's investments in QFII permissible investments prior to 17 November 2014 will be calculated/taxed and whether the Fund will ultimately be granted any capital gains tax relief under the PRC-Hong Kong double taxation arrangement. Please note any tax provision (including provisions previously made which have been retained by the Fund) may be more than or less than the Fund's actual tax liabilities.

1. Possible Change of Investment Objective, possible One-Off Redemption Offer, possible Annual Redemption Offer and possible changes to the trust deed of the Fund to effect the possible Annual Redemption Offer

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

(a) Possible Change of Investment Objective:

Currently, the investment objective of HSBC China Dragon Fund (the "**Fund**") is to achieve long-term capital growth by investing primarily in A Shares directly through the qualified foreign institutional investor ("**QFII**") 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 Chinese A Share access product ("**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 Securities and Futures Commission of Hong Kong ("**SFC**") with exposure to A Shares; provided that the Fund's investment in CAAPs and ETFs (including synthetic ETFs) authorised by the SFC with exposure to A Shares will not exceed 50% in the aggregate of its net asset value. The Manager may consider, amongst others, profitability, prospect, outlook, valuation and volatility of the relevant securities and markets, the availability of the investments, and the economic and political environment and development affecting the relevant securities and markets in its selection criteria of investments for the Fund.

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

The Manager is considering to change the investment objective of the Fund such that the Fund may also invest in A Shares through the Shanghai-Hong Kong Stock Connect and any other similar stock connect programme between another city of the PRC and Hong Kong when it becomes available to and can be utilised by the Fund (together, "**Stock Connect**"). Exposure to A Shares through the Stock Connect will not be more than 30% of the Fund's net asset value (the "**Change of Investment Objective**").

(b) Possible One-Off Redemption Offer:

The Manager is considering to offer to all holders of the Fund ("**Holders**") a right to redeem part or all of their holdings in the Fund (subject to a redemption levy) at the applicable net asset value per unit of the Fund on a valuation day designated by the Manager after receiving approval from the Holders, subject to the Holders' compliance with certain conditions and procedures, the applicable laws and regulations (including but not limited to the applicable repatriation restrictions and regulations in PRC and the applicable regulatory and tax clearance approval process in PRC) and the aggregate redemption of all Holders to be no more than 20% of the Fund's net asset value of the relevant valuation day ("**One-Off Redemption Offer**").

An independent financial advisor will be appointed to advise the Holders (other than any Holder that has a material interest in the One-Off Redemption Offer which is different from

the interests of all other Holders) as to whether the One-Off Redemption Offer is fair and reasonable as to acceptance and voting.

Holders should note that the possible One-Off Redemption Offer is different to the mandates previously granted to the Manager on 17 November 2009, 11 October 2010 and 26 September 2011 to repurchase units of the Fund on the secondary market of The Stock Exchange of Hong Kong Limited ("**Previous Mandates**") subject to the requirements under rule 10.06 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**The Stock Exchange**"). All the Previous Mandates have lapsed as of the date of this announcement.

On the other hand, the possible One-Off Redemption Offer offers a voluntary right to the Holders to redeem part or all of their units of the Fund at the net asset value of the relevant valuation day (subject to a redemption levy) as long as the aggregate redemption of all Holders to be no more than 20% of the Fund's net asset value of the relevant valuation day.

- (c) Possible Annual Redemption Offer and the possible changes to the trust deed of the Fund to effect the possible Annual Redemption Offer

The Manager is considering to seek Holders' one-off approval to grant a general redemption right to the Manager and to make corresponding changes to the trust deed of the Fund to effect the possible Annual Redemption Offer. Subject to the one-off passing of the proposed resolution for such general redemption right, the Manager may, if it at its discretion considers it is in the interests of the Holders to do so, offer a right to all Holders to redeem part or all of their holdings in the Fund (subject to a redemption levy) annually at the applicable net asset value per unit of the Fund on a valuation day designated by the Manager, subject to the Holders' compliance with certain conditions and procedures, the applicable laws and regulations (including but not limited to the applicable repatriation restrictions and regulations in PRC and the applicable regulatory and tax clearance approval process in PRC) and the aggregate redemption of all Holders to be no more than an aggregate upper limit to be determined by the Manager at its discretion, provided that there is no guarantee that such redemption right will be offered to the Holders on an annual basis (the "**Annual Redemption Offer**").

