
HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

(Stock Code: 820)

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IMPORTANT

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HSBC CHINA DRAGON FUND
滙豐中國翔龍基金

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

(Stock Code: 820)
Voluntary Announcement – Fund Performance

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

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

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

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

The relevant figures are gross of fees and (if any) net of capital gain tax provision performances calculated from internal sources; and are for indicative purpose only. Returns would be lower once fees are deducted. The performances of the indices are quoted for indicative comparison purpose only and the indices are not the benchmarks of the Fund.

	Calendar year performance ⁽²⁾										
	2016 Year-to- date ⁽¹⁾	2015 full year	2014 full year	2013 full year	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾
					Year-to- date since 1 January up to 31 December ⁽¹⁾	Year-to- date since 1 January up to 5 September ⁽¹⁾					
The Fund’s A- share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	-7.50%	12.64%	32.32%	1.25%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
<i>MSCI China A</i>	-13.07%	7.15%	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.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
<i>MSCI China</i>	N.A.	N.A.	N.A.	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance ⁽⁴⁾			
	up to 30 November 2016 ⁽¹⁾			up to 5 September 2012 ⁽¹⁾
	6 months	1 year	Since August 07 ⁽³⁾	Since August 07 ⁽³⁾
The Fund's A-share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	10.91%	-5.84%	22.74%	N.A.
<i>MSCI China A</i>	7.54%	-10.64%	1.43%	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 30 November 2016. "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 2016:

	Calendar year performance ⁽²⁾										Cumulative performance ⁽⁴⁾		
	2016 year-to-date	2015 full year	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 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾
Net asset value of the Fund (net of fees) ⁽¹⁾	-7.99%	9.85%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	10.25%	-6.54%	14.39%

As at 30 November 2016:

Net asset value per unit of the Fund:	HK\$11.29
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$8.95
Discount / Premium to net asset value:	20.73% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 November 2016. 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
19 December 2016

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 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)

30 November 2016

Dear Unitholders,

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

The 2016 Interim Report (the “Document”) of HSBC China Dragon Fund (the “Fund”) has been prepared in English and Chinese. Copies prepared in the language different from those you have received are available from Computershare Hong Kong Investor Services Limited (the Fund’s Registrar) on request, or on the Fund’s website at www.assetmanagement.hsbc.com/hk-chinadragonfund for five (5) years from the date of first publication and the HKExnews’s at www.hkexnews.hk.

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

Should you have any queries relating to this letter, please call the enquiry hotline at (852) 2862 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

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」)2016中期報告(「該文件」)備有英文及中文版。香港中央證券登記有限公司(本基金之過戶登記處)在收到閣下的要求後，可提供閣下所收到的版本以外另一種語言編製的版本。有關文件亦將由首次刊載日期起計五(5)年內刊載於本基金網站 www.assetmanagement.hsbc.com/hk-chinadragonfund 內，並於香港交易所披露易網站 www.hkexnews.hk 登載。

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

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

2016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: **滙豐中國翔龍基金(「本基金」)**
經香港中央證券登記有限公司
香港灣仔皇后大道東183號
合和中心17M樓

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

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

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

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

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

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

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

Name(s) of Unitholders#
基金單位持有人姓名#

Date
日期

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

Address#
地址#

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

Contact telephone number
聯絡電話號碼

Signature(s)
簽名

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

Notes/附註:

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

閣下寄回此變更申請表格時, 請將郵寄標籤剪貼於信封上。

如在本港投寄毋須貼上郵票。

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

No postage stamp necessary if posted in Hong Kong.

郵寄標籤 MAILING LABEL

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

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)

Managed by
HSBC Global Asset Management (Hong Kong) Limited

2016 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 2016 to 30 September 2016.

The interim results of the Fund for the period from 1 April 2016 to 30 September 2016 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 2016 to 30 September 2016.

Manager's report

Market review

Onshore Chinese equities stabilised during the 6-month period after experiencing bouts of volatility in the beginning of the year triggered by growth scares, opaque policy communication and volatility in the renminbi.

Market embraced a relatively stabilised start to the second quarter of the year, as the stronger-than expected macro activity data points helped alleviate concerns over a further growth deceleration in China. Meanwhile, China's Gross Domestic Product (GDP) growth for the first three months of 2016 eased slightly to 6.7%, compared to the 6.8% registered in the previous quarter. However, market retreated after the State Media People's Daily published on 9 May an interview with an 'authoritative person' who is widely believed to be a senior government official, expressing the view that while China's economic performance so far this year has been in line with expectations, structural challenges such as the significant slowdown in private investment, overcapacity in selective industries and the accumulation of non-performing loans remain unsolved. As a result, the nation's economic growth will likely to exhibit an L-shape pattern rather than a V-shape or U-shape trajectory. The article also addressed the importance in containing leverage and that it is neither necessary nor feasible to support growth by leveraging up. Market remained jittery despite recording a gain over the month of June driven by a number of domestic and global factors. In particular, MSCI announced on 14 June that it would delay adding shares listed in domestic China to its benchmark emerging markets index. While the index compiler acknowledged Chinese authorities' commitment in enhancing the accessibility of the A-share market, it also expressed that international investors would need a period of observation to assess the effectiveness of the newly introduced measures, and to see further improvements in the accessibility. On the other hand, result of the UK's referendum on 23 June came in as a negative surprise to the market, which had been optimistic that UK would vote to remain as a part of the EU, causing global markets to switch into a risk-off mode.

Onshore Chinese equities made gains in 3Q16, largely bolstered by a stabilisation in macro data, accommodative policy measures and the positive sentiment around the approval of the Shenzhen-Hong Kong (SZ-HK) Stock Connect programme. China's 2Q16 real GDP grew 6.7% year-on-year, which was flat compared to previous quarter's number and stayed within the government's growth target of 6.5-7.0%. Furthermore, the nation's economic momentum showed general signs of stabilisation as June's activity indicators such as industrial production and retail sales, as well as credit growth exhibited modest improvements. Meanwhile, fixed asset investment growth was subdued especially in the manufacturing sector. On the other hand, a recovery in the property market continued, while nationwide property inventory fell for a fourth straight month in June. The State Council on 16 August approved the SZ-HK Stock Connect programme, expanding the link between onshore and offshore equity markets, first made by Shanghai-Hong Kong (SH-HK) Stock Connect in 2014. This cross border investment channel allows investors in Hong Kong and mainland China to trade eligible shares in each other's market through approved local securities firms or brokers and securities trading service companies, thus marking a further step forward in opening up China's domestic equity markets and relaxing foreign flows. Another prominent market driver during the quarter would be the announcement made by the China Insurance Regulatory Commission (CIRC) on 8 Sep that the Chinese insurers may invest directly into the Hong Kong equity markets through the Shanghai-Hong Kong Stock Connect programme.

Outlook

In the near term, we expect the launch of the SZ-HK Stock Connect programme to promote stronger southbound flow into the offshore HK-listed small cap universe given their more attractive valuations versus their A-share listed peers. Longer term, the further opening of onshore Chinese markets to foreign investment should improve the chances for A-shares to be included into MSCI's global indices, which will drive significant inflows from global investors.

We believe that macro volatility will likely continue in the near-term. On the positive side, the inclusion in the IMF's SDR basket of renminbi in October, as well as a gradual and well-calibrated pace of rate normalisation by the Fed, should help provide support for a more stable outlook for the Chinese currency. Meanwhile, proactive fiscal policy expansion, alongside implementation of further supply side and SOE reforms, and a further opening up of capital/financial markets should be supportive of the market. On the other hand, earnings outlook at the micro level is turning more upbeat, as corporate earnings have improved notably driven by the industrial reflation this year which has helped revive growth and profitability.

Interim statement of assets and liabilities (unaudited)
As at 30 September 2016

	Note	30 September 2016 (Unaudited) HK\$	31 March 2016 (Audited) HK\$
Assets			
Investments at fair value through profit or loss	7, 11	1,443,489,770	1,765,287,599
Other receivables	8(c)	2,454,760	2,529,380
Cash and cash equivalents	8(d)	<u>36,754,748</u>	<u>28,362,084</u>
Total assets		<u>1,482,699,278</u>	<u>1,796,179,063</u>
Liabilities			
Taxation	6(b)	1,394,935	1,451,988
Accrued expenses and other payables	8(a), (b), (c)	<u>5,379,990</u>	<u>6,883,120</u>
Total liabilities		<u>6,774,925</u>	<u>8,335,108</u>
Net assets attributable to unitholders		<u>1,475,924,353</u>	<u>1,787,843,955</u>
Representing:			
Total equity		<u>1,475,924,353</u>	<u>1,787,843,955</u>
Number of units in issue	10	<u>134,279,918</u>	<u>167,849,838</u>
Net asset value per unit		<u>10.99</u>	<u>10.65</u>

Interim statement of comprehensive income (unaudited) For the period ended 30 September 2016

	Note	Period from 1 April 2016 to 30 September 2016 (Unaudited) HK\$	Period from 1 April 2015 to 30 September 2015 (Unaudited) HK\$
Dividend income		30,136,622	39,560,822
Interest income on deposits	4, 8(d)	118,187	292,350
Net gains/(losses) from investments	5	41,339,008	(665,198,529)
Net foreign exchange loss		<u>(1,968,833)</u>	<u>(651,931)</u>
Net investment income/(loss)		<u>69,624,984</u>	<u>(625,997,288)</u>
Management fees	8(a)	(12,455,149)	(22,217,000)
Transaction costs		(2,901,898)	(3,259,615)
Trustee's fees	8(b)	(908,477)	(1,590,085)
Custodian fees	8(c)	(816,547)	(1,169,098)
Auditor's remuneration		(145,874)	(312,532)
Legal and professional fees		(153,485)	(450,000)
Other operating expenses		<u>(594,894)</u>	<u>(510,258)</u>
Operating expenses		<u>(17,976,324)</u>	<u>(29,508,588)</u>
Profit/(loss) before taxation		51,648,660	(655,505,876)
Taxation	6(a)	<u>(2,355,923)</u>	<u>(3,178,125)</u>
Increase/(decrease) in net assets attributable to unitholders and total comprehensive income for the period		<u>49,292,737</u>	<u>(658,684,001)</u>

Interim statement of changes in equity (unaudited) For the period ended 30 September 2016

	Note	Period from 1 April 2016 to 30 September 2016 (Unaudited) HK\$	Period from 1 April 2015 to 30 September 2015 (Unaudited) HK\$
Balance at the beginning of the period		1,787,843,955	2,855,917,483
Increase/(decrease) in net assets attributable to unitholders and total comprehensive income for the period		49,292,737	(658,684,001)
Redemption of units during the period	14	<u>(361,212,339)</u>	<u>—</u>
Balance at the end of the period		<u>1,475,924,353</u>	<u>2,197,233,482</u>

Interim cash flow statement (unaudited)
For the period ended 30 September 2016

	Period from 1 April 2016 to 30 September 2016 (Unaudited) HK\$	Period from 1 April 2015 to 30 September 2015 (Unaudited) HK\$
Operating activities		
Interest income received	118,180	292,350
Dividend income received	30,136,622	39,560,822
Management fees paid	(12,835,307)	(22,937,096)
Trustee's fees paid	(1,014,141)	(1,684,655)
Tax paid	(2,638,728)	(3,169,858)
Proceeds from sale of investments	926,093,535	929,198,856
Payments on purchase of investments	(562,956,698)	(874,342,900)
Other operating expenses paid	(6,994,745)	(5,628,248)
Net cash generated from operating activities	<u>369,908,718</u>	<u>61,289,271</u>
Financing activities		
Payments on redemptions of units	(361,212,339)	–
	<u>(361,212,339)</u>	<u>–</u>
Net increase in cash and cash equivalents	8,696,379	61,289,271
Cash and cash equivalents at the beginning of the period	28,362,084	199,280,592
Effect of exchange rate fluctuations on cash and cash equivalents	<u>(303,715)</u>	<u>(3,620,024)</u>
Cash and cash equivalents at the end of the period	<u>36,754,748</u>	<u>256,949,839</u>

Notes on the unaudited interim financial report

For the period ended 30 September 2016

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.

Pursuant to the general meeting held on 7 January 2016, an extraordinary resolution was passed to include Shanghai-Hong Kong Stock Connect (“Stock Connect”) into the investment objective of the Fund. With effect from 8 January 2016, the investment objective of the Fund is to achieve long-term capital growth by investing primarily in A Shares directly through (i) the qualified foreign institutional investor (“QFII”) investment quota of HSBC Global Asset Management (Hong Kong) Limited (“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 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 (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.

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 7 January 2016, 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 20% of the total outstanding number of units as at lodgement date of 25 January 2016.

2 Significant accounting policies

(a) *Statement of compliance*

This interim financial report has 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 has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2016, except for the accounting policy changes that are expected to be reflected in the 2016 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 is unaudited, but has been reviewed in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Manager is included on page 2.

The financial information relating to the financial year ended 31 March 2016 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 2016 in their report dated 25 July 2016.

(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); or
- (viii) The entity, or any member 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.

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 2012-2014 Cycle*
- *Amendments to HKAS 1, Presentation of financial statements*
- *HKFRS 9, Financial instruments*

None of these developments have had a material effect on how the Fund's result and financial position for the current or prior periods have been prepared or presented. The Fund has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 15).

4 Interest income on deposits

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

5 Net gains/(losses) from investments

	Period from 1 April 2016 to 30 September 2016 (unaudited) HK\$	Period from 1 April 2015 to 30 September 2015 (unaudited) HK\$
Realised (losses)/gains	(86,400,317)	119,953,593
Unrealised gains/(losses)	<u>127,739,325</u>	<u>(785,152,122)</u>
	<u>41,339,008</u>	<u>(665,198,529)</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 ("CIT") 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 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. The Fund also ceased withholding 10% of realised gains on its investments in A Shares with effect from 17 November 2014.

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). When the financial statements for the year ended 31 March 2016 were issued, the Fund and the Manager, as the QFII investment quota holder, had appointed tax advisers and were in the process of preparing the tax filing to the Shanghai Tax Bureau.

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% of net asset value or \$0.58 per unit of the Fund) on the net asset value of the Fund as of 13 October 2015.

The Fund has settled its enterprise income tax liability with respect to the Fund's investment in CAAPs and has received tax provisions previously withheld by the brokers with respect to certain CAAPs amounting to HK\$483,403.58 ("Tax Refund") on 18 May 2016. In addition, upon the receipt of professional tax advice and consultation with the trustee of the Fund, the Fund had an over-provision of tax of HK\$14,484.04 ("Tax Overprovision") with respect to such CAAPs which had been released and recognised as a gain in the books of the Fund on 20 May 2016 resulting in an actual increase of HK\$14,484.04 (0.00% of net asset value or HK\$0.00 per unit of the Fund) on the net asset value of the Fund as of 20 May 2016. The aggregate effect of the Tax Refund and the Tax Overprovision resulted in an increase of HK\$497,887.62 (0.03% of net asset value or HK\$0.00 per unit of the Fund) on the net asset value of the Fund as of 20 May 2016.

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

	Period from 1 April 2016 to 30 September 2016 (unaudited) HK\$	Period from 1 April 2015 to 30 September 2015 (unaudited) HK\$
PRC dividend and interest income withholding tax	2,624,083	3,137,054
PRC capital gains tax – current	<u>(268,160)</u>	<u>41,071</u>
	<u>2,355,923</u>	<u>3,178,125</u>

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

	30 September 2016 (unaudited) HK\$	31 March 2016 (audited) HK\$
PRC withholding tax provision relating to prior year	1,394,935	1,451,988
PRC withholding tax provision for the period/year	<u>–</u>	<u>–</u>
	<u>1,394,935</u>	<u>1,451,988</u>

7 Investments at fair value through profit or loss

	30 September 2016 (unaudited) HK\$	31 March 2016 (audited) HK\$
Listed equities		
– outside Hong Kong	1,357,711,910	1,651,798,526
Equity-linked instruments		
– warrants	62,992,967	73,732,273
– participation note	<u>22,784,893</u>	<u>39,756,800</u>
	<u>1,443,489,770</u>	<u>1,765,287,599</u>

8 Related party transactions

The following is a summary of significant related party transactions or transactions entered into during the period between the Fund and the Trustee, the Manager and their Connected Persons. Connected Persons are those as defined in the Code on Unit Trusts and Mutual Funds issued by the SFC. All transactions during the period between the Fund and the Manager and its Connected Persons were entered into in the ordinary course of business and under normal commercial terms. To the best of the knowledge of the Trustee and the Manager, the Fund did not have any other transactions with Connected Persons except for those disclosed below.