Subject to the Manager's obtaining the necessary one-off approval from the Holders of the proposed resolution of granting the above-mentioned general redemption right to the Manager, the Manager may exercise the Annual Redemption Offer at its discretion. Each of the Annual Redemption Offers will be subject to applicable regulatory approvals but will not be subject to any further approval of the Holders on a recurring basis.

Prior to seeking the Holders' one-off approval of the general redemption right to authorise the possible Annual Redemption Offer at the discretion of the Manager, an independent financial advisor will be appointed to advise the Holders (other than any Holder that has a material interest in the Annual Redemption Offer which is different from the interests of all other Holders) as to whether the possible Annual Redemption Offer is fair and reasonable as to acceptance and voting.

Subject to, amongst other things, the determination of the terms and conditions by the Manager and the obtaining of legal advice, the Manager will proceed to obtain approvals from the relevant regulators for the proposed (1) Change of Investment Objective, (2) One-Off Redemption Offer, (3) Annual Redemption Offer and (4) changes to the trust deed of the



Fund to effect the possible Annual Redemption Offer. The Manager will then publish a further announcement and a circular to Holders, and convene a general meeting to seek approvals of the Holders by way of an extraordinary resolution to approve (1) the possible Change of Investment Objective, (2) the possible One-Off Redemption Offer, (3) the possible Annual Redemption Offer and (4) the possible changes to the trust deed of the Fund to effect the possible Annual Redemption Offer.

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

It should be noted that it is the Manager's intention for the Fund to continue to be listed on The Stock Exchange as a close-ended fund after the possible Change of Investment Objective, the possible One-Off Redemption Offer, the possible Annual Redemption Offer and the possible changes to the trust deed of the Fund to effect the possible Annual Redemption Offer. Following the (1) the possible Change of Investment Objective, (2) the possible One-Off Redemption Offer, (3) the possible Annual Redemption Offer and (4) the possible changes to the trust deed of the Fund to effect the possible Annual Redemption Offer, The Stock Exchange will continue to be the only market on which the units of the Fund are listed and traded.

(d) Payment of Redemption Proceeds

A redemption levy, which is up to 2% of the net asset value of the units of the Fund being redeemed pursuant to the One-Off Redemption Offer or an Annual Redemption Offer (i.e. the redemption price), incorporates commission, stamp duty, transaction cost and total market impact of implementation (i.e. the price difference during the order implementation between the execution price and the price at the time of valuation) will be deducted from the redemption price and will be retained by the Fund for the benefit of the Fund.

Holders should note that the payments of redemption proceeds with respect to the One-Off Redemption Offer and the Annual Redemption Offer are subject to the applicable PRC repatriation rules and the regulatory and tax clearance approval process which may cause delays or adjustment in calculation of the repatriation limits.

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

2. Tax Exposure of the Fund

On 14 November 2014, the Ministry of Finance, the State Administration of Tax and the China Securities Regulatory Commission have jointly promulgated the Circular.

According to the Circular, amongst other things:

(i) enterprise income tax shall be exempt on a temporary basis on the gains earned by QFIIs from the transfer of domestic shares and other equity interest investment in China with effect from 17 November 2014; and

(ii) enterprise income tax shall be imposed on such gains earned by QFIIs before 17 November 2014 in accordance with the tax laws.

As a result of the promulgation of the Circular, the Fund:

(i) has released the amount of tax provision for unrealized gains on the Fund's investments in A Shares and generally in other securities linked to A Shares withheld by the Fund as a tax provision as of 14 November 2014 (the last Valuation Day before 17 November 2014), resulting in an actual increase of HK\$21,448,613.22 (1.225% or HK\$0.110 per unit of the Fund) on the net asset value of the Fund as of 14 November 2014;

(ii) has ceased withholding 10% of unrealized gains on its investments in A Shares and generally in other securities linked to A Shares as a tax provision from 14 November 2014 on the basis that any gains subsequently realized from 17 November 2014 onwards will be temporarily exempt from enterprise income tax;

(iii) has ceased to withhold 10% of realized gains on its investments in A Shares and generally in other securities linked to A Shares as a tax provision from 17 November 2014; and

(iv) has continued to retain the amount withheld from the launch of the Fund up to and including 14 November 2014 as a tax provision with respect to realized gains on its investments in A Shares and generally in other securities linked to A Shares.

Announcements have been made by the Fund on 17 November 2014, 25 November 2014 and 8 December 2014 in relation to certain changes to the tax provision practice of the Fund as set out above. Following the issuance of the Circular, the QFII for the Fund has recently received notification from the Shanghai Municipal Tax Bureau instructing the QFII to report and settle the enterprise income tax on the gains earned by the QFII from transfer of equity related investments in China before 30 September 2015 in accordance with the relevant provisions of the PRC Enterprise Income Tax rules and regulations and the Circular. The QFII is expected to be required to file the relevant documents and records in relation to the capital gains it earned since the commencement of their investment in the PRC via its quotas with the Shanghai Municipal Tax Bureau.

The notification issued by the Shanghai Municipal Tax Bureau does not contain details of the tax filing basis. It therefore remains uncertain as to how such gains or income that may be derived from the Fund's investments in QFII permissible investments prior to 17 November 2014 will be calculated/taxed and whether the Fund will ultimately be granted any capital gains tax relief under the PRC-Hong Kong double taxation arrangement. Please note any tax provision (including provisions previously made which have been retained by the Fund) may be more than or less than the Fund's actual tax liabilities. In the event that the Manager considers that the tax provisions of the Fund are not sufficient, it will consider making additional tax provision. 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. In addition, the Manager may in its discretion make further modification to the tax provision practice of the Fund as more clarity is provided by the PRC tax authorities, and further announcement will be made accordingly.

Investors may be advantaged or disadvantaged depending upon how the gains and income of the Fund will ultimately be taxed and when the investors purchased/subscribed and/or sold/redeemed the units of the Fund. Investors should note that no Holders 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.

### 3. General Information

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

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

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

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

HSBC Global Asset Management (Hong Kong) Limited  
*Manager of HSBC China Dragon Fund*  
17 June 2015

*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. BOTELHO BASTOS, Pedro Augusto, Dr. MALDONADO-CODINA, Guillermo Eduardo and Mr. TAM, Chun Pong Stephen. The non-executive directors of the Manager are Dr. Rudolf Eduard Walter APENBRINK, Mr. MARTIN, Kevin Ross, Mr. PACTON, Olivier, Mr. RIKHYE, Jayant and Ms. WONG Pik Kuen, Helen.*

<b>IMPORTANT</b>
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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**

**Change of Director**

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

1. Dr. APENBRINK, Rudolf Eduard Walter has been appointed as the Director of the Manager with effect from 3 June 2015.
2. Mr. CHANDRASEKHARAN, Sridhar has resigned as the Director of the Manager with effect from 3 June 2015.

The Offering Circular of the Fund has been revised accordingly. A copy of the Offering Circular dated 3 June 2015 has been posted on the Fund's website on 3 June 2015.

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

Investors who have any questions regarding the above may contact the Manager at Level 22, HSBC Main Building, 1 Queen's Road Central, Hong Kong (telephone number: (852) 2284 1229).

HSBC Global Asset Management (Hong Kong) Limited  
Manager of HSBC China Dragon Fund  
3 June 2015

*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. BOTELHO BASTOS, Pedro Augusto, Dr. MALDONADO-CODINA, Guillermo Eduardo and Mr. TAM, Chun Pong Stephen. The non-executive directors of the Manager are Dr. APENBRINK, Rudolf Eduard Walter, Mr. MARTIN, Kevin Ross, Mr. PACTON, Olivier, Ms. WONG Pik Kuen, Helen and Mr. RIKHYE, Jayant.*

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**HSBC CHINA DRAGON FUND**

滙豐中國翔龍基金

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

**(Stock Code: 820)**

**Voluntary Announcement – Fund Performance**

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

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

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

The row “The Fund’s non A-share and non QFII investments” represents the indicative performance of the Fund’s other investments such as H-shares, red chips and B-shares.