(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 \$12,455,149 (for the period from 1 April 2015 to 30 September 2015: \$22,217,000) and \$1,822,093 (as at 31 March 2016: \$2,202,251) 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 \$908,477 (for the period from 1 April 2015 to 30 September 2015: \$1,590,085) and \$134,401 (as at 31 March 2016: \$160,012) 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 \$816,547 (for the period from 1 April 2015 to 30 September 2015: \$1,169,098) and \$233 (as at 31 March 2016: \$884) respectively.

A minimum clearing reserve is required to be held with the QFII custodian. As at 30 September 2016, the Fund had \$2,454,753 (as at 31 March 2016: \$2,529,380) 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 2016 amounted to \$26,764,375 and \$9,990,373 respectively (as at 31 March 2016: \$766,677 and \$27,595,407 respectively). During the period, interest earned from The Hongkong and Shanghai Banking Corporation Limited amounted to \$1,113 (for the period from 1 April 2015 to 30 September 2015: \$nil). Interest earned from Bank of Communications Co. Ltd amounted to \$117,074 (for the period from 1 April 2015 to 30 September 2015: \$292,350).

- (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:

	Period from 1 April 2016 to 30 September 2016 (unaudited) HK\$	Period from 1 April 2015 to 30 September 2015 (unaudited) HK\$
The Hongkong and Shanghai Banking Corporation Limited		
Commission paid for the period	–	–
Average rate of commission	–	–
Total aggregate value of such transactions for the period	–	26,723,322
Percentage of such transactions in value to total transactions for the period	0.00%	1.50%

- (f) The Hongkong and Shanghai Banking Corporation Limited, which is a member of the HSBC Group, has redeemed 70,085 units of the Fund during the period ended 30 September 2016 (for the period from 1 April 2015 to 30 September 2015: nil). As at 30 September 2016, The Hongkong and Shanghai Banking Corporation Limited held 116,503 units (as at 31 March 2016: 186,588 units) of the Fund.

9 Soft dollar practices

No soft commission arrangements were entered into with brokers during the period from 1 April 2016 to 30 September 2016.

10 Units in issue

	Period from 1 April 2016 to 30 September 2016 (unaudited)	Period from 1 April 2015 to 30 September 2015 (unaudited)
Number of units in issue brought forward	167,849,838	209,812,263
Units redeemed during the year	(33,569,920)	–
Number of units in issue carried forward	134,279,918	209,812,263

The Fund is a closed-ended unit trust. Apart from the recurring redemption offer as discussed in note 14, the Fund did not have subscription and redemption of units during the period from 1 April 2016 to 30 September 2016 and from 1 April 2015 to 30 September 2015.

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 7 January 2016, an extraordinary resolution was passed to change the investment objective of the Fund. With effect from 8 January 2016, 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 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.

The risk exposures inherent in the Fund as at 30 September 2016 are summarised below. Details of such investments held as at 30 September 2016 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 5% (31 March 2016: 15%) increase in value of the investments at 30 September 2016, 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.

	30 September 2016 (unaudited)			31 March 2016 (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\$
Investment assets						
Listed equities						
– outside Hong Kong	84.08	5	62,051,184	86.59	15	232,208,963
Equity-linked instruments:						
– warrants	2.17	5	1,601,177	4.12	15	11,059,841
– participation note	1.54	5	1,139,245	2.23	15	5,963,520
	<u>87.79</u>		<u>64,791,606</u>	<u>92.94</u>		<u>249,232,324</u>

(ii) Interest rate risk

Interest rate risk arises from changes in interest rates which may affect the value of debt instruments and therefore result in potential gain or loss to the Fund. As at the end of the reporting period, the Fund's exposure to interest rate risk is considered relatively low as the Fund's financial instruments predominately were investments in equities which were not interest bearing. The Fund's interest rate risk is managed on an ongoing basis by the Manager.

Except for the bank deposits, the Fund does not hold any interest-bearing assets as at 30 September 2016 and 31 March 2016, therefore the Manager considers the Fund is not subject to significant interest rate risk. No sensitivity analysis is performed for 30 September 2016 and 31 March 2016.

(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 (in Hong Kong dollars equivalents):

	Assets HK\$	Liabilities HK\$	Net exposure HK\$
30 September 2016 (unaudited)			
Renminbi	1,370,157,036	(1,394,935)	1,368,762,101
United States dollar	<u>85,777,860</u>	<u>(117,449)</u>	<u>85,660,411</u>
	<u>1,455,934,896</u>	<u>(1,512,384)</u>	<u>1,454,422,512</u>
31 March 2016 (audited)			
Renminbi	1,681,923,313	(1,391,115)	1,680,532,198
United States dollar	<u>114,255,750</u>	<u>(118,072)</u>	<u>114,137,678</u>
	<u>1,796,179,063</u>	<u>(1,509,187)</u>	<u>1,794,669,876</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 2016, the HKD strengthened in relation to the Renminbi by approximately 3% (as at 31 March 2016: 4%). At 30 September 2016, had the HKD further strengthened in relation to the Renminbi by 3% (as at 31 March 2016: 4%), with all other variables held constant, net assets attributable to unitholders would have decreased by the amounts shown in the following table.

	HK\$
30 September 2016 (unaudited)	
Renminbi	<u>41,062,863</u>
31 March 2016 (audited)	
Renminbi	<u>67,221,288</u>

A 3% (31 March 2016: 1%) weakening of the HKD against the above currency would have resulted in an equal but opposite effect on the basis that all other variables remain constant. The analysis is performed on the same basis for 31 March 2016.

(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 2016, 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 2016 and 31 March 2016.

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 2016 and 31 March 2016, 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 equity-linked instrument 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 listed equity investments suspended for trading and unlisted equity linked-instruments, which are not publicly traded on exchanges and may be illiquid. The total value of listed equity investments suspended for trading and unlisted equity linked-instruments of the Fund as at 30 September 2016 was \$147,657,670 (as at 31 March 2016: \$103,738,774).

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 30 September 2016 and 31 March 2016, there were no significant exposures to liquidity risk for the Fund.

(d) Capital management

At 30 September 2016, the Fund had \$1,475,924,353 (as at 31 March 2016: \$1,787,843,955) 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 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.

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

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

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

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

30 September 2016 (unaudited)				
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Listed equities	1,241,023,670	–	116,688,240	1,357,711,910
Equity-linked instruments	–	54,808,430	30,969,430	85,777,860
	<u>1,241,023,670</u>	<u>54,808,430</u>	<u>147,657,670</u>	<u>1,443,489,770</u>
31 March 2016 (audited)				
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Listed equities	1,548,059,752	–	103,738,774	1,651,798,526
Equity-linked instruments	–	113,489,073	–	113,489,073
	<u>1,548,059,752</u>	<u>113,489,073</u>	<u>103,738,774</u>	<u>1,765,287,599</u>

Level 3 financial instruments include Yunan Wenshan Electric Po Ltd – A Share, Inner Mongolia Yili Industrial Group Company Limited – A Share, BaoShan Iron and Steel Co Ltd – A Share, Beijing Originwater Technology Co Ltd – A Share and CICC Financial Trading Warrants 06 May 2018. The underlying of the equity-linked instrument, and the listed equities categorised as Level 3 have been suspended for trading and in this interim financial report they are revalued and priced using last traded price before suspension with adjustments 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.

	As at 1 April 2016 HK\$	Purchase HK\$	Sales HK\$	Transfer in of Level 3 HK\$	Transfer out of Level 3 HK\$	As at 30 September 2016 HK\$	*Unrealised gains/losses HK\$
Equities	<u>103,738,774</u>	<u>38,401,582</u>	<u>(94,214,452)</u>	<u>78,286,658</u>	<u>(9,524,322)</u>	<u>116,688,240</u>	<u>3,704,315</u>
Equity-linked instruments	<u>–</u>	<u>27,320,908</u>	<u>–</u>	<u>3,648,522</u>	<u>–</u>	<u>30,969,430</u>	<u>(1,086,508)</u>

* 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 2016, equity securities and equity-linked instruments amounting to \$81,935,180 (for the period from 1 April 2015 to 30 September 2015: \$nil) have been transferred from Level 1 to Level 3 because quoted market price for these instrument is no longer available.

During the period ended 30 September 2016, equity securities and equity-linked instruments amounting to \$9,524,322 (for the period from 1 April 2015 to 30 September 2015: \$nil) have been transferred from Level 3 to Level 1 because the quoted market price for these instrument is available.

Quantitative information of significant unobservable inputs – Level 3

The table below sets out information about significant unobservable inputs used at 30 September 2016 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	Fair value at 30 September 2016	Valuation techniques	Unobservable input
Equities and equity-linked instruments	147,657,670	Index return method	Return on relevant industry index (-0.30% to 0%)

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 30 September 2016 is as shown below:

Description	Input	Change in return of the relevant industry index	Effect on the net assets attributable to unitholders HK\$
As at 30 September 2016			
Equities	CSI300 Index	5%	2,744,502
	CSI300 Index	(5)%	(2,744,502)
Equity-linked instrument	CSI300 Index	5%	827,348
	CSI300 Index	(5)%	(827,348)

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 Redemption of units under the Recurring Redemption Offer

For the period ended 30 September 2016, the Manager offered a right to the unitholders to redeem the whole or a part of their units on a recurring redemption basis ("the Recurring Redemption Offer"). On 27 July 2016, 33,569,920 units, representing 20% of the total outstanding number of units as at 26 July 2016, were redeemed at a total amount of \$361,212,339. A redemption levy of \$0.04 per unit was charged and deducted from the redemption price and retained by the Fund. The redeemed units were then cancelled.

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

15 Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 30 September 2016

Up to the date of issue of this interim financial report, the HKICPA has issued a few amendments and new standards which are not yet effective for the period ended 30 September 2016 and which have not been adopted in this interim financial report. These include the following which may be relevant to the Fund:

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

HKFRS 9, *Financial instruments*

1 January 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 (unaudited) As at 30 September 2016

	<i>HSBC China Dragon Fund</i>		
	<i>Holdings</i>	<i>Market value</i>	<i>% of total net asset attributable to unitholders</i>
		<i>HK\$</i>	
Equities			
<i>Listed investments</i>			
<i>The People's Republic of China</i>			
Bank of Beijing Co Ltd – A Share	3,854,904	40,750,143	2.76
Bank of China Ltd – A Share	8,869,500	34,721,879	2.35
Baoshan Iron & Steel Co Ltd – A Share	4,006,800	22,806,987	1.55
Beijing Dabeinong Technology Group Co Ltd – A Share	3,042,000	25,796,230	1.75
Beijing Homyear Capital Holdings Co Ltd – A Share	2,053,476	26,621,223	1.80
Beijing Originwater Technology Co Ltd – A Share	1,847,841	38,401,582	2.60
China Communications Const – A Share	1,813,200	23,253,534	1.58
China Construction Bank – A Share	4,087,300	24,547,159	1.66
China Merchants Shekou Industrial Zone Holdings Co Ltd – A Share	3,099,863	57,543,126	3.90
China Shenhua Energy Co Ltd – A Share	878,250	15,507,290	1.05
China State Construction Engineering Corp Ltd – A Share	2,857,996	20,451,092	1.39
China Yangtze Power Co Ltd – A Share	1,720,720	26,584,961	1.80
GoerTek Inc – A Share	1,060,967	37,257,542	2.52
Gree Electric Appliances Inc – A Share	414,000	10,681,274	0.72
Guangshen Railway Co Ltd – A Share	2,000,000	9,479,039	0.64
Hangzhou Robam Appliances Co Ltd – A Share	745,950	35,753,052	2.42
Han's Laser Technology Industry Group Co Ltd – A Share	1,399,914	34,703,234	2.35
Hongfa Technology Co Ltd – A Share	1,299,808	52,197,867	3.54
Hua Xia Bank Co Ltd – A Share	4,040,734	47,173,761	3.20
Huafa Industrial Co Ltd Zhuhai – A Share	1,500,000	25,457,494	1.72
Huatai Securities Co Ltd – A Share	2,488,506	51,889,241	3.52
Hubei Hongcheng General Machinery Co Ltd – A Share	799,970	27,757,676	1.88
Industrial Bank Co Ltd – A Share	2,330,300	43,230,566	2.93
Inner Mongolia Yili Industrial Group Co Ltd – A Share	1,389,496	26,003,213	1.76
Jiangsu Hengrui Medicine C – A Share	633,340	32,386,285	2.19
JSTI Group – A Share	1,228,744	33,957,056	2.30
Kangde Xin Composite Material Group Co Ltd – A Share	2,198,386	46,146,235	3.13
Kunming Yunnei Power Co Ltd – A Share	2,899,925	26,477,897	1.79
Livzon Pharmaceutical Group – A Share	350,170	22,087,824	1.50
New Hope Liuhe Co Ltd – A Share	2,512,200	23,492,231	1.59
Ping An Insurance Group Co Ltd – A Share	767,904	30,462,940	2.06
Qingdao Haier Co Ltd – A Share	2,546,044	29,960,532	2.03
Shanxi Guoxin Energy Corp Ltd – A Share	799,902	10,537,171	0.71
Soochow Securities Co Ltd – A Share	989,600	14,932,861	1.01

HSBC China Dragon Fund			
Holdings	Market value	% of total net asset attributable to unitholders	
	HK\$		
Equity (continued)			
<i>Listed investments (continued)</i>			
<i>The People's Republic of China (continued)</i>			
Spring Airlines Co Ltd – A Share	299,910	15,736,756	1.07
Sunshine City Group Co Ltd – A Share	2,355,000	17,234,776	1.17
Suzhou Gold Mantis Construction Decoration Co Ltd – A Share	2,399,850	33,536,976	2.27
Tangshan Santou Chemical I – A Share	3,692,500	37,703,664	2.55
Wuhan Humanwell Hi-Tech Industry Co Ltd – A Share	1,553,610	37,141,681	2.52
Wuxi Little Swan Co Ltd – A Share	999,815	38,664,074	2.62
Xiamen Faratronic Co Ltd – A Share	412,580	18,576,595	1.26
Xian Longi Silicon Materia – A Share	1,907,747	29,939,897	2.03
Xinjiang Goldwind Science & Technology Co Ltd – A Share	799,992	14,571,554	0.99
Yanzhou Coal Mining Co Ltd – A Share	1,237,710	17,871,632	1.21
Yibin Wuliangye Co Ltd – A Share	599,930	23,248,814	1.58
Yunnan Wenshan Electric Power Co Ltd – A Share	2,497,511	29,476,458	2.00
Zhejiang Semir Garment Co Ltd – A Share	1,199,972	14,998,836	1.02
Equities (Total)		<u>1,357,711,910</u>	<u>91.99</u>
Equity-linked instruments			
<i>Listed investments</i>			
CICC Financial Trading Warrants 06 May 2018	1,089,496	30,969,430	2.10
Credit Suisse AG (China Pacific Insurance Gr-A) Participation Note 11 December 2019	499,215	16,669,784	1.13
Credit Suisse Nassau – China Merchants Bank Co Ltd – A Share Warrants 22 October 2019	1,333,822	27,870,481	1.89
Credit Suisse Nassau Ser 002L (REGS) 0% 24 October 2019	183,131	6,115,109	0.41
HSBC Bank Plc – Livzon Pharmaceutical Group Inc – Warrants 4 December 2024	65,772	4,153,056	0.28
Equity-linked instruments (Total)		<u>85,777,860</u>	<u>5.81</u>
Total investments (Total cost of investments: \$1,375,406,134)		1,443,489,770	97.80
Other net assets		<u>32,434,583</u>	<u>2.20</u>
Net assets attributable to unitholders		<u>1,475,924,353</u>	<u>100.00</u>

Statement of movements in portfolio holdings (unaudited) For the period ended 30 September 2016

	<i>% of total net assets attributable to unitholders</i>	
	30 September 2016	31 March 2016
Equities	91.99	92.39
Equity-linked instruments	<u>5.81</u>	<u>6.35</u>
Total investments	97.80	98.74
Other net assets	<u>2.20</u>	<u>1.26</u>
Net assets attributable to unitholders	<u><u>100.00</u></u>	<u><u>100.00</u></u>

Performance table (unaudited) For the period ended 30 September 2016

(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
31 March 2016	HK\$1,787,843,955
30 September 2016	HK\$1,475,924,353

(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
31 March 2016	HK\$10.65
30 September 2016	HK\$10.99

(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 2016, the Manager offered a right to the unitholders to redeem not more than 40% of the aggregate number of units in issue.