The relevant figures are gross of 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 <sup>(2)</sup>									
	2015 Year-to- date	2014 full year	2013 full year	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>(3)</sup>
				Year-to- date since 1 January up to 31 December <sup>(1)</sup>	Year-to- date since 1 January up to 5 September <sup>(1)</sup>					
The Fund’s A-share and other QFII investments (gross of fees and net of capital gain tax provision) <sup>(1)</sup>	43.80%	32.32%	1.25%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
MSCI China A	38.89%	46.91%	1.02%	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.	N.A.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
MSCI China	N.A.	N.A.	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance <sup>(4)</sup>			
	up to 30 April 2015 <sup>(1)</sup>			up to 5 September 2012 <sup>(1)</sup>
	6 months	1 year	Since August 07 <sup>(3)</sup>	Since August 07 <sup>(3)</sup>
The Fund's A-share and other QFII investments (gross of fees and net of capital gain tax provision) <sup>(1)</sup>	83.44%	111.93%	69.40%	N.A.
MSCI China A	82.96%	126.33%	51.24%	N.A.
The Fund's non A-share and non QFII investments (gross of fees)	N.A.	N.A.	N.A.	-16.52%
MSCI China	N.A.	N.A.	N.A.	-15.50%

The following table demonstrates the performance of the Fund as a whole up to 30 April 2015. "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 April 2015:

	Calendar year performance <sup>(2)</sup>									Cumulative performance <sup>(4)</sup>		
	2015 year-to-date	2014 full year	2013 full year	2012 full year	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>(3)</sup>	6 months	1 year	Since August 07 <sup>(3)</sup>
Net asset value of the Fund (net of fees)	43.33%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	82.55%	109.01%	62.21%

As at 30 April 2015:

Net asset value per unit of the Fund:	HK\$16.01
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$11.30
Discount / Premium to net asset value:	29.42% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 April 2015. 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 2015

*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. BOTELHO BASTOS, Pedro Augusto, Dr. MALDONADO-CODINA, Guillermo Eduardo and Mr. TAM, Chun Pong Stephen . The non-executive directors of the Manager are Mr. CHANDRASEKHARAN, Sridhar, Mr. MARTIN, Kevin Ross, Mr. PACTON, Olivier, Ms. WONG Pik Kuen, Helen and Mr. RIKHYE, Jayant.*

<b>IMPORTANT</b>
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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**

**Change of Director**

HSBC Global Asset Management (Hong Kong) Limited, as the Manager of the Fund, hereby announces that Mr. CONXICOEUR, Patrice Pierre Henri has resigned as the Director of the Manager with effect from 6 May 2015.

The Offering Circular of the Fund has been revised accordingly. A copy of the Offering Circular dated 6 May 2015 has been posted on the Fund's website on 6 May 2015.

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

Investors who have any questions regarding the above may contact the Manager at Level 22, HSBC Main Building, 1 Queen's Road Central, Hong Kong (telephone number: (852) 2284 1229).

HSBC Global Asset Management (Hong Kong) Limited  
Manager of HSBC China Dragon Fund  
6 May 2015

*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. BOTELHO BASTOS, Pedro Augusto, Dr. MALDONADO-CODINA, Guillermo Eduardo and Mr. TAM, Chun Pong Stephen. The non-executive directors of the Manager are Mr. CHANDRASEKHARAN, Sridhar, Mr. MARTIN, Kevin Ross, Mr. PACTON, Olivier, Ms. WONG Pik Kuen, Helen and Mr. RIKHYE, Jayant.*



**IMPORTANT**

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**HSBC CHINA DRAGON FUND**

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**(Stock Code: 820)**

**Voluntary Announcement – Fund Performance**

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

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

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

The row “The Fund’s non A-share and non QFII investments” represents the indicative performance of the Fund’s other investments such as H-shares, red chips and B-shares.

The relevant figures are gross of 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 <sup>(2)</sup>									
	2015 Year-to- date	2014 full year	2013 full year	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>(3)</sup>
				Year-to- date since 1 January up to 31 December <sup>(1)</sup>	Year-to- date since 1 January up to 5 September <sup>(1)</sup>					
The Fund’s A-share and other QFII investments (gross of fees and net of capital gain tax provision) <sup>(1)</sup>	22.40%	32.32%	1.25%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
MSCI China A	18.69%	46.91%	1.02%	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.	N.A.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
MSCI China	N.A.	N.A.	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance <sup>(4)</sup>			
	up to 31 March 2015 <sup>(1)</sup>			up to 5 September 2012 <sup>(1)</sup>
	6 months	1 year	Since August 07 <sup>(3)</sup>	Since August 07 <sup>(3)</sup>
The Fund's A-share and other QFII investments (gross of fees and net of capital gain tax provision) <sup>(1)</sup>	58.77%	78.17%	44.19%	N.A.
MSCI China A	60.33%	92.11%	29.25%	N.A.
The Fund's non A-share and non QFII investments (gross of fees)	N.A.	N.A.	N.A.	-16.52%
MSCI China	N.A.	N.A.	N.A.	-15.50%

The following table demonstrates the performance of the Fund as a whole up to 31 March 2015. "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 March 2015:

	Calendar year performance <sup>(2)</sup>									Cumulative performance <sup>(4)</sup>		
	2015 year-to-date	2014 full year	2013 full year	2012 full year	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>(3)</sup>	6 months	1 year	Since August 07 <sup>(3)</sup>
Net asset value of the Fund (net of fees)	21.93%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	57.64%	75.29%	37.99%

As at 31 March 2015:

Net asset value per unit of the Fund:	HK\$13.62
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$9.90
Discount / Premium to net asset value:	27.31% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 March 2015. 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  
23 April 2015

*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. BOTELHO BASTOS, Pedro Augusto, Mr. CONXICOEUR, Patrice Pierre Henri, Dr. MALDONADO-CODINA, Guillermo Eduardo and Mr. TAM, Chun Pong Stephen . The non-executive directors of the Manager are Mr. CHANDRASEKHARAN, Sridhar, Mr. MARTIN, Kevin Ross, Mr. PACTON, Olivier, Ms. WONG Pik Kuen, Helen and Mr. RIKHYE, Jayant.*

**IMPORTANT**

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**HSBC CHINA DRAGON FUND**

滙豐中國翔龍基金

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

**(Stock Code: 820)**

**Voluntary Announcement – Fund Performance**

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

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

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

The row “The Fund’s non A-share and non QFII investments” represents the indicative performance of the Fund’s other investments such as H-shares, red chips and B-shares.

The relevant figures are gross of 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 <sup>(2)</sup>									
	2015 Year-to- date	2014 full year	2013 full year	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>(3)</sup>
				Year-to- date since 1 January up to 31 December <sup>(1)</sup>	Year-to- date since 1 January up to 5 September <sup>(1)</sup>					
The Fund’s A-share and other QFII investments (gross of fees and net of capital gain tax provision) <sup>(1)</sup>	5.66%	32.32%	1.25%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
MSCI China A	2.21%	46.91%	1.02%	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.	N.A.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
MSCI China	N.A.	N.A.	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance <sup>(4)</sup>			
	up to 27 February 2015 <sup>(1)</sup>			up to 5 September 2012 <sup>(1)</sup>
	6 months	1 year	Since August 07 <sup>(3)</sup>	Since August 07 <sup>(3)</sup>
The Fund's A-share and other QFII investments (gross of fees and net of capital gain tax provision) <sup>(1)</sup>	42.17%	52.18%	24.48%	N.A.
MSCI China A	46.24%	60.44%	11.29%	N.A.
The Fund's non A-share and non QFII investments (gross of fees)	N.A.	N.A.	N.A.	-16.52%
MSCI China	N.A.	N.A.	N.A.	-15.50%

The following table demonstrates the performance of the Fund as a whole up to 27 February 2015. "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 27 February 2015:

	Calendar year performance <sup>(2)</sup>									Cumulative performance <sup>(4)</sup>		
	2015 year-to-date	2014 full year	2013 full year	2012 full year	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>(3)</sup>	6 months	1 year	Since August 07 <sup>(3)</sup>
Net asset value of the Fund (net of fees)	5.55%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	41.54%	50.00%	19.45%

As at 27 February 2015:

Net asset value per unit of the Fund:	HK\$11.79
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$8.67
Discount / Premium to net asset value:	26.46% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 27 February 2015. 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 March 2015

*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. BOTELHO BASTOS, Pedro Augusto, Mr. CONXICOEUR, Patrice Pierre Henri, Dr. MALDONADO-CODINA, Guillermo Eduardo and Mr. TAM, Chun Pong Stephen . The non-executive directors of the Manager are Mr. CHANDRASEKHARAN, Sridhar, Mr. MARTIN, Kevin Ross, Mr. PACTON, Olivier and Mr. RIKHYE, Jayant.*

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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**

**Change of Director**

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

1. Ms. WONG Pik Kuen, Helen has been appointed as the Director of the Manager with effect from 1 March 2015.
2. Mr. YIP, Sze Ki has resigned as the Director of the Manager with effect from 1 March 2015.

The Offering Circular of the Fund has been revised accordingly. A copy of the Offering Circular dated 2 March 2015 has been posted on the Fund's website on 2 March 2015.