Year/period	Lowest HK\$	Highest HK\$
20 June 2007 (date of inception) to 31 March 2008	8.62	13.94
1 April 2008 to 30 September 2008	5.55	10.22
1 April 2008 to 31 March 2009	4.12	10.22
1 April 2009 to 30 September 2009	6.22	9.05
1 April 2009 to 31 March 2010	6.22	9.70
1 April 2010 to 30 September 2010	7.91	9.49
1 April 2010 to 31 March 2011	7.91	10.52
1 April 2011 to 30 September 2011	7.50	10.28
1 April 2011 to 31 March 2012	7.21	10.28
1 April 2012 to 30 September 2012	7.14	8.42
1 April 2012 to 31 March 2013	7.14	9.41
1 April 2013 to 30 September 2013	7.79	9.58
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
1 April 2015 to 31 March 2016	9.27	18.36
1 April 2016 to 30 September 2016	9.69	11.41

Issuance of Results

The unaudited interim report of the Fund for the period from 1 April 2016 to 30 September 2016 will be despatched to Unitholders on or about 30 November 2016.

Hong Kong, 28 November 2016

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, 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 ⁽¹⁾.

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

The relevant figures are gross of fees and (if any) net of capital gain tax provision performances calculated from internal sources; and are for indicative purpose only. Returns would be lower once fees are deducted. The performances of the indices are quoted for indicative comparison purpose only and the indices are not the benchmarks of the Fund.

	Calendar year performance ⁽²⁾										
	2016 Year-to- date ⁽¹⁾	2015 full year	2014 full year	2013 full year	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾
					Year-to- date since 1 January up to 31 December ⁽¹⁾	Year-to- date since 1 January up to 5 September ⁽¹⁾					
The Fund’s A- share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	-9.40%	12.64%	32.32%	1.25%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
<i>MSCI China A</i>	-15.41%	7.15%	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.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
<i>MSCI China</i>	N.A.	N.A.	N.A.	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance ⁽⁴⁾			
	up to 31 October 2016 ⁽¹⁾			up to 5 September 2012 ⁽¹⁾
	6 months	1 year	Since August 07 ⁽³⁾	Since August 07 ⁽³⁾
The Fund's A-share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	6.83%	-7.88%	20.22%	N.A.
MSCI China A	2.92%	-12.98%	-1.31%	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 October 2016. "Net asset value of the Fund" performance figures are net of fees performance calculated according to the net asset value per unit of the Fund.

As at 31 October 2016:

	Calendar year performance ⁽²⁾										Cumulative performance ⁽⁴⁾		
	2016 year-to-date	2015 full year	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 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾
Net asset value of the Fund (net of fees) ⁽¹⁾	-9.78%	9.85%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	6.03%	-8.96%	12.16%

As at 31 October 2016:

Net asset value per unit of the Fund:	HK\$11.07
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$8.90
Discount / Premium to net asset value:	19.60% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 October 2016. 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
16 November 2016

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 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 ⁽¹⁾.

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

The relevant figures are gross of fees and (if any) net of capital gain tax provision performances calculated from internal sources; and are for indicative purpose only. Returns would be lower once fees are deducted. The performances of the indices are quoted for indicative comparison purpose only and the indices are not the benchmarks of the Fund.

	Calendar year performance ⁽²⁾										
	2016 Year-to- date ⁽¹⁾	2015 full year	2014 full year	2013 full year	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾
					Year-to- date since 1 January up to 31 December ⁽¹⁾	Year-to- date since 1 January up to 5 September ⁽¹⁾					
The Fund’s A- share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	-10.09%	12.64%	32.32%	1.25%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
<i>MSCI China A</i>	-16.04%	7.15%	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.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
<i>MSCI China</i>	N.A.	N.A.	N.A.	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance ⁽⁴⁾			
	up to 30 September 2016 ⁽¹⁾			up to 5 September 2012 ⁽¹⁾
	6 months	1 year	Since August 07 ⁽³⁾	Since August 07 ⁽³⁾
The Fund's A-share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	3.75%	6.89%	19.31%	N.A.
MSCI China A	-0.49%	-3.20%	-2.04%	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 2016. "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 2016:

	Calendar year performance ⁽²⁾										Cumulative performance ⁽⁴⁾		
	2016 year-to-date	2015 full year	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 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾
Net asset value of the Fund (net of fees) ⁽¹⁾	-10.35%	9.85%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	3.19%	4.96%	11.45%

As at 30 September 2016:

Net asset value per unit of the Fund:	HK\$11.00
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$8.85
Discount / Premium to net asset value:	19.55% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 September 2016. All performance figures are total return figures in Hong Kong dollars.

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

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Note:

1. The 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
20 October 2016

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 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)

Voluntary Announcement – Fund Performance

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

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

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

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

The relevant figures are gross of fees and (if any) net of capital gain tax provision performances calculated from internal sources; and are for indicative purpose only. Returns would be lower once fees are deducted. The performances of the indices are quoted for indicative comparison purpose only and the indices are not the benchmarks of the Fund.

	Calendar year performance ⁽²⁾										
	2016 Year-to- date ⁽¹⁾	2015 full year	2014 full year	2013 full year	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾
					Year-to- date since 1 January up to 31 December ⁽¹⁾	Year-to- date since 1 January up to 5 September ⁽¹⁾					
The Fund’s A- share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	-8.77%	12.64%	32.32%	1.25%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
<i>MSCI China A</i>	-14.31%	7.15%	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.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
<i>MSCI China</i>	N.A.	N.A.	N.A.	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance ⁽⁴⁾			
	up to 31 August 2016 ⁽¹⁾			up to 5 September 2012 ⁽¹⁾
	6 months	1 year	Since August 07 ⁽³⁾	Since August 07 ⁽³⁾
The Fund's A-share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	18.42%	3.37%	21.05%	N.A.
MSCI China A	15.49%	-6.30%	-0.02%	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 2016. "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 2016:

	Calendar year performance ⁽²⁾										Cumulative performance ⁽⁴⁾		
	2016 year-to-date	2015 full year	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 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾
Net asset value of the Fund (net of fees) ⁽¹⁾	-9.13%	9.85%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	17.49%	2.48%	12.97%

As at 31 August 2016:

Net asset value per unit of the Fund:	HK\$11.15
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$8.88
Discount / Premium to net asset value:	20.36% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 August 2016. All performance figures are total return figures in Hong Kong dollars.

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

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Note:

1. The 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.
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HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
20 September 2016

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 and Ms. WONG, Pik Kuen Helen.

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HSBC CHINA DRAGON FUND
滙豐中國翔龍基金

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Voluntary Announcement – Fund Performance

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

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

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

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

The relevant figures are gross of fees and (if any) net of capital gain tax provision performances calculated from internal sources; and are for indicative purpose only. Returns would be lower once fees are deducted. The performances of the indices are quoted for indicative comparison purpose only and the indices are not the benchmarks of the Fund.

	Calendar year performance ⁽²⁾										
	2016 Year-to- date ⁽¹⁾	2015 full year	2014 full year	2013 full year	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾
					Year-to- date since 1 January up to 31 December ⁽¹⁾	Year-to- date since 1 January up to 5 September ⁽¹⁾					
The Fund’s A- share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	-11.80%	12.64%	32.32%	1.25%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
<i>MSCI China A</i>	-17.24%	7.15%	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.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
<i>MSCI China</i>	N.A.	N.A.	N.A.	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance ⁽⁴⁾			
	up to 29 July 2016 ⁽¹⁾			up to 5 September 2012 ⁽¹⁾
	6 months	1 year	Since August 07 ⁽³⁾	Since August 07 ⁽³⁾
The Fund's A-share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	13.04%	-13.91%	17.03%	N.A.
MSCI China A	9.69%	-22.61%	-3.43%	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 July 2016. "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 July 2016:

	Calendar year performance ⁽²⁾										Cumulative performance ⁽⁴⁾		
	2016 year-to-date	2015 full year	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 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾
Net asset value of the Fund (net of fees) ⁽¹⁾	-11.82%	9.85%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	12.94%	-15.20%	9.63%

As at 29 July 2016:

Net asset value per unit of the Fund:	HK\$10.82
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$8.55
Discount / Premium to net asset value:	20.98% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 29 July 2016. 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
19 August 2016

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 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 OF THE FINAL PAYMENT OF PROCEEDS WITH RESPECT TO THE
RECURRING REDEMPTION OFFER**

The Manager wishes to inform the Unitholders of the final payment of proceeds with respect to the redemption of Units of the Fund made under the Recurring Redemption Offer.

The Registrar has sent the first payment of HK\$1.32 per Unit in respect to the Recurring Redemption Offer to the redeeming Unitholders on 10 August 2016. **The Fund will pay the final instalment of the redemption proceeds, namely, HK\$9.40 per Unit to the redeeming Unitholders on 18 August 2016.**

Reference is made to (i) the Firm Intention Announcement dated 1 June 2016, (ii) the circular published by the HSBC China Dragon Fund (the "**Fund**") dated 17 November 2015 regarding the extraordinary resolutions in relation 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 approved by the Independent Unitholders of the Fund in the general meeting held on 7 January 2016, (iii) the circular published by the Fund dated 21 June 2016 (the "**Circular**"), respectively regarding the Recurring Redemption Offer, and (iv) the announcement of results of the redemption made under the Recurring Redemption Offer dated 28 July 2016 .

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

The redemption made under the Recurring Redemption Offer occurred on 27 July 2016.

The Registrar has sent the first payment of HK\$1.32 per Unit in respect of the Recurring Redemption Offer to the redeeming Unitholders on 10 August 2016.

The Fund will pay the final instalment of the redemption proceeds, namely, HK\$9.40 per Unit to the redeeming Unitholders on 18 August 2016 in accordance with the terms disclosed in the Circular.

General Information

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

The listing of the Fund on the Stock Exchange of Hong Kong does not guarantee a liquid market and the Fund may be delisted. The Fund's market price on the Stock Exchange of Hong Kong may be different from its net asset value per Unit. Currency movement may affect the value of investments.

Investment in emerging market involves higher risks. The Fund invests part of its assets in China A-shares, which are subject to specific risks and restrictions as disclosed in the Offering Circular. The Fund differs from a typical trust and investors should read the Offering Circular for details including the risk factors.

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

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

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
16 August 2016

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 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 OF THE RESULTS OF THE REDEMPTION MADE UNDER THE
RECURRING REDEMPTION OFFER**

The Manager wishes to announce that the redemption of Units made under the Recurring Redemption Offer occurred on 27 July 2016.

The Recurring Redemption Offer closed at 4:30 p.m. (Hong Kong time) on 26 July 2016 (the Lodgement Date). Units were redeemed at the redemption price of HK\$10.72 per Unit, representing the net asset value of HK\$10.76 per Unit calculated using the relevant market closing price of the underlying investments of the Fund and the Fund's applicable operating expenses accrued or incurred to date on 27 July 2016 and made available as of 9:30 a.m. on 28 July 2016 less a Redemption Levy of HK\$0.04 per Unit. The Redemption Levy of HK\$0.04 per Unit represented 0.37 % of the net asset value of each Unit redeemed.

The Fund has satisfied the redemption requests of the Unitholders on a pro rata basis at around 37.561% for each Unitholder based on the number of Units such Unitholder has validly applied to redeem, rounded down to the nearest whole Unit, and Units representing 20% of the total outstanding number of Units as at 26 July 2016 were redeemed on 27 July 2016. The total number of Units redeemed under the Recurring Redemption Offer is 33,569,920.

Upon the redemption made under the Recurring Redemption Offer, all redeemed Units have been cancelled. The Registrar will send, by ordinary post at the redeeming Unitholder's own risk, certificate(s) for Units not redeemed on or before 10 August 2016 (if applicable).

INVESTORS SHOULD NOTE THE FOLLOWING KEY DATES:

Time for calculating the net asset value of the Fund as of the Value Day	9:30 a.m. on 28 July 2016
Latest date for return of certificate(s) for Units not redeemed (if applicable)	10 August 2016
Latest date for despatch of cheques to redeeming Unitholders of Recurring Redemption Offer	HK\$1.32 per Unit will be paid by the Fund to Unitholders on 10 August 2016
	The Manager shall use its best endeavours to pay the remaining redemption proceeds of HK\$9.40 per Unit to Unitholders on or before 27 September 2016 (i.e.

within 2 months after the Redemption Day) in accordance with the terms disclosed in the Circular. 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 Manager will issue further announcement to inform Unitholders when the remaining redemption proceeds of HK\$9.40 per Unit will be paid to Unitholders as soon as practicable.

Reference is made to (i) the Firm Intention Announcement dated 1 June 2016, (ii) the circular published by the HSBC China Dragon Fund (the "**Fund**") dated 17 November 2015 regarding the extraordinary resolutions in relation 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 approved by the Independent Unitholders of the Fund in the general meeting held on 7 January 2016 and (iii) the circular published by the Fund dated 21 June 2016 (the "**Circular**"), respectively regarding the Recurring Redemption Offer.

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

As set out in the Circular, the eight conditions (being the conditions before a proposed Recurring Redemption Offer can be made) were fulfilled and have become unconditional with respect to the offering of a Recurring Redemption Offer.

The Recurring Redemption Offer closed at 4:30 p.m. (Hong Kong time) on 26 July 2016 (the Lodgement Date).

Results of the Recurring Redemption Offer

Unitholders that exercised their rights under the Recurring Redemption Offer have returned their redemption requests forms together with the relevant certificate(s) and/ or transfer receipt(s) and / or any other document(s) of title for the number of Units in respect of which Unitholders intended to redeem to the registrar of the Fund no later than 4:30 p.m. on 26 July 2016. Acceptances of the Recurring Redemption Offer may, at the discretion of the Manager, be treated as valid even if not accompanied by the certificate(s) of Units but, in such cases, the cash consideration due will not be despatched until the relevant certificate(s) of Units has/have been received by the Registrar.

As at 4:30 p.m. on 26 July 2016:

(a) The total number of Units in issue	167,849,838
(b) The maximum number of Units available for redemption under the Recurring Redemption Offer	33,569,967 (20% of the total outstanding number of Units as at 26 July 2016)
(c) The aggregate number of Units for which valid applications were made under the Recurring Redemption Offer	89,374,215 (53.25% of the total outstanding number of Units as at 26 July 2016)
(d) Out of (c) above, the aggregate number of Units for which valid applications were made under the Recurring Redemption Offer by the Manager and entities that are the Manager's parent, the Manager's subsidiaries, the Manager's fellow subsidiaries, associated companies of any 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	739,747 (0.44% of the total outstanding number of Units as at 26 July 2016)

The Fund has satisfied the redemption requests of the Unitholders on a pro rata basis at around 37.561% for each Unitholder based on the number of Units such Unitholder has validly applied to redeem, rounded down to the nearest whole Unit, and Units representing 20% (the "**Redemption Percentage**") of the total outstanding number of Units as at 26 July 2016 were redeemed on 27 July 2016. The total number of Units redeemed under the Recurring Redemption Offer is 33,569,920.

Redemption of the Units

The Manager wishes to announce that the redemption made under the Recurring Redemption Offer occurred on 27 July 2016.

The total number of Units redeemed under the Recurring Redemption Offer is 33,569,920. Units were redeemed at the redemption price of HK\$10.72 per Unit, representing the net asset value of HK\$10.76 per Unit calculated using the relevant market closing price of the underlying investments of the Fund and the Fund's applicable operating expenses accrued or incurred to date on 27 July 2016 and made available as of 9:30 a.m. on 28 July 2016 less a Redemption Levy of HK\$0.04 per Unit. The Redemption Levy of HK\$0.04 per Unit represented 0.37% of the net asset value of each Unit redeemed.

According to the Circular, the total number of Units redeemed by the Fund shall not exceed 20% of the total outstanding number of Units as at 26 July 2016. The aggregate number of Units for which applications were made under the Recurring Redemption Offer is 89,374,215 representing 53.25% of the total outstanding number of Units as at 26 July 2016.