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

Investors who have any questions regarding the above may contact the Manager at Level 22, HSBC Main Building, 1 Queen's Road Central, Hong Kong (telephone number: (852) 2284 1229).

HSBC Global Asset Management (Hong Kong) Limited  
Manager of HSBC China Dragon Fund  
2 March 2015

*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. BOTELHO BASTOS, Pedro Augusto, Mr. CONXICOEUR, Patrice Pierre Henri, Dr. MALDONADO-CODINA, Guillermo Eduardo and Mr. TAM, Chun Pong Stephen. The non-executive directors of the Manager are Mr. CHANDRASEKHARAN, Sridhar, Mr. MARTIN, Kevin Ross, Mr. PACTON, Olivier, Mr. RIKHYE, Jayant and Ms. WONG, Pik Kuen, Helen.*

**IMPORTANT**

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**HSBC CHINA DRAGON FUND**

滙豐中國翔龍基金

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

**(Stock Code: 820)**

**Voluntary Announcement – Fund Performance**

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

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

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

The row “The Fund’s non A-share and non QFII investments” represents the indicative performance of the Fund’s other investments such as H-shares, red chips and B-shares.

The relevant figures are gross of 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 <sup>(2)</sup>									
	2015 Year-to- date	2014 full year	2013 full year	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>(3)</sup>
				Year-to- date since 1 January up to 31 December <sup>(1)</sup>	Year-to- date since 1 January up to 5 September <sup>(1)</sup>					
The Fund’s A-share and other QFII investments (gross of fees and net of capital gain tax provision) <sup>(1)</sup>	1.62%	32.32%	1.25%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
MSCI China A	-1.97%	46.91%	1.02%	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.	N.A.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
MSCI China	N.A.	N.A.	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%



	Cumulative performance <sup>(4)</sup>			
	up to 30 January 2015 <sup>(1)</sup>			up to 5 September 2012 <sup>(1)</sup>
	6 months	1 year	Since August 07 <sup>(3)</sup>	Since August 07 <sup>(3)</sup>
The Fund's A-share and other QFII investments (gross of fees and net of capital gain tax provision) <sup>(1)</sup>	36.93%	42.04%	19.71%	N.A.
MSCI China A	41.04%	50.58%	6.74%	N.A.
The Fund's non A-share and non QFII investments (gross of fees)	N.A.	N.A.	N.A.	-16.52%
MSCI China	N.A.	N.A.	N.A.	-15.50%

The following table demonstrates the performance of the Fund as a whole up to 30 January 2015. "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 January 2015:

	Calendar year performance <sup>(2)</sup>									Cumulative performance <sup>(4)</sup>		
	2015 year-to-date	2014 full year	2013 full year	2012 full year	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>(3)</sup>	6 months	1 year	Since August 07 <sup>(3)</sup>
Net asset value of the Fund (net of fees)	1.61%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	36.25%	40.12%	14.99%

As at 30 January 2015:

Net asset value per unit of the Fund:	HK\$11.35
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$8.60
Discount / Premium to net asset value:	24.23% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 January 2015. 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 February 2015

*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. BOTELHO BASTOS, Pedro Augusto, Mr. CONXICOEUR, Patrice Pierre Henri, Dr. MALDONADO-CODINA, Guillermo Eduardo and Mr. TAM, Chun Pong Stephen . The non-executive directors of the Manager are Mr. CHANDRASEKHARAN, Sridhar, Mr. MARTIN, Kevin Ross, Mr. PACTON, Olivier, Mr. RIKHYE, Jayant and Mr. YIP, Sze Ki.*

<b>IMPORTANT</b>
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**HSBC CHINA DRAGON FUND**

**滙豐中國翔龍基金**

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(Chapter 571 of the Laws of Hong Kong)*

**(Stock Code: 820)**

**Announcement**

**Change of Director**

HSBC Global Asset Management (Hong Kong) Limited, as the Manager of the Fund, hereby announces that Ms FUNG, Yuen Mei Anita has been resigned as the Director of the Manager with effect from 23 February 2015.

The Offering Circular of the Fund has been revised accordingly. A copy of the Offering Circular dated 23 February 2015 has been posted on the Fund's website on 23 February 2015.

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

Investors who have any questions regarding the above may contact the Manager at Level 22, HSBC Main Building, 1 Queen's Road Central, Hong Kong (telephone number: (852) 2284 1229).