As the aggregate number of Units for which applications were made under the Recurring Redemption Offer exceeded 20% of the total outstanding number of Units as at 26 July 2016, the number of Units that such Unitholders could eventually redeem was reduced proportionally.

The Registrar will send, by ordinary post and by batches at the redeeming Unitholder's own risk, remittances for such total amount as is due to that redeeming Unitholder, that is, the net asset value of the Units redeemed less the Redemption Levy, whose redemption under the Recurring Redemption Offer has been accepted by the Manager.

The Circular noted that the Fund may need to pay the redemption proceeds to Unitholders by instalments. The Fund will use its assets outside PRC to settle the first part of the redemption proceeds, and **the Registrar will send the first payment of HK\$1.32 per Unit to Unitholders on 10 August 2016.** 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. 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. Accordingly, with respect to its assets in the PRC, 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 27 July 2016, A Shares invested directly through QFII and other net assets in the PRC account for approximately 94.10% of the net asset value of the Fund, for reference, the redemption proceeds payable out of the assets in the PRC as of 27 July 2016 is approximately 87.69% of the total redemption proceeds. **The Manager shall use its best endeavours to pay the remaining redemption proceeds of HK\$9.40 per Unit to Unitholders on or before 27 September 2016 (i.e. within 2 months after the Redemption Day) in accordance with the terms disclosed in the Circular. There is no assurance that redemption proceeds payable out of the Fund's assets in the PRC will be distributed within two months.**

The Manager will issue further announcement to inform Unitholders when the remaining redemption proceeds of HK\$9.40 per Unit will be paid to Unitholders as soon as practicable.

The Redemption Levy is to be retained by the Fund for the benefit of the Fund.

Upon the redemption made under the Recurring Redemption Offer, all redeemed Units have been cancelled.

Any request for the Recurring Redemption Offer which was not satisfied is void and certificates representing such Units shall be returned to Unitholders on or before 10 August 2016.

Holding Structure

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

	Immediately before the Firm Intention Announcement		Immediately before the completion of the redemption made under the Recurring Redemption Offer		Immediately after the completion of the redemption made under the Recurring Redemption Offer	
	Units	Approx.%	Units	Approx.%	Approx. Units	Approx.%
Public Unitholders	167,110,091	99.56	167,110,091	99.56	133,818,028	99.66
Manager and entities that are the Manager's parent, Manager's subsidiaries, the Manager's fellow subsidiaries, associated companies of any of the foregoing (i) trade in the Units as	739,747	0.44	739,747	0.44	461,890	0.34

discretionary fund managers and/or (ii) for proprietary purposes own or control or direct the holding of voting rights and rights over the Units

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

Interests of the Fund and the Manager

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

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

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

Name of Entity	Immediately before the Firm Intention Announcement		Immediately before the completion of the redemption made under the Recurring Redemption Offer		Immediately after the completion of the redemption made under the Recurring Redemption Offer	
	Units	Approx. %	Units	Approx. %	Approx. Units	Approx. %
The Hongkong and Shanghai Banking Corporation Limited	186,588	0.11	186,588	0.11	116,504	0.09
HSBC International Trustee Limited	553,159	0.33	553,159	0.33	345,387	0.26

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

Nominee Holding

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

Odd Lots Arrangements

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

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

Overseas Unitholders

Based on the register of Unitholders, there were no Unitholder with registered addresses outside Hong Kong during the period which the Recurring Redemption Offer was offered.

Units Repurchased by the Fund and the Manager

Other than the redemption of Units under the Recurring Redemption Offer, neither:

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

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

Borrowing or Lending by the Manager

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

Net Asset Values

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

Date	Total net asset value of the Fund (HK\$)	Net asset value per Unit (HK\$)
26 July 2016 ^(a)	1,833,017,644.22	10.93
27 July 2016 ^(b)	1,805,585,688.60	10.76

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

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

General Information

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

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

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

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

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
28 July 2016

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 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
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(stock code: 820)

Managed by
HSBC Global Asset Management (Hong Kong) Limited

2016 ANNUAL RESULTS ANNOUNCEMENT

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HSBC China Dragon Fund (the “Fund”) is a unit trust constituted by the Trust Deed dated 20 June 2007 (as amended) governed by the laws of Hong Kong. The Manager of the Fund is HSBC Global Asset Management (Hong Kong) Limited.

The board of directors of the Manager is pleased to announce the annual results of the Fund for the period from 1 April 2015 to 31 March 2016.

The annual results of the Fund for the period from 1 April 2015 to 31 March 2016 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 2015 to 31 March 2016.

Manager’s report

Market Review

Onshore Chinese equities endured a tough time during the 12-month period, as market sentiment was dampened by the sell-off during summer 2015 on the back of tighter margin financing rules, stop-loss limits forcing margin calls and unwinding of leveraged positions, suspension of stock trading and worries over initial public offerings diverting liquidity from existing stocks. The one-off depreciation in the renminbi in August and the volatility that followed also weighed on market performance.

Market embraced a good start to the second quarter of 2015, as the Chinese regulator, China Securities Regulatory Commission (CSRC), announced a broadened access to the southbound Shanghai-Hong Kong Stock Connect for Chinese mutual funds on 27 March. Also driving the market higher was a larger-than-expected reserve ratio requirement (RRR) cut by 100bps

announced on 19 April by the PBOC. Investors generally welcomed the announcement made by the Chinese central bank on cutting benchmark interest rates by 25 basis points effective from 11 May, and increasing the deposit rate premium floating range from 30% to 50%. The joint announcement by CSRC and SFC on the Mutual Recognition of Funds (MRF) initiative, which will allow onshore and Hong Kong retail investors to invest in specific mutual funds across the border from 1 July, also gave sentiment a positive boost.

However, Chinese equities plummeted in July due to the sell-off triggered by the tightening of margin financing. Chinese government thus introduced a slew of policies in attempt to stabilise and prop up the market, which includes suspending IPOs, urging insurers and other financial companies to buy shares, ordering central state-run companies to maintain holdings in listed units, setting up of a RMB120bn stabilisation fund consisting of 21 domestic brokerages, and refraining major stakeholders, corporate executives and directors with stakes exceeding 5% from selling shares in listed companies for six months. Markets recorded another month of sharp fall in August as the Chinese central bank surprised the market on 11 August by announcing a reform on the daily fixing mechanism for onshore USD-CNY exchange rate, which was interpreted by the market as a sign of economic weakness.

Onshore Chinese equities rebounded in the last quarter of 2015 on the back of policy support and the positive sentiment around the inclusion of US-listed Chinese companies in the MSCI indices as well as the inclusion of the renminbi in the Special Drawing Rights basket. However, market started the new year on a negative note driven by weakened investor confidence in domestic policy, volatility in the renminbi and the tepid economic activity. During the annual National People's Congress (NPC) in March, Premier Li reassured that the Chinese government has ample policy ammunition to support economic growth within a reasonable range despite facing downward pressures amid sluggish external demand and challenges over the course of economic transition. This implies both fiscal and monetary policy will likely continue to be pro-growth, as the policymakers continue to push forward structural reforms such as the reducing overcapacity among troubled industries.

Outlook

The economic targets, policies and reforms delivered at the National People's Congress (NPC) are largely in line with market expectations. While monetary policy is expected to be accommodative going forward, fiscal policy will also play an important role to support investment. The "two-speed economy" is likely to continue, with the "new economy," services and consumption areas doing relatively better and gaining more policy support.

The government signaled near-term support for the equity market at the NPC. The Shenzhen-Hong Kong Stock Connect is planned to be launched this year. It is a long overdue step to further opening up China's domestic capital market that could help improve the odds for MSCI's A-share inclusion. This is positive for both the A-share and H-share markets. The China Securities Regulatory Commission (CSRC) is also more cautious with carrying out IPO registration reform, which could be a near-term positive for market sentiment as investors are concerned about new share supply.

Statement of assets and liabilities

As at 31 March 2016

	Note	2016 HK\$	2015 HK\$
Assets			
Investments at fair value through profit or loss	7, 12	1,765,287,599	2,795,193,821
Other receivables	8(c)	2,529,380	2,639,994
Cash and cash equivalents	8(d)	<u>28,362,084</u>	<u>199,280,592</u>
Total assets		<u>1,796,179,063</u>	<u>2,997,114,407</u>
Liabilities			
Taxation	6(b)	1,451,988	136,815,470
Accrued expenses and other payables	8(a), (b) & (c)	<u>6,883,120</u>	<u>4,381,454</u>
Total liabilities		<u>8,335,108</u>	<u>141,196,924</u>
Net assets attributable to unitholders		<u>1,787,843,955</u>	<u>2,855,917,483</u>
Representing:			
Total equity		<u>1,787,843,955</u>	<u>2,855,917,483</u>
Number of units in issue	10	<u>167,849,838</u>	<u>209,812,263</u>
Net asset value per unit		<u>10.65</u>	<u>13.61</u>

Statement of comprehensive income

For the year ended 31 March 2016

	Note	2016 HK\$	2015 HK\$
Dividend income		41,376,398	37,156,873
Interest income on deposits	4, 8(d)	495,882	590,927
Net (losses)/gains from investments	5	(764,814,928)	1,234,715,803
Net foreign exchange (loss)/gain		<u>(2,320,227)</u>	<u>278,544</u>
Net investment (loss)/income		<u><u>(725,262,875)</u></u>	<u><u>1,272,742,147</u></u>
Management fees	8(a)	(38,807,957)	(29,248,485)
Transaction costs		(5,721,740)	(9,540,062)
Trustee's fees	8(b)	(2,784,276)	(2,167,598)
Custodian fees	8(c)	(2,402,979)	(1,754,400)
Auditor's remuneration		(594,933)	(600,409)
Legal and professional fees		(2,022,031)	(403,956)
Other operating expenses		<u>(4,320,672)</u>	<u>(995,156)</u>
Operating expenses		<u><u>(56,654,588)</u></u>	<u><u>(44,710,066)</u></u>
(Loss)/profit before taxation		(781,917,463)	1,228,032,081
Taxation	6(a)	<u>118,361,704</u>	<u>(958,267)</u>
(Decrease)/increase in net assets attributable to unitholders and total comprehensive income for the year		<u><u>(663,555,759)</u></u>	<u><u>1,227,073,814</u></u>

Statement of changes in equity

For the year ended 31 March 2016

	Note	2016 HK\$	2015 HK\$
Balance at the beginning of the year		2,855,917,483	1,628,843,669
(Decrease)/increase in net assets attributable to unitholders and total comprehensive income for the year		(663,555,759)	1,227,073,814
Redemption of units during the year	14	<u>(404,517,769)</u>	<u>—</u>
Balance at the end of the year		<u><u>1,787,843,955</u></u>	<u><u>2,855,917,483</u></u>

Cash flow statement

For the year ended 31 March 2016

	2016	2015
	HK\$	HK\$
Operating activities		
Interest income received	495,882	590,927
Dividend income received	41,376,398	37,226,913
Management fees paid	(40,058,207)	(27,893,101)
Trustee's fees paid	(2,805,555)	(2,076,738)
Transaction costs paid	(5,721,740)	(9,540,062)
Tax paid	(15,708,295)	(3,466,700)
Proceeds from sales of investments	1,830,205,916	3,005,546,228
Payments for purchases of investments	(1,565,114,622)	(2,971,617,051)
Other operating expenses paid	<u>(7,863,888)</u>	<u>(3,659,081)</u>
Net cash generated from operating activities	<u>234,805,889</u>	<u>25,111,335</u>
Financing activities		
Payments on redemption of units	<u>(404,517,769)</u>	<u>—</u>
Net cash used in financing activities	<u>(404,517,769)</u>	<u>—</u>
Net (decrease)/increase in cash and cash equivalents	(169,711,880)	25,111,335
Cash and cash equivalents at the beginning of the year	199,280,592	174,128,049
Effect of foreign exchange rates changes	<u>(1,206,628)</u>	<u>41,208</u>
Cash and cash equivalents at the end of the year	<u>28,362,084</u>	<u>199,280,592</u>

Notes to the financial statements

For the year ended 31 March 2016

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.

Pursuant to the general meeting held on 7 January 2016, an extraordinary resolution was passed to include Shanghai-Hong Kong Stock Connect (“Stock Connect”) into the investment objective of the Fund. With effect from 8 January 2016, the investment objective of the Fund is to achieve long-term capital growth by investing primarily in A Shares directly through (i) the qualified foreign institutional investor (“QFII”) investment quota of HSBC Global Asset Management (Hong Kong) Limited (“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 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 (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.

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 7 January 2016, 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 20% of the total outstanding number of units as at lodgement date of 25 January 2016.

There were no units redeemed during the year ended 31 March 2015.

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);
- (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); or
- (viii) The entity, or any member 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.

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 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 is relevant to the Fund's financial statements:

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

None of these developments have had a material effect on how the Fund's result and financial position for the current or prior periods have been prepared or presented. The Fund has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 15).

4 Interest income on deposits

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

5 Net (losses)/gains from investments

	2016	2015
	HK\$	HK\$
Realised gains	47,751,282	573,974,454
Unrealised (losses)/gains	<u>(812,566,210)</u>	<u>660,741,349</u>
	<u>(764,814,928)</u>	<u>1,234,715,803</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, 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 was 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 Tax (“SAT”) 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. The Fund also ceased withholding 10% of realised gains on its investments in A Shares with effect from 17 November 2014.

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). When the financial statements for the year ended 31 March 2015 were issued, the Fund and the Manager, as the QFII investment quota holder, had appointed tax advisers and were in the process of preparing the tax filing to the Shanghai Tax Bureau.

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.

The Circular confirmed that an investment fund can be considered as tax resident in Hong Kong and thus enjoying the DTA and exempt from capital gain tax. As a result, the Fund is exempted to most of the realised gain and result in a significant over provision as they have obtained the Hong Kong tax resident supporting from IRD.

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

	2016	2015
	HK\$	HK\$
PRC dividend and interest income withholding tax	3,191,833	1,144,869
PRC capital gains tax – current	(121,553,537)	21,759,226
PRC capital gains tax – deferred	<u>–</u>	<u>(21,945,828)</u>
	<u>(118,361,704)</u>	<u>958,267</u>

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

	2016	2015
	HK\$	HK\$
PRC withholding tax provision relating to prior years	1,451,988	113,911,375
PRC withholding tax provision for the year	<u>–</u>	<u>22,904,095</u>
	<u>1,451,988</u>	<u>136,815,470</u>

7 Investments at fair value through profit or loss

	2016	2015
	HK\$	HK\$
Listed equities		
– outside Hong Kong	1,651,798,526	2,381,583,201
Equity-linked instruments		
– warrants	73,732,273	328,998,980
– participation note	<u>39,756,800</u>	<u>84,611,640</u>
	<u>1,765,287,599</u>	<u>2,795,193,821</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 \$38,807,957 (2015: \$29,248,485) and \$2,202,251 (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 year and payable at the end of the year amounted to \$2,784,276 (2015: \$2,167,598) and \$263,465 (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 year and payable at the end of the year amounted to \$2,402,979 (2015: \$1,754,400) and \$884 (2015: \$395) respectively.

A minimum clearing reserve is required to be held with the QFII custodian. As at 31 March 2016, the Fund had \$2,529,380 (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 31 March 2016 amounted to \$766,677 and \$27,595,407 respectively (2015: \$56,630,835 and \$142,649,757 respectively). During the year, no interest was earned from HSBC Hong Kong (2015: Nil). Interest earned from Bank of Communications Co Ltd amounted to \$495,882 (2015: \$590,927).

- (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:

	2016	2015
	HK\$	HK\$
The Hongkong and Shanghai Banking Corporation Limited		
Commission paid for the year	–	–
Average rate of commission	<u>–</u>	<u>–</u>
Total aggregate value of such transactions for the year	162,233,494	533,958,425
Percentage of such transactions in value to total transactions for the year	<u>4.84%</u>	<u>8.97%</u>

- (f) The Hongkong and Shanghai Banking Corporation Limited, which is a member of the HSBC Group, has redeemed 95,969 units of the Fund during the year ended 31 March 2016 (2015: Nil). As at 31 March 2016, The Hongkong and Shanghai Banking Corporation Limited held 186,588 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

	2016	2015
Number of units in issue brought forward	209,812,263	209,812,263
Units redeemed during the year	<u>(41,962,425)</u>	<u>–</u>
Number of units in issue carried forward	<u>167,849,838</u>	<u>209,812,263</u>

The Fund is a closed-ended unit trust. Apart from the one-off redemption offer as discussed in note 14, the Fund did not have subscription and redemption of units during the year ended 31 March 2016. There was no subscription and redemption of units during the year ended 31 March 2015.

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 7 January 2016, an extraordinary resolution was passed to change the investment objective of the Fund. With effect from 8 January 2016, 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 (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 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.

The risk exposures inherent in the Fund as at 31 March 2016 are summarised below. Details of such investments held as at 31 March 2016 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 15% (2015: 5%) increase in value of the investments at 31 March 2016, 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 2015.

	2016			2015		
	% of total net assets	Change in price %	Effect on net assets attributable to the unitholders HK\$	% of total net assets	Change in price %	Effect on net assets attributable to the unitholders HK\$
Investment assets						
Listed equities						
– outside Hong Kong	86.59	15	232,208,963	83.39	5	119,079,160
Equity-linked instruments:						
– warrants	4.12	15	11,059,841	11.52	5	16,449,949
– participation note	2.23	15	5,963,520	2.96	5	4,230,582
	<u>92.94</u>		<u>249,232,324</u>	<u>97.87</u>		<u>139,759,691</u>

(ii) Interest rate risk

Interest rate risk arises from changes in interest rates which may affect the value of debt instruments and therefore result in potential gain or loss to the Fund. As at the end of the reporting period, the Fund's exposure to interest rate risk is considered relatively low as the Fund's financial instruments predominately were investments in equities which were not interest bearing. The Fund's interest rate risk is managed on an ongoing basis by the Manager.

Except for the bank deposits, the Fund does not hold any interest-bearing assets as at 31 March 2016 and 31 March 2015, therefore the Manager considers the Fund is not subject to significant interest rate risk. No sensitivity analysis as performed for 2016 and 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 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 HK\$	Liabilities HK\$	Net exposure HK\$
31 March 2016			
Renminbi	1,681,923,313	(1,391,115)	1,680,532,198
United States dollar	<u>114,255,750</u>	<u>(118,072)</u>	<u>114,137,678</u>
	<u>1,796,179,063</u>	<u>(1,509,187)</u>	<u>1,794,669,876</u>
31 March 2015			
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>

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 2016, the HKD weakened in relation to the Renminbi by less than 4%. At 31 March 2016, had the HKD further weakened in relation to the Renminbi by 4% (2015: 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

	HK\$
31 March 2016	
Renminbi	<u>67,221,288</u>
31 March 2015	
Renminbi	<u>23,898,076</u>

A 1% (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 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 31 March 2016, 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 2016 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 the statement of assets and liabilities.

At both 31 March 2016 and 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 equity-linked instruments 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 listed equity investments suspended for trading and unlisted equity linked-instruments, which are not publicly traded on exchanges and may be illiquid. The total value of listed equity investments suspended for trading and unlisted equity linked-instruments of the Fund as at 31 March 2016 was \$103,738,774 (2015: \$129,235,017).

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 2016 and 31 March 2015, there were no significant exposures to liquidity risk for the Fund.

(d) Capital management

At 31 March 2016, the Fund had \$1,787,843,955 (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 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.

	2016			
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Listed equities	1,548,059,752	–	103,738,774	1,651,798,526
Equity-linked instruments	–	113,489,073	–	113,489,073
	<u>1,548,059,752</u>	<u>113,489,073</u>	<u>103,738,774</u>	<u>1,765,287,599</u>
	2015			
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
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 Gree Electric Appliances Inc – A Share, Muyuan Foodstuff Co Ltd – A Share, Suning Universal Co Ltd – A share, Xiamen C & D Inc – A Share and ZTE Corp – A Share. These instruments have been suspended for trading and in financial statements 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.

	As at 1 April 2015 HK\$	Net losses included in the statement of comprehensive income HK\$	Purchase HK\$	Transfer in of Level 3 HK\$	As at 31 March 2016 HK\$	*Unrealised losses HK\$
Equities	<u>–</u>	<u>–</u>	<u>13,865,787</u>	<u>89,872,987</u>	<u>103,738,774</u>	<u>–</u>

* Represents the amount of unrealised gains and losses recognised in the statement of comprehensive income during the year for these Level 3 instruments.

During the year ended 31 March 2016, equity securities amounting to \$89,872,987 (2015: \$Nil) have been transferred from Level 1 to Level 3 because quoted market price for these instrument is no longer available.

Quantitative information of significant unobservable inputs – Level 3

The table below sets out information about significant unobservable inputs used at 31 March 2016 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	Fair value at 31 March 2016 HK\$	Valuation techniques	Unobservable input
Equities	103,738,774	Index return method	Return on relevant industry index (-25.82% to 0%)

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 March 2016 is as shown below:

	Input	Change in return of the relevant industry index	Effect on the net assets attributable to unitholders HK\$
As at 31 March 2016			
Equities	CSI300 Index	5%	5,877,325
	CSI300 Index	(5)%	(5,877,325)

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 Redemption of units under the One-off Redemption Offer

For the year ended 31 March 2016, the Manager offered a right to the unitholders to redeem the whole or a part of their units on a one-off basis ("the One-off Redemption Offer"). On 27 January 2016, 41,962,425 units, representing 20% of the total outstanding number of units as at 26 January 2016, were redeemed at a total amount of \$404,517,769. A redemption levy of 0.04 per unit was charged and deducted from the redemption price and retained by the Fund. The redeemed units were then cancelled.

These were no units redeemed during the year ended 31 March 2015.

15 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2016

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 2016 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>Amendments to HKAS 1, Disclosure initiative</i>	1 January 2016
<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 (Unaudited)

As at 31 March 2016

	<i>HSBC China Dragon Fund</i>		
	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
Equities			
<i>Listed investments</i>			
<i>The People's Republic of China</i>			
Apeloa Pharmaceutical Co Ltd – A Share	2,420,300	19,120,247	1.07
Bank of Beijing Co Ltd – A Share	3,212,420	38,643,704	2.16
Bank of China Ltd – A Share	8,869,500	35,989,781	2.01
Baoshan Iron & Steel Co Ltd – A Share	4,006,800	25,178,934	1.41
Beijing Dabeinong Technology Group Co Ltd – A Share	2,028,000	28,619,505	1.60
Beijing Homyear Capital Holdings Co Ltd – A Share	2,053,476	26,594,832	1.49
Beijing Jingneng Power Co – A Share	3,204,700	18,757,571	1.05
Chengtun Mining Group Co Ltd – A Share	3,882,600	33,135,425	1.85
China Communications Const – A Share	1,813,200	26,499,748	1.48
China Fortune Land Development Co Ltd – A Share	775,400	22,534,859	1.26
China Life Insurance Co Ltd – A Share	285,279	8,150,844	0.46
China Minmetals Rare Earth – A Share	1,454,700	30,523,597	1.71
China Railway Construction Corp – A Share	828,659	11,108,981	0.62
China Shenhua Energy Co Ltd – A Share	878,250	14,780,320	0.83
China State Construction Engineering Corp Ltd – A Share	2,857,996	19,464,993	1.09
China Yangtze Power Co Ltd – A Share	1,720,720	25,312,932	1.42
Chongqing Changan Automobile Co Ltd – A Share	1,779,300	33,586,228	1.88
Daqin Railways Co Ltd – A Share	888,000	7,291,509	0.41
Dashang Group Co Ltd – A Share	563,500	26,534,361	1.48
Everbright Securities Co Ltd – A Share	786,000	17,969,512	1.01
GoerTek Inc – A Share	560,984	17,189,799	0.96
Gree Electric Appliances Inc – A Share	414,000	9,524,322	0.53
Guotai Junan Securities Co – A Share	798,031	18,817,692	1.05
Hangzhou Binjiang Real Estate Group Co Ltd – A Share	856,400	7,677,836	0.43
Hangzhou Robam Appliances Co Ltd – A Share	497,300	27,375,511	1.53
Heilan Home Co Ltd – A Share	2,018,200	27,828,964	1.56
Hengbao Co Ltd – A Share	843,404	17,979,596	1.01
Huagong Tech Co Ltd – A Share	126,264	2,883,622	0.16
Huatai Securities Co Ltd – A Share	1,545,406	31,649,946	1.77
Hua xia Bank Co Ltd – A Share	1,040,749	12,656,688	0.71
Industrial Bank Co Ltd – A Share	2,330,300	43,289,634	2.42
Inner Mongolia Yili Industrial Group Co Ltd – A Share	1,389,496	24,232,444	1.36
Jiangsu Hengrui Medicine C – A Share	649,200	36,669,826	2.05
Jihua Group Corp Ltd – A Share	1,074,100	12,085,175	0.68

HSBC China Dragon Fund

	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
JSTI Group – A Share	1,228,744	28,282,712	1.58
Livzon Pharmaceutical Grou – A Share	350,170	18,840,351	1.05
Muyuan Foodstuff Co Ltd – A Share	191,000	13,865,787	0.78
Neusoft Corp – A Share	415,139	9,316,980	0.52
New Hope Liuhe Co Ltd – A Share	1,256,100	24,161,309	1.35
Northeast Securities Co Ltd – A Share	1,237,100	20,952,778	1.17
ORG Packaging Co Ltd – A Share	961,595	28,072,711	1.57
Orient Securities Co Ltd – A Share	1,278,600	31,083,147	1.74
Ping An Bank Co Ltd – A Share	3,165,552	40,315,444	2.25
Ping An Insurance Group Co Ltd – A Share	367,904	14,012,481	0.78
Qingdao Haier Co Ltd – A Share	2,546,044	25,812,477	1.44
Shandong Chenming Paper – A Share	3,610,600	36,605,231	2.05
Shanghai Fosun Pharmaceutical (Group) Co Ltd – A Share	680,904	16,243,273	0.91
Shanghai International Airport Co Ltd – A Share	904,700	32,595,035	1.82
Shanghai Pudong Development Bank Co Ltd – A Share	2,368,251	50,797,940	2.84
Shenzhen Kaifa Technology Co Ltd – A Share	1,697,100	18,749,492	1.05
Shenzhen Overseas Chinese Town Holdings Co Ltd – A Share	2,602,900	21,809,007	1.22
Shenzhen Tagen Group Co Ltd – A Share	558,000	9,410,779	0.53
Sinotrans Air Transportation D – A Share	904,200	20,996,485	1.17
Suning Universal Co Ltd – A Share	1,707,940	23,264,581	1.30
Sunshine City Group Co Ltd – A Share	3,355,000	24,938,165	1.39
Tangshan Santou Chemical I – A Share	4,290,700	36,361,498	2.03
TCL Corp – A Share	4,127,100	18,920,131	1.06
Tianshui Huatian Technology Co Ltd – A Share	514,000	8,564,119	0.48
Titan Wind Energy Suzhou – A Share	827,100	10,850,480	0.61
Wintime Energy Co Ltd – A Share	2,707,000	12,636,687	0.71
Wuhan Humanwell Hi-Tech Industry Co Ltd – A Share	1,553,610	34,588,786	1.93
Wuxi Little Swan Co Ltd – A Share	999,815	30,337,373	1.70
Xiamen C & D Inc – A Share	1,889,092	29,033,440	1.62
Xiamen Faratronic Co Ltd – A Share	412,580	17,141,276	0.96
Xiamen King Long Motor Co Ltd – A Share	1,154,300	20,393,202	1.14
Xian Longi Silicon Materia – A Share	2,104,047	31,883,758	1.78
Yanzhou Coal Mining Co Ltd – A Share	1,237,710	15,718,628	0.88
Yunnan Wenshan Electric Power Co Ltd – A Share	2,497,511	25,170,965	1.41
Zhejiang Yankon Group Co Ltd – A Share	4,429,731	42,735,891	2.39
Zhongtian Urban Developmen – A Share	2,283,700	19,626,545	1.10
ZTE Corp – A Share	1,556,100	28,050,644	1.57
Equities (Total)		<u>1,651,798,526</u>	<u>92.39</u>

HSBC China Dragon Fund			
<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>	
Equity-linked instruments			
<i>Listed investments</i>			
CICC Financial Trading Warrants 06 May 2018	961,142	35,456,908	1.98
Credit Suisse AG (China Pacific Insurance Gr-A) Participation Note 11 December 2019	908,968	28,569,691	1.60
Credit Suisse Nassau – China Merchants Bank Co Ltd – A Share Warrants 22 October 2019	1,800,260	34,722,549	1.94
Credit Suisse Nassau Ser 002L (REGS) 0% 24 October 2019	355,927	11,187,109	0.63
HSBC Bank Plc – Livzon Pharmaceutical Group Inc – Warrants 4 December 2024	65,772	3,552,816	0.20
	<u>113,489,073</u>	<u>6.35</u>	
Total investments (Total cost of investments: \$1,824,943,288)	1,765,287,599	98.74	
Other net liabilities	<u>22,556,356</u>	<u>1.26</u>	
Total Net assets attributable to unitholders	<u>1,787,843,955</u>	<u>100.00</u>	

Statement of movements in portfolio holdings (Unaudited)

For the year ended 31 March 2016

	<i>% of total net asset attributable to unitholders</i>	
	2016	2015
Equities	92.39	83.39
Equity-linked instruments	<u>6.35</u>	<u>14.48</u>
Total investments	98.74	97.87
Other net assets	<u>1.26</u>	<u>2.13</u>
Net assets attributable to unitholders	<u><u>100.00</u></u>	<u><u>100.00</u></u>

Performance table (Unaudited)

For the year ended 31 March 2016

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

Year/period end

31 March 2016	HK\$1,787,843,955
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 2016	HK\$10.65
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.

Year	Net asset value per unit	
	Lowest HK\$	Highest HK\$
2016	9.27	18.36
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 2015 to 31 March 2016 will be despatched to Unitholders on or about 29 July 2016.

Hong Kong, 28 July 2016

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 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 ⁽¹⁾.

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

The relevant figures are gross of fees and (if any) net of capital gain tax provision performances calculated from internal sources; and are for indicative purpose only. Returns would be lower once fees are deducted. The performances of the indices are quoted for indicative comparison purpose only and the indices are not the benchmarks of the Fund.

	Calendar year performance ⁽²⁾										
	2016 Year-to- date ⁽¹⁾	2015 full year	2014 full year	2013 full year	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾
					Year-to- date since 1 January up to 31 December ⁽¹⁾	Year-to- date since 1 January up to 5 September ⁽¹⁾					
The Fund’s A- share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	-15.61%	12.64%	32.32%	1.25%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
<i>MSCI China A</i>	-18.74%	7.15%	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.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
<i>MSCI China</i>	N.A.	N.A.	N.A.	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance ⁽⁴⁾			
	up to 30 June 2016 ⁽¹⁾			up to 5 September 2012 ⁽¹⁾
	6 months	1 year	Since August 07 ⁽³⁾	Since August 07 ⁽³⁾
The Fund's A-share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	-15.61%	-31.16%	11.98%	N.A.
MSCI China A	-18.74%	-34.97%	-5.19%	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 2016. "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 2016:

	Calendar year performance ⁽²⁾										Cumulative performance ⁽⁴⁾		
	2016 year-to-date	2015 full year	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 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾
Net asset value of the Fund (net of fees) ⁽¹⁾	-15.73%	9.85%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	-15.73%	-32.51%	4.76%

As at 30 June 2016:

Net asset value per unit of the Fund:	HK\$10.34
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$8.35
Discount / Premium to net asset value:	19.25% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 June 2016. 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
26 July 2016

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 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 and Certain Update regarding the Tax Exposure of the Fund

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

1. Fund Performance

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

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

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

The relevant figures are gross of fees and (if any) net of capital gain tax provision performances calculated from internal sources; and are for indicative purpose only. Returns would be lower once fees are deducted. The performances of the indices are quoted for indicative comparison purpose only and the indices are not the benchmarks of the Fund.