HSBC Global Asset Management (Hong Kong) Limited  
Manager of HSBC China Dragon Fund  
23 February 2015

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The executive directors of the Manager are Mr. BERRY, Stuart Glenn, Mr. BOTELHO BASTOS, Pedro Augusto, Mr. CONXICOEUR, Patrice Pierre Henri, Dr. MALDONADO-CODINA, Guillermo Eduardo and Mr. TAM, Chun Pong Stephen. The non-executive directors of the Manager are Mr. CHANDRASEKHARAN, Sridhar, Mr. MARTIN, Kevin Ross, Mr. PACTON, Olivier, Mr. RIKHYE, Jayant and Mr. YIP, Sze Ki.*

<b>IMPORTANT</b>
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**HSBC CHINA DRAGON FUND**

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**(Stock Code: 820)**

**Announcement**

**Change of Director**

HSBC Global Asset Management (Hong Kong) Limited, as the Manager of the Fund, hereby announces that Ms Julie KOO has been resigned as the Director of the Manager with effect from 6 February 2015.

The Offering Circular of the Fund has been revised accordingly. A copy of the Offering Circular dated 9 February 2015 has been posted on the Fund's website on 9 February 2015.

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

Investors who have any questions regarding the above may contact the Manager at Level 22, HSBC Main Building, 1 Queen's Road Central, Hong Kong (telephone number: (852) 2284 1229).

HSBC Global Asset Management (Hong Kong) Limited  
Manager of HSBC China Dragon Fund  
9 February 2015

*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. BOTELHO BASTOS, Pedro Augusto, Mr. CONXICOEUR, Patrice Pierre Henri, Dr. MALDONADO-CODINA, Guillermo Eduardo and Mr. TAM, Chun Pong Stephen. The non-executive directors of the Manager are Mr. CHANDRASEKHARAN, Sridhar, Ms. FUNG, Yuen Mei Anita, Mr. MARTIN, Kevin Ross, Mr. PACTON, Olivier, Mr. RIKHYE, Jayant and Mr. YIP, Sze Ki.*

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**HSBC CHINA DRAGON FUND**

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**Voluntary Announcement – Fund Performance**

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

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

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

The row “The Fund’s non A-share and non QFII investments” represents the indicative performance of the Fund’s other investments such as H-shares, red chips and B-shares.

The relevant figures are gross of 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 <sup>(2)</sup>								
	2014 Year-to-date	2013 full year	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>(3)</sup>
			Year-to-date since 1 January up to 31 December <sup>(1)</sup>	Year-to-date since 1 January up to 5 September <sup>(1)</sup>					
The Fund's A-share and other QFII investments (gross of fees and net of capital gain tax provision) <sup>(1)</sup>	32.32%	1.25%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
MSCI China A	46.91%	1.02%	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.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
MSCI China	N.A.	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance <sup>(4)</sup>			
	up to 31 December 2014 <sup>(1)</sup>			up to 5 September 2012 <sup>(1)</sup>
	6 months	1 year	Since August 07 <sup>(3)</sup>	Since August 07 <sup>(3)</sup>
The Fund’s A-share and other QFII investments (gross of fees and net of capital gain tax provision) <sup>(1)</sup>	45.12%	32.32%	17.80%	N.A.
<i>MSCI China A</i>	58.60%	46.91%	8.89%	N.A.
The Fund’s non A-share and non QFII investments (gross of fees)	N.A.	N.A.	N.A.	-16.52%
<i>MSCI China</i>	N.A.	N.A.	N.A.	-15.50%

The following table demonstrates the performance of the Fund as a whole up to 31 December 2014. "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 December 2014:

	Calendar year performance <sup>(2)</sup>								Cumulative performance <sup>(4)</sup>		
	2014 year-to- date	2013 full year	2012 full year	2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 <sup>(3)</sup>	6 months	1 year	Since August 07 <sup>(3)</sup>
Net asset value of the Fund (net of fees)	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	44.50%	30.49%	13.17%

As at 31 December 2014:

Net asset value per unit of the Fund:	HK\$11.17
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$8.41
Discount / Premium to net asset value:	24.71% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 December 2014. All performance figures are total return figures in Hong Kong dollars.

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

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

Note:

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HSBC Global Asset Management (Hong Kong) Limited  
Manager of HSBC China Dragon Fund  
23 January 2015

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