	Calendar year performance ⁽²⁾										
	2016 Year-to-date ⁽¹⁾	2015 full year	2014 full year	2013 full year	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾
					Year-to-date since 1 January up to 31 December ⁽¹⁾	Year-to-date since 1 January up to 5 September ⁽¹⁾					
The Fund’s A-share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	-16.60%	12.64%	32.32%	1.25%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
<i>MSCI China A</i>	-19.16%	7.15%	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.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
<i>MSCI China</i>	N.A.	N.A.	N.A.	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance ⁽⁴⁾			
	up to 31 May 2016 ⁽¹⁾			up to 5 September 2012 ⁽¹⁾
	6 months	1 year	Since August 07 ⁽³⁾	Since August 07 ⁽³⁾
The Fund's A-share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	-15.10%	-36.72%	10.67%	N.A.
<i>MSCI China A</i>	-16.90%	-40.53%	-5.68%	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 May 2016. "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 May 2016:

	Calendar year performance ⁽²⁾										Cumulative performance ⁽⁴⁾		
	2016 year-to-date	2015 full year	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 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾
Net asset value of the Fund (net of fees) ⁽¹⁾	-16.54%	9.85%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	-15.23%	-37.90%	3.75%

As at 31 May 2016:

Net asset value per unit of the Fund:	HK\$10.24
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$8.12
Discount / Premium to net asset value:	20.70% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 May 2016. 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.

2. Certain Update regarding the Tax Exposure of the Fund

Reference is made to the announcement by the Manager on 17 June 2015 and 14 October 2015 (the "**Announcements**") in relation to certain updates regarding the PRC tax exposure of the Fund. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

As stated in the Announcements, 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 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 determined by the Tax Bureau on 12 October 2015. The Manager considered that the tax assessment had been concluded upon the payment and settlement of the relevant tax by the Fund with the Tax Bureau on 13 October 2015.

The Manager has evaluated and reviewed, upon the receipt of professional tax advice, the tax policies, positions and provisions of the Fund with respect to the Fund's tax liability with respect to its investment in CAAPs, that is, Chinese A share access product(s), being a security/securities (such as a note, warrant, option, participation certificate) linked to China A shares or portfolios of China A shares which aim to replicate synthetically the economic benefit of the relevant China A shares or portfolios of China A shares. The Fund has settled its enterprise income tax liability with respect to the Fund's investment in CAAPs and has received tax provisions previously withheld by the brokers with respect to certain CAAPs amounting to HK\$483,403.58 ("**Tax Refund**") on 18 May 2016. In addition, upon the receipt of professional tax advice and consultation with the trustee of the Fund, the Fund had an over-provision of tax of HK\$14,484.04 ("**Tax Overprovision**") with respect to such CAAPs which had been released and recognised as a gain in the books of the Fund on 20 May 2016 resulting in an actual increase of HK\$14,484.04 (0.00 % or HK\$0.00 per unit of the Fund) on the net asset value of the Fund as of 20 May 2016. The aggregate effect of the Tax Refund and the Tax Overprovision resulted in an increase of HK\$497,887.62 (0.03% or HK\$0.00 per unit of the Fund) on the net asset value of the Fund as of 20 May 2016. To the knowledge of the Manager, the Fund has settled its enterprise income tax liability with respect to all the CAAPs held by the Fund and any tax provision (including provisions previously made which have been retained by the Fund) with respect to the Fund's investment in CAAPs has been released to the Fund.

The Manager will review and make adjustments to its tax provision policy as and when it considers necessary from time to time and as soon as practicable upon issuance of further notices or clarification issued by the PRC tax authority in respect of the application of the applicable tax regulations/laws and the respective implementation rules. There is a possibility that the current tax laws, rules, regulations and practice in mainland China and/or the current interpretation or understanding thereof may change in the future and such change(s) may have retrospective effect. The Fund could become subject to additional taxation that is not anticipated as at the date hereof or when the relevant investments are made, valued or disposed of. Any of those changes may reduce the income from, and/or the value of, the relevant investments in the Fund.

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 June 2016

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 and Ms. WONG, Pik Kuen Helen.

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

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
RECURRING REDEMPTION OFFER**

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CORPORATE INFORMATION

The Fund	HSBC China Dragon Fund, a Hong Kong unit trust authorised under section 104 of the SFO
Manager	HSBC Global Asset Management (Hong Kong) Limited HSBC Main Building 1 Queen's Road Central Hong Kong
Directors of the Manager	<i>EXECUTIVE DIRECTORS:</i> 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 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

EXPECTED TIMETABLE

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 redemption request forms	21 June 2016
Commencement date for lodging the redemption request with the Registrar	12 July 2016
Lodgement Date of the Recurring Redemption Offer (i.e. last date for lodgement of Recurring Redemption Offer request)	4:30 p.m. on 26 July 2016
Redemption Day of the Recurring Redemption Offer (note 1)	27 July 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. 28 July 2016)
Announcement of the net asset value of the Fund as of the Value Day	by 5:00 p.m. on 28 July 2016
Latest date for return of certificate(s) for Units not redeemed (if applicable)	10 August 2016
Latest date for despatch of cheques to redeeming Unitholders of Recurring Redemption Offer (note 2)	The Manager shall use its best endeavours to pay all the redemption proceeds, less the Redemption Levy, to Unitholders on or before 27 September 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.

EXPECTED TIMETABLE

Notes:

1. Assuming no event occurs which requires a suspension of the Redemption Day.
2. **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 27 September 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 16 of this circular. The Fund will also use its assets outside PRC if any and appropriate 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 10 August 2016.**

DEFINITIONS

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

“Applicable Regulations”	the Code on Share Buy-Backs as if they were applicable to the Fund (including but not limited to all relevant timing and disclosure requirements under the Code on Share Buy-Backs), the Handbook and all other applicable codes, rules, regulations and laws
“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
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular published by the Fund dated 17 November 2015 regarding the extraordinary resolutions in relation 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 approved by the Independent Unitholders of the Fund in the general meeting held on 7 January 2016
“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 persons”	has the meaning given to it in the Code
“CSRC”	China Securities Regulatory Commission
“Directors”	the directors of the Manager
“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

DEFINITIONS

“Firm Intention Announcement”	the announcement dated 1 June 2016 by the Manager in relation to the Recurring Redemption Offer
“Fund”	HSBC China Dragon Fund
“General Meeting”	the general meeting of Unitholders held on 7 January 2016 at which the extraordinary resolutions in relation 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 were approved
“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 Unitholder(s)”	Unitholders other than any Unitholder that has a material interest in the Recurring Redemption Offer which is different from the interests of all other Unitholders
“Latest Practicable Date”	17 June 2016, being the latest practicable date prior to the despatch of this circular for ascertaining certain information contained herein
“Lodgement Date”	26 July 2016, the last date for lodgement of redemption requests pursuant to the Recurring Redemption Offer
“Manager”	HSBC Global Asset Management (Hong Kong) Limited
“Offering Circular”	the offering circular of the Fund dated 12 April 2016 and includes any amendments and supplements thereto
“One-off Redemption Offer”	the One-off Redemption Offer as described in the 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

DEFINITIONS

“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”	an offer by the Manager 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 certain conditions as described in the Circular and the Offering Circular, pursuant to the Firm Intention Announcement and this circular
“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 Recurring Redemption Offer 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 1 December 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)
“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)”	holder(s) of Units

DEFINITIONS

“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 Recurring 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
WONG, Pik Kuen Helen

21 June 2016

To the Unitholders

Dear Sir/Madam

CIRCULAR TO UNITHOLDERS IN RELATION TO RECURRING REDEMPTION OFFER

I. INTRODUCTION

Reference is made to the Firm Intention Announcement by the Manager in relation to the Recurring Redemption Offer as described on pages 9 to 25 of this circular. The purposes of this circular are to provide you with further information regarding the Recurring Redemption Offer.

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 16 June 2016 are HK\$1,715,960,265 and HK\$1,359,583,688, respectively, representing a discount of 20.8%.

II. RECURRING REDEMPTION OFFER

(a) Terms of the Recurring Redemption Offer

(i) Background to the Recurring Redemption Offer

The Extraordinary Resolution regarding the Recurring Redemption Offer was duly passed by the Unitholders in the General Meeting.

According to the Circular, the Manager may offer a Recurring Redemption Offer 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. such 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 Recurring Redemption Offer proposal at the 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;

LETTER FROM THE MANAGER

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. **Investors are advised to refer to the letter of advice from an independent financial adviser dated 17 November 2015 in the Circular in relation to the opinion and recommendations of the independent financial adviser including discussions on the reasons, the risks and the benefits associated with the Recurring Redemption Offer.**

The Manager would like to announce that the above eight conditions (being the conditions before a proposed Recurring Redemption Offer can be made, as set out in the Circular) were fulfilled and have become unconditional with respect to the offering of a Recurring Redemption Offer:

1. the Fund has been trading at a discount of its net asset value of 24.05% (daily average) from 1 February to 29 April 2016, being above the condition of discount of 20% or more for three consecutive months;
2. such redemption offer is 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 Applicable Regulations with the only exceptions set out in condition 4(a) and 4(b) above;
5. the Manager has taken into account of all relevant prevailing market conditions and is reasonably satisfied that the redemption proceeds can be paid to Unitholders in accordance with the time limits stipulated in the Applicable Regulations;
6. the Fund has made the One-off Redemption Offer in accordance with the Circular and has not yet made any Recurring Redemption Offer in 2016, this met the condition of the Fund not having made more than three redemption offers in a year;

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7. the aggregate redemption of all Unitholders will be no more than 20% of the total outstanding number of Units as at the relevant lodgement date of the 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, and such Extraordinary Resolution has not taken place.

Accordingly, the Manager has determined at its discretion, taking into account the best interests of the Unitholders, to make a Recurring Redemption Offer.

As at the Latest Practicable Date, 167,849,838 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 Recurring Redemption Offer to the Unitholders to redeem the whole or a part of their Units on the Redemption Day for cash.

(ii) Terms of the Recurring Redemption Offer

The Manager proposes to offer the Unitholders 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 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 Recurring Redemption Offer will not attract Hong Kong ad valorem or fixed stamp duty. The redemption of Units by a Unitholder pursuant to the Recurring 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 28 July 2016.

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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 are 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 Latest Practicable Date) for the Recurring Redemption Offer is HK\$1,600,000, approximately 0.09% of the net asset value of the Fund as at 16 June 2016. 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.

(iii) Procedures with respect to the Recurring Redemption Offer

The Recurring Redemption Offer shall occur on the Redemption Day. Unitholders who wish to accept the Recurring 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 Recurring Redemption Offer with respect to the Units they hold as of the 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 4:30 p.m. on the Lodgement Date. No further action shall be required from the Unitholders who elect to continue to hold onto their entire holdings of Units in the Fund. Unitholders who 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 27 September 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

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redemption proceeds” below. The Fund will also use its assets outside PRC if any and appropriate 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 10 August 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. Further announcements will be made by the Manager as soon as practicable if there is a need to pay by instalment and the corresponding date(s) of payment and also after the Redemption Day in respect of the results of the redemptions made pursuant to the Recurring Redemption Offer. As of 16 June 2016, A Shares invested directly through QFII and other net assets in the PRC account for approximately 95% of the net asset value of the Fund, for reference, the redemption proceeds payable out of the assets in the PRC as of 16 June 2016 is approximately 75% of the total redemption proceeds (assuming that 20% of the total outstanding Units are being redeemed).

(iv) Limits on the Recurring Redemption Offer

Unitholders should note that there is no minimum number of Units which a qualifying Unitholder can apply to redeem under the Recurring 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 Recurring 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 Recurring Redemption Offer. In the event that the aggregate number of Units for which applications to redeem are made under the Recurring 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 Recurring 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

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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 Recurring 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 Recurring 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 Recurring 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 Recurring 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.

All redeemed Units will be cancelled.

(v) Payment procedure for the Recurring 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.

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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 Recurring 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 Recurring 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.

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(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 Recurring 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 27 September 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 if any and appropriate 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 10 August 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 Recurring Redemption Offer, the payment of such redemption proceeds under the Recurring 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 Recurring Redemption Offer, the net asset value at which the eligible Units will be redeemed shall be determined using the relevant market closing price

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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 Recurring 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 Recurring 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 Recurring 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 Recurring Redemption Offer" above for details;

- (iv) *Risk of Odd Lots:* any Units held by Unitholders that are not successfully redeemed under the Recurring 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 Recurring Redemption Offer, (i) if effected, will increase the total expense ratio of the Fund by 0.07% (i.e. from 1.97% for the financial year ended 31 March 2016 to approximately 2.04% after the Recurring Redemption Offer (assuming that 20% of the total outstanding Units will be redeemed), this has taken into account the reduction in the net asset value of the Fund under (ii) of this paragraph (v)) 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 such Recurring 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, however, while the Manager does not envisage the current exercise of the Recurring Redemption Offer

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will result in the asset value of the Fund being less than HK\$400,000,000, recurring redemption offer(s) to be made in the future may result in the termination of the Fund;

- (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; and
- (vii) *Foreign currency risk*: a major part of the Fund's investments is denominated in RMB and a major portion of the Fund's revenue and income is received in RMB. There is no assurance that any revenue and income received by the Fund in RMB may be promptly converted into US\$, the Fund will therefore be exposed to risk of fluctuation in the exchange rate of RMB relative to US\$ and US\$ relative to Hong Kong dollars (the currency in which the redemption proceeds will be paid in). The Manager may use hedging techniques to, at the costs and expense of the Fund, attempt offsetting currency risks. However, there is no assurance that the hedging techniques to be adopted by the Manager will achieve a desired result which is beneficial to the Fund's investments and performance.

(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.

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- 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 Recurring 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 dividends, interest, royalty, rental and other income (including capital gain) earned directly from sources in the PRC.

- 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 (“MoF”) and the State Administration of Taxation (“SAT”), 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/Value-Added Tax

Pursuant to the notice Caishui [2005] No. 155 issued jointly by the SAT and MoF in December 2005, gains derived by QFIIs from securities trading carried out by the PRC brokers are exempted from business tax in the PRC. Pursuant to the notice Caishui [2016] No. 36 issued jointly by the SAT and MoF in March 2016, effective from 1 May 2016, PRC value added tax replaced business tax to cover all sectors that used to fall under the PRC

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business tax. Gains derived by QFIIs from securities trading carried out through domestic entrusted companies (i.e, the PRC brokers) are exempted from value-added tax.

Please refer to the section headed “Taxation and Regulatory Requirements” in the Offering Circular for more information.

(d) Suspension of the Recurring Redemption Offer

As previously approved at the General Meeting and set out in the Circular, the Recurring Redemption Offer will not be subject to any further approval of the Unitholders nor the advice of the independent financial advisor. As stated in the Circular, the right of Unitholders to redeem may be suspended by the Manager 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.

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

(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 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

During the 12-month period immediately preceding the date of this circular, the Fund has redeemed an aggregate of 41,962,425 Units at HK\$9.60 per Unit on 26 January 2016 pursuant to the One-off Redemption Offer and has not conducted any other buy-back of any Units. The Fund has not conducted any buy-back of any Units since 31 March 2016, being the date of the end of the last financial year of the Fund.

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 Recurring 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 Recurring Redemption Offer on the assumptions that (i) the aggregate number of Units for which applications are made under the

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Recurring 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 Recurring 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 Recurring Redemption Offer		Immediately after the completion of the Recurring Redemption Offer	
	<i>Units</i>	<i>Approx.%</i>	<i>Units</i>	<i>Approx.%</i>
Public Unitholders	167,110,091	99.56%	133,688,073	99.56%
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	739,747	0.44%	591,798	0.44%

(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 Recurring Redemption Offer. Eligible Unitholders should note that acceptance of the Recurring 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 Recurring 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 Recurring Redemption Offer, they may either (i) provide instructions to their nominee agents of their intentions with regard to the Recurring 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.

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(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 Recurring Redemption Offer.

Other than the condition to the Recurring Redemption Offer as noted under the section headed “Condition to the Recurring 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 Recurring 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 Recurring Redemption Offer.

(k) Reason for and Financial Effect of 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 24.05% to its net asset value over the past three months since 1 February to 29 April 2016 (for reference, as at 16 June 2016, the Fund has been trading at a discount of 20.8% to its net asset value), the Manager believes that the Recurring 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 Recurring Redemption Offer or that the performance of the Fund will be improved or enhanced thereafter.

The Recurring 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. However, while the Manager does not envisage the current exercise of the Recurring

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Redemption Offer will result in the asset value of the Fund being less than HK\$400,000,000, recurring redemption offer(s) to be made in the future may result in the termination of the Fund; and

- (iii) increase the total expense ratio of the Fund from 1.97% for the financial year ended 31 March 2016 to approximately 2.04% after the Recurring Redemption Offer (assuming that 20% of the total outstanding Units are being redeemed).

Investors are advised to refer to the letter of advice from an independent financial adviser dated 17 November 2015 in the Circular in relation to the opinion and recommendations of the independent financial advisor including discussions on the reasons, the risks and the benefits associated with the Recurring Redemption Offer.

(I) Net Asset Value

Based on the net asset value of the Fund as at 16 June 2016 (being the last Business Day before the Latest Practicable Date), 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:

	Immediately before the Recurring Redemption Offer (HK\$)	Immediately after the Recurring Redemption Offer (HK\$)
Net asset value of the Fund as at 16 June 2016 <i>(note 1)</i>	1,715,960,265	1,715,960,265
Less: Redemption proceeds payable to Unitholders under the Recurring Redemption Offer <i>(Note 2)</i>	—	(336,328,212)
Less: Estimated costs and expenses with respect to the realisation of the assets of the Fund	—	(6,863,841)
	<hr/>	<hr/>
	1,715,960,265	1,372,768,212
Number of Units in issue	167,849,838	134,279,871
Unaudited adjusted net asset value per Unit	HK\$10.23	HK\$10.23

LETTER FROM THE MANAGER

Note 1: being the unaudited consolidated equity attributable to Unitholders as at 16 June 2016 as published by the Fund on 17 June 2016 which has included accruals of estimated expenses in relation to 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 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\$343,192,053
Less: Redemption levy retained by the Fund	<u>(HK\$6,863,841)</u>
	<u><u>HK\$336,328,212</u></u>

According to the above example, the Recurring Redemption Offer involves the payment of HK\$343,192,053 (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\$6,863,841, 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\$6,863,841. The Recurring Redemption Offer will therefore reduce the unaudited adjusted net asset value and hence the working capital from HK\$1,715,960,265 to HK\$1,372,768,212 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\$10.23 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.

(m) Future Intentions of the Fund

The management of the Fund will remain unchanged and the Fund's listing on the Stock Exchange will be maintained upon completion of the Recurring Redemption Offer. No other major changes will be introduced to the Fund. The size of the Fund will be reduced after the Recurring 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, however, while the Manager does not envisage the current exercise of the Recurring Redemption Offer will result in the asset value of the Fund being less than HK\$400,000,000, recurring redemption offer(s) to be made in the future may result in the termination of the Fund.

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

LETTER FROM THE MANAGER

(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 the Offering Circular for the investment objective of the Fund.

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

III. GENERAL

Explanatory Statement

The Manager is required to send to the Unitholders an explanatory statement setting out the terms of the Recurring Redemption Offer and containing all other information reasonably necessary to enable the Unitholders to make an informed decision on whether to accept a Recurring Redemption Offer. The Explanatory Statement is set out in Appendix 1 to this circular.

The Directors and the Trustee are of the opinion that the Recurring Redemption Offer is in the interests of the Fund and the Unitholders as a whole.

Your attention is drawn to the additional information set out in the Explanatory Statement in Appendix 1 to this circular. 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:

- the Circular;
- the letter of advice from an independent financial adviser dated 17 November 2015 containing its advice to the independent unitholders of the Fund as to whether the One-off Redemption Offer and the Recurring Redemption Offer were fair and reasonable as to acceptance and voting in the General Meeting;
- the Trust Deed;
- the Offering Circular and the key fact statement of the Fund; and
- the audited accounts of the Fund for the last two financial years for which these have been published.

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 within one (1) Business Day after the relevant valuation day for investors' reference.

LETTER FROM THE MANAGER

It should be noted that dealings in the Units will continue during the period from the date of this Circular to the Redemption Day. Those Unitholders selling their Units and persons purchasing the Units during such period will accordingly bear the risk that the Recurring Redemption Offer may not occur 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, he or she is advised to exercise caution when dealing in the Units and is also recommended to consult his or her professional adviser.

IV. 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

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 accept 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 21 June 2016 and also the Trust Deed.

1. RECURRING REDEMPTION OFFER**Units in Issue**

1.1 As at the Latest Practicable Date, the aggregate of Units outstanding is 167,849,838 Units. The Manager wishes to offer the Recurring Redemption Offer for cash. Pursuant to the Recurring 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

1.2 On receipt by the Registrar of a redemption request from a Unitholder which complies with the requirements of sub-clause 1.4, the Manager shall, subject to sub-clauses 1.9 and 1.10, effect the redemption of the Units specified in the redemption request at the redemption price, less the Redemption Levy, as determined under sub-clause 1.5. Such Redemption Levy is to be retained by the Fund for its own benefit.

1.3 A redemption request complying with the requirements of sub-clause 1.4 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 Recurring Redemption Offer with respect to the Units they hold as of the Lodgement Date. No further action shall be required from the Unitholders who elect to continue to hold onto the entire holdings of Units in the Fund. Unitholders who have lost the certificates representing their Units should contact the Registrar and follow the procedure as required by the Registrar.

1.4 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.

Regardless of whether Unitholders decide to accept or not accept the Recurring Redemption Offer, they should not submit their certificate(s) of Units to the Registrar before 12 July 2016. Any certificate(s) of Units received prior to 12 July 2016 may not be treated as application for the Recurring 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. 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 Recurring Redemption Offer with respect to the Units they hold as of the Lodgement Date.

Redemption Price and Payment of Proceeds

- 1.5 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 28 July 2016.
- 1.6 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 may arrange to hedge the currency risk of RMB relative to US\$ and US\$ relative to Hong Kong dollars (the currency in which the redemption proceeds will be paid in) at the Manager's discretion. 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 Recurring 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 Recurring Redemption Offer may take place with a one-month interval from one repatriation to another.

1.7 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.

- 1.8 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 1.8 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 1.8 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

- 1.9 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 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 Recurring 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.

- 1.10 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 or the Fund's website at www.assetmanagement.hsbc.com/hk-chinadragonfund.

Overseas Unitholders

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

Nominee Holdings

1.12 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 Recurring 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 Recurring 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 Recurring 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

1.13 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 Recurring 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 Recurring Redemption Offer, as if it/they was/were delivered to the Registrar with the redemption request form.

Lost Certificates

- 1.14 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 Recurring 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 Recurring 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

- 1.15 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 or the Fund's website at www.assetmanagement.hsbc.com/hk-chinadragonfund.

New Unitholders

- 1.16 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 21 June 2016 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

1.17 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 18 to 20 of the Letter from the Manager in this circular for additional information on taxation.

Effect of Acceptance of the Recurring Redemption Offer

- 1.18 (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 Recurring 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 Recurring 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 Recurring Redemption Offer is made will not invalidate the Recurring Redemption Offer in any way.
- (d) The Recurring Redemption Offer and all acceptances will be governed by and constructed in accordance with the laws of Hong Kong.
- (e) Due execution of the Recurring 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 Recurring 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 Recurring Redemption Offer.
- (f) Acceptance of the Recurring 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 Recurring 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 Recurring Redemption Offer or his, her, its acceptance thereof, and is permitted under all applicable laws to receive and accept the Recurring Redemption Offer, and any revision thereof, and that such acceptance is valid and binding in accordance with all applicable laws.
- (h) Acceptance of the Recurring 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 Recurring Redemption Offer.
- (i) Reference to the Recurring 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 Recurring 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 Recurring Redemption Offer in regard to such number of Units as supported by the certificate(s) of Units given.

Unitholders' considerations

1.19 The Manager believes that the Recurring 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 24.05% to its net asset value over the past three months since 1 February to 29 April 2016 (for reference, as at 16 June 2016, the Fund has been trading at a discount of 20.8% to its net asset value), the Manager believes that the Recurring 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 Recurring 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 Recurring 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 27 September 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 if any and appropriate 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 10 August 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 Recurring Redemption Offer, the payment of such redemption proceeds under the Recurring 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 Recurring 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 Recurring 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 Recurring 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 Recurring 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 Recurring Redemption Offer" above for details;

- (iv) *Risk of Odd Lots:* any Units held by Unitholders that are not successfully redeemed under the Recurring 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 Recurring Redemption Offer, (i) if effected, will increase the total expense ratio of the Fund by 0.07% (i.e. from 1.97% for the financial year ended 31 March 2016 to approximately 2.04% after the Recurring Redemption Offer (assuming that 20% of the total outstanding Units will be redeemed), this has taken into account the reduction in the net asset value of the Fund under (ii) of this paragraph (v)) 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 such Recurring 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, however, while the Manager does not envisage the current exercise of the Recurring Redemption Offer will result in the asset value of the Fund being less than HK\$400,000,000, recurring redemption offer(s) to be made in the future may result in the termination of the Fund;
- (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; and
- (vii) *Foreign currency risk:* a major part of the Fund's investments is denominated in RMB and a major portion of the Fund's revenue and income is received in RMB. There is no assurance that any revenue and income received by the Fund in RMB may be promptly converted into US\$, the Fund will therefore be exposed to risk of fluctuation in the exchange rate of RMB relative to US\$ and US\$ relative to Hong Kong dollars (the currency in which the redemption proceeds will be paid in). The Manager may use hedging techniques to, at the costs and expense of the Fund, attempt offsetting currency risks. However, there is no assurance that the hedging techniques to be adopted by the Manager will achieve a desired result which is beneficial to the Fund's investments and performance.

2. REDEMPTION/BUY-BACK OF UNITS

- a. During the 12-month period immediately preceding the date of this circular, the Fund has redeemed an aggregate of 41,962,425 Units at HK\$9.60 per Unit on 26 January 2016 pursuant to the One-off Redemption Offer and has not conducted any other buy-back of any Units.
- b. The Fund has not conducted any buy-back of any Units since 31 March 2016, being the date of the end of the last financial year of the Fund.

3. 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	25.07%

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 Recurring Redemption Offer cannot be determined. Assuming that (i) the Recurring 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 Recurring Redemption Offer; and (iii) the above person holding 10% or more of the Units in issue does not accept the Recurring 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 Recurring Redemption Offer, the above person holding 10% or more of the Units in issue will hold such number of Units, approximately 31.33% of the number of Units in issue on completion of the Recurring 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 (including the exercise of the One-off Redemption Offer as described in the Circular) as discretionary fund managers and/or (ii) for proprietary purposes have confirmed that there has neither been dealing nor any exercise of the One-off

Redemption Offer as described in the Circular 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 (including the exercise of the One-off Redemption Offer as described in the Circular) 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:

Name of Entity	Units	Approx.%
The Hongkong and Shanghai Banking Corporation Limited	186,588	0.11%
HSBC International Trustee Limited	553,159	0.33%

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 Recurring 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.

4. UNITS IN ISSUE

As at the Latest Practicable Date, 167,849,838 Units are in issue. Assuming that the Recurring Redemption Offer is fully exercised by Unitholders, there will be approximately 134,279,871 Units in issue upon completion of the Recurring 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 2. 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.

5. 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:

Date	Highest price (HK\$)	Lowest price (HK\$)	Highest net asset value (HK\$)	Lowest net asset value (HK\$)
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
November 2015	10.58	9.55	12.83	11.93
December 2015	11.50	9.50	12.83	12.05
January 2016	9.80	7.16	11.49	9.27
February 2016	7.75	7.19	10.43	9.49
March 2016	8.10	7.21	10.74	9.69
April 2016	8.32	7.60	10.86	10.38
May 2016	8.20	7.56	10.64	9.89
16 June 2016, being the last trading date before the Latest Practicable Date	8.25	7.80	10.42	9.99

The following table shows the closing prices of the Unit on the Stock Exchange and the net asset value per Unit on 16 June 2016 (the last trading date before the Latest Practicable Date), 31 May 2016 (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.

Date	Closing price (HK\$)	Net asset value (HK\$)
31 December 2015	10.66	12.27
29 January 2016	7.50	9.58
29 February 2016	7.20	9.49
31 March 2016	8.00	10.66
29 April 2016	8.04	10.44
31 May 2016, the last trading date before the date of the Firm Intention Announcement	8.12	10.24
16 June 2016, being the last trading date before the Latest Practicable Date	8.10	10.23

The highest and lowest closing price per Unit as quoted on the Stock Exchange during the Relevant Period were HK\$11.50 on 31 December 2015 and HK\$7.16 on 28 January 2016 respectively.

6. 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.

7. DOCUMENTS FOR INSPECTION

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:

- the Circular;
- the letter of advice from an independent financial adviser dated 17 November 2015 containing its advice to the independent unitholders of the Fund as to whether the One-off Redemption Offer and the Recurring Redemption Offer were fair and reasonable as to acceptance and voting in the General Meeting;
- the Trust Deed;
- the Offering Circular and the key fact statement of the Fund; and

- the audited accounts of the Fund for the last two financial years for which these have been published.

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 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 and for the period from 1 April 2015 to 30 September 2015 as extracted from the Fund's relevant annual reports and interim report 2015 respectively.

	Period from 1 April 2015 to 30 September 2015 (Unaudited) HK\$	2015 HK\$	2014 HK\$	2013 HK\$
Net investment income/ (loss)	<u>(625,997,288)</u>	<u>1,272,742,147</u>	<u>(76,026,351)</u>	<u>88,785,555</u>
Profit/(loss) before taxation	(655,505,876)	1,228,032,081	(112,612,273)	30,933,113
Taxation	<u>(3,178,125)</u>	<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/ period	<u>(658,684,001)</u>	<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 31 March 2015 and for the period from 1 April 2015 to 30 September 2015.
- (2) The reports of the auditor of the Fund for the three years ended 31 March, 2015 do not contain any qualifications. The auditor of the Fund for all three years ended 31 March, 2013, 31 March, 2014 and 31 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 31 March 2015 and for the period from 1 April 2015 to 30 September 2015.

II. FINANCIAL INFORMATION

- A. 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

	<i>Note</i>	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Assets			
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>
Total assets		<u>2,997,114,407</u>	<u>1,771,244,123</u>
Liabilities			
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>
Total liabilities		<u>141,196,924</u>	<u>142,400,454</u>
Net assets attributable to unitholders		<u>2,855,917,483</u>	<u>1,628,843,669</u>
Representing:			
Total equity		<u>2,855,917,483</u>	<u>1,628,843,669</u>
Number of units in issue	10	<u>209,812,263</u>	<u>209,812,263</u>
Net asset value per unit		<u>13.61</u>	<u>7.76</u>

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2015

	<i>Note</i>	2015 <i>HK\$</i>	2014 <i>HK\$</i>
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>
Profit/(loss) before taxation		1,228,032,081	(112,612,273)
Taxation	6(a)	<u>(958,267)</u>	<u>(10,745,406)</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>

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2015

	<i>Note</i>	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Balance at the beginning of the year		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>
Balance at the end of the year		<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*

	2015	2014
	<i>HK\$</i>	<i>HK\$</i>
Operating activities		
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>
Net cash generated from operating activities <u>25,111,335</u> <u>54,267,965</u>
Net increase in cash and cash equivalents	25,111,335	54,267,965
Cash and cash equivalents at the beginning of the year	174,128,049	119,915,808
Effect of foreign exchange rates changes	<u>41,208</u>	<u>(55,724)</u>
Cash and cash equivalents at the end of the year	<u><u>199,280,592</u></u>	<u><u>174,128,049</u></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

	2015	2014
	<i>HK\$</i>	<i>HK\$</i>
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:

	2015	2014
	<i>HK\$</i>	<i>HK\$</i>
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:

	2015	2014
	<i>HK\$</i>	<i>HK\$</i>
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	2014
	<i>HK\$</i>	<i>HK\$</i>
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 <i>HK\$</i>	2014 <i>HK\$</i>
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:

	2015	2014
	<i>HK\$</i>	<i>HK\$</i>
The Hongkong and Shanghai Banking Corporation Limited		
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 HK\$	% of total net assets	Change in price %	Effect on net assets attributable to the unitholders HK\$
Investment assets						
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\$
Assets			
Cash and cash equivalents	<u>142,649,757</u>	<u>—</u>	<u>142,649,757</u>
Total interest sensitivity gap	<u>142,649,757</u>	<u>—</u>	<u>142,649,757</u>
	2014		
	Less than 1 year HK\$	Over 1 year HK\$	Total HK\$
Assets			
Cash and cash equivalents	<u>173,963,851</u>	<u>—</u>	<u>173,963,851</u>
Total interest sensitivity gap	<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
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
31 March 2015			
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>
31 March 2014			
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

HK\$

31 March 2015	
Renminbi	<u>23,898,076</u>
31 March 2014	
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.

	2015		
	Level 1 <i>HK\$</i>	Level 2 <i>HK\$</i>	Total <i>HK\$</i>
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>
	2014		
	Level 1 <i>HK\$</i>	Level 2 <i>HK\$</i>	Total <i>HK\$</i>
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.

- B. Set out below is the full text of the unaudited interim financial statements of the Fund for the period ended 30 September 2015.

MANAGER'S REPORT

Interim period ended 30 September 2015

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.

**For and on behalf of
HSBC Global Asset Management (Hong Kong) Limited**

24 November 2015

INDEPENDENT REVIEW REPORT TO THE MANAGER**Interim period ended 30 September 2015***Introduction*

We have reviewed the interim financial report of the Fund set out on pages 3 to 26 which comprise the interim statement of assets and liabilities of the Fund as of 30 September 2015 and the related interim statement of comprehensive income, interim statement of changes in equity and interim cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The Manager is responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 September 2015 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Charter Road
Central, Hong Kong

24 November 2015

INTERIM STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)

As at 30 September 2015

	<i>Note</i>	30 September 2015 (Unaudited) HK\$	31 March 2015 (Audited) HK\$
Assets			
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)	<u>256,949,839</u>	<u>199,280,592</u>
Total assets		<u><u>2,334,671,441</u></u>	<u><u>2,997,114,407</u></u>
Liabilities			
Taxation	6(b)	133,823,770	136,815,470
Accrued expenses and other payables	8(a), (b), (c)	<u>3,614,189</u>	<u>4,381,454</u>
Total liabilities		<u><u>137,437,959</u></u>	<u><u>141,196,924</u></u>
Net assets attributable to unitholders		<u><u>2,197,233,482</u></u>	<u><u>2,855,917,483</u></u>
Representing:			
Total equity		<u><u>2,197,233,482</u></u>	<u><u>2,855,917,483</u></u>
Number of units in issue	10	<u><u>209,812,263</u></u>	<u><u>209,812,263</u></u>
Net asset value per unit		<u><u>10.47</u></u>	<u><u>13.61</u></u>

The notes on pages 74 to 94 form part of this interim financial report.

INTERIM STATEMENT OF COMPREHENSIVE INCOME (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\$
	<i>Note</i>		
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>
Net investment (loss)/income		<u>(625,997,288)</u>	<u>216,844,513</u>
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>
Operating expenses		<u>(29,508,588)</u>	<u>(18,260,234)</u>
(Loss)/profit before taxation		(655,505,876)	198,584,279
Taxation	6(a)	<u>(3,178,125)</u>	<u>(16,629,980)</u>
(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>

The notes on pages 74 to 94 form part of this interim financial report.

INTERIM STATEMENT OF CHANGES IN EQUITY (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\$
Balance at the beginning of the period	2,855,917,483	1,628,843,669
(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>
Balance at the end of the period	<u><u>2,197,233,482</u></u>	<u><u>1,810,797,968</u></u>

The notes on pages 74 to 94 form part of this interim financial report.

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\$
Operating activities		
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	<u>(5,628,248)</u>	<u>(4,972,763)</u>
Net cash generated from operating activities	<u>61,289,271</u>	<u>22,445,019</u>
Net increase in cash and cash equivalents	61,289,271	22,445,019
Cash and cash equivalents at the beginning of the period	199,280,592	174,128,049
Effect of exchange rate fluctuations on cash and cash equivalents	<u>(3,620,024)</u>	<u>1,636,134</u>
Cash and cash equivalents at the end of the period	<u>256,949,839</u>	<u>198,209,202</u>

The notes on pages 74 to 94 form part of this interim financial report.

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

These 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 69.

The financial information relating to the financial year ended 31 March 2015 that is included in the interim financial statements as being previously reported information does not constitute the Fund’s statutory financial statements for that financial year but is derived from those financial statements. The auditor has expressed an unqualified opinion on the financial statements for the year ended 31 March 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 these interim financial statements 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 statements 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

	Period from 1 April 2015 to 30 September 2015 (unaudited) HK\$	Period from 1 April 2014 to 30 September 2014 (unaudited) HK\$
Realised gains	119,953,593	68,012,304
Unrealised (losses)/gains	<u>(785,152,122)</u>	<u>112,022,141</u>
	<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	(2,999,967)	160,574
	<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	—	472,953
	<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:

	Period from 1 April 2015 to 30 September 2015 (unaudited) HK\$	Period from 1 April 2014 to 30 September 2014 (unaudited) HK\$
The Hongkong and Shanghai Banking Corporation Limited		
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

	Period from 1 April 2015 to 30 September 2015 (unaudited)	Period from 1 April 2014 to 30 September 2014 (unaudited)
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\$
Investment assets						
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	Over	Total
	1 year	1 year	
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Assets			
Cash and cash equivalents	161,929,740	—	161,929,740
Total interest sensitivity gap	161,929,740	—	161,929,740
	31 March 2015 (audited)		
	Less than	Over	Total
	1 year	1 year	
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Assets			
Cash and cash equivalents	142,649,757	—	142,649,757
Total interest sensitivity gap	142,649,757	—	142,649,757

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:

	Assets <i>HK\$</i>	Liabilities <i>HK\$</i>	Net exposure <i>HK\$</i>
30 September 2015 (unaudited)			
Renminbi	1,926,233,380	(133,953,372)	1,792,280,008
United States dollar	<u>408,438,069</u>	<u>(558)</u>	<u>408,437,511</u>
	<u><u>2,334,671,449</u></u>	<u><u>(133,953,930)</u></u>	<u><u>2,200,717,519</u></u>
31 March 2015 (audited)			
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>

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.

	<i>HK\$</i>
30 September 2015 (unaudited)	
Renminbi	<u><u>35,845,600</u></u>
31 March 2015 (audited)	
Renminbi	<u><u>23,898,076</u></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)			
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
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)			
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
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.

	As at 1 April 2014 HK\$	Net losses included in the statement of comprehensive income HK\$	Sales HK\$	Transfer in of Level 3 HK\$	As at 30 September 2015 HK\$	*Unrealised gains and losses HK\$
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 Manger 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 these interim financial statements. These include the following which may be relevant to the Fund:

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, <i>Presentation of financial statements</i>	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

	Holdings	Market value HK\$	% of total net asset attributable to unitholders
Equity			
<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
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

	Holdings	Market value HK\$	% of total net asset attributable to unitholders
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
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>
Equities (total)		<u>1,761,721,374</u>	<u>80.18</u>

	Holdings	Market value HK\$	% of total net asset attributable to unitholders
Equity-linked instruments			
<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	<u>22,217,933</u>	<u>1.01</u>
		<u>228,454,020</u>	<u>10.40</u>
<i>Unlisted but quoted investments</i>			
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	<u>21,621,219</u>	<u>0.98</u>
		<u>84,963,942</u>	<u>3.86</u>
Equity-linked instruments (Total)		<u>313,417,962</u>	<u>14.26</u>
Total investments			
(Total cost of investments: \$2,107,599,914)		2,075,139,336	94.44
Other net assets		<u>122,094,146</u>	<u>5.56</u>
Net assets attributable to unitholders		<u>2,197,233,482</u>	<u>100.00</u>

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)

For the period ended 30 September 2015

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

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.

<i>Year/period</i>	Lowest <i>HK\$</i>	Highest <i>HK\$</i>
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	<u>9.75</u>	<u>18.36</u>

III. INDEBTEDNESS STATEMENT

At the close of business on 17 June 2016, 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”, 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 “5. 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.

The circuit breaker mechanism for the onshore Chinese equity market became effective on 4 January 2016. According to the system, the trading of stocks, options and stock futures will be suspended for 15 minutes if the CSI300 index rises or falls by 5%, and closed for the rest of the day if the index moves by 7% or more. While the circuit breaker was triggered twice over the first 4 days of the year, it was interpreted by market as being ineffective in calming jitters and was taken as the accelerator of the aggressive sell-off in the onshore space. The China Securities Regulatory Commission (CSRC) therefore suspended the mechanism effective from 8 January 2016.

V. FINANCIAL AND TRADING PROSPECTS

The investment objective of the Fund will continue to achieve long-term capital growth by 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 economic targets, policies and reforms delivered at the National People's Congress (NPC) are largely in line with market expectations. While monetary policy is expected to be accommodative going forward, fiscal policy will also play an important role to support investment. The "two-speed economy" is likely to continue, with the "new economy," services and consumption areas doing relatively better and gaining more policy support. While MSCI announced it would delay adding shares listed in domestic China to its benchmark emerging markets index, we believe the Chinese authorities are likely to stay on the direction to further enhance market accessibility and align domestic practices to international standards and remain committed to capital account liberalisation and capital market reform in the medium-to-long term.

The Manager expects market volatility to remain largely driven by the uncertainty in economic growth trend. Meanwhile, the Manager believes that a combination of policy initiatives in various industries, the emergence of new themes, and potential for stronger earnings in selective sectors could support the market. 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).

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

DESPATCH OF CIRCULAR TO UNITHOLDERS IN RELATION TO THE RECURRING REDEMPTION OFFER

The circular to Unitholders for the Recurring Redemption Offer has been dispatched to the Unitholders of the Fund on 21 June 2016.

It should be noted that dealings in the Units will continue during the period from the date of this announcement to the Redemption Day. Those Unitholders selling their Units and persons purchasing the Units during such period will accordingly bear the risk that the Recurring Redemption Offer may not occur 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, he or she is advised to exercise caution when dealing in the Units and is also recommended to consult his or her professional adviser.

Reference is made to the announcement dated 1 June 2016 by HSBC Global Asset Management (Hong Kong) Limited (the "Manager") of HSBC China Dragon Fund (the "Fund") in relation to the proposed Recurring Redemption Offer and (ii) the circular issued by the Manager dated 21 June 2016 (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, further details of the Recurring Redemption Offer has been dispatched to the Unitholders on 21 June 2016.

It should be noted that dealings in the Units will continue during the period from the date of this announcement to the Redemption Day. Those Unitholders selling their Units and persons purchasing the Units during such period will accordingly bear the risk that the Recurring Redemption Offer may not occur 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, he or she is advised to exercise caution when dealing in the Units and is also recommended to 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
21 June 2016

*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 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)

21 June 2016

Dear Unitholders,

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

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

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

Should you have any queries relating to this letter, please call the enquiry hotline at (852) 2862 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

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

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

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

2016年6月21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。

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 THE RECURRING REDEMPTION OFFER dated 21 June 2016 ("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)於2016年6月21日向單位持有人所發出有關經常性贖回要約通函(「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 RECURRING 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經常性贖回要約時適用。

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 Recurring 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經常性贖回要約。			
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 Day 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 Recurring Redemption Offer is accepted.

附註: 請填上接納經常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 Recurring 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 Recurring Redemption Offer in the relevant jurisdictions and observe any applicable regulatory or legal requirements. It is your responsibility if you wish to accept the Recurring 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 Recurring 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 Recurring Redemption Offer, by post or by hand, marked "HSBC CHINA DRAGON FUND — Recurring 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 26 July 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 Recurring 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 Recurring Redemption Offer in regard to such number of Units as supported by the certificate(s) of Units given.

FORM OF ACCEPTANCE OF THE RECURRING 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 Recurring 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 Recurring 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 Recurring 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 Recurring 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 Recurring 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 Recurring 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 announcement regarding the Recurring Redemption Offer dated 1 June 2016 (the "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 Recurring 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 Recurring Redemption Offer becomes unconditional in all respects and thereafter be irrevocable.
2. I/We understand that acceptance of the Recurring 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 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 Recurring Redemption Offer or my/our acceptance thereof, and am/are permitted under all applicable laws to receive and accept the Recurring 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 Recurring 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 Recurring 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 Recurring 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 Recurring 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 Recurring 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 Recurring 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 Recurring 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 Recurring Redemption Offer which is not entirely in order or which is not accompanied by the relevant certificate(s) of the Units and/or other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof), but, in such cases, the consideration due will not be despatched until the relevant certificate(s) and/ other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof) has/have been received by the Receiving Agent.

If you have questions in relation to the Recurring 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 26 July 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 Recurring 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經常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，應自行瞭解經常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。閣下如欲接納經常性贖回要約，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經常性贖回要約，應填妥及簽署本贖回表格，連同代表閣下有意接納經常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－經常性贖回要約」，惟無論如何不得遲於2016年7月26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經常性贖回要約。

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經常性贖回要約。

經常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

- 本人／吾等一經簽立本贖回表格(不論該表格是否已註明日日期)，本人／吾等的繼承人及受讓人即受此約束，且有關簽立構成：
 - 本人／吾等按單位持有人通函及本表格所述代價並在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經常性贖回要約；
 - 本人／吾等不可撤回地指示及授權滙豐環球投資管理(香港)有限公司及／或本基金、收款代理及／或彼等各自的代理人，(i)就本人／吾等根據經常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／吾等根據經常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所列首位者(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／吾等根據經常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所列首位者(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) _____
 - 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／吾等接納經常性贖回要約而提交的單位轉歸本基金或彼等可能指定的有關人士所有；
 - 本人／吾等承諾於必需或合宜時簽立其他有關文件及以進一步保證的方式作出有關行動及事宜，以贖回本人／吾等根據接納經常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2016年6月1日就經常性贖回要約刊發的公告日期(「公告」)附於、或將於其後附於該等單位的一切權利；
 - 本人／吾等同意追認滙豐環球投資管理(香港)有限公司及／或本基金或彼等各自的代理人或彼／彼等可能指定的有關人士於行使本表格所載任何權限時可能作出或進行的各種行動或事宜；
 - 本人／吾等不可撤回地指示及授權滙豐環球投資管理(香港)有限公司及／或本基金或彼等各自的代理人，在交回隨附經本人／吾等正式簽署的其他所有權文件(如有)(及／或任何就此所需並令人滿意的彌償保證)後，憑此代表本人／吾等向滙豐環球投資管理(香港)有限公司或本基金或收款代理領取本人／吾等就單位應獲發的證書，並將有關證書送交收款代理，且授權及指示收款代理在經常性贖回要約的條款及條件的規限下持有有關證書，猶如有關證書連同本贖回表格一併送交收款代理；及
 - 本人／吾等委任滙豐環球投資管理(香港)有限公司及／或本基金為本人／吾等就本贖回表格所涉全部單位的受權人，該授權書於經常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。
- 本人／吾等明白，本人／吾等接納經常性贖回要約，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：
 - 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經常性贖回要約或本人／吾等接納經常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經常性贖回要約(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。
- 倘按經常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所列首位者(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。
- 本人／吾等茲附上將由你們按經常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。
- 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，可以接納經常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。
- 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／吾等接納經常性贖回要約的法例，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。
- 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／吾等將全面負責交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／吾等接納經常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。
- 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。
- 本人／吾等確認，本人／吾等根據經常性贖回要約贖回的單位將於贖回後註銷。
- 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)，就根據經常性贖回要約獲接納或被視為已獲接納的(接納未被有效撤回)以及未註銷的單位而言，本人／吾等授權本基金及／或其代理人，將可能須向本人／吾等(作為單位持有人)寄發的任何通告、通函、保證書或其他文件或通訊(包括代表本人／吾等單位的任何有關證書)寄送至香港中央證券登記有限公司(收件人：「滙豐中國翔龍基金」)，地址為香港灣仔皇后大道東183號合和中心17樓1712-1716號舖。
- 本基金保留將任何不完全恰當或無隨附有關單位證書及／或其他所有權文件(及／或任何就此所需並令人滿意的彌償保證)的經常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。

閣下如對經常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7月26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，而不能就經常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 Recurring 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 Recurring 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經常性贖回要約，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；
- 確定閣下根據經常性贖回要約所享有的權利；
- 發佈由滙豐環球投資管理(香港)有限公司及/或本基金及/或彼等各自的代理人(如收款代理)發出的通訊；
- 編製統計資料及單位持有人資料；
- 按法例、規則或規例(無論是法定或其他規定)的要求作出披露；
- 披露有關資料以便利處理權利要求或享有權；
- 有關滙豐環球投資管理(香港)有限公司及/或本基金及/或收款代理的業務的任何其他用途；及
- 有關上文所述任何其他附帶或關連用途及/或以便滙豐環球投資管理(香港)有限公司及/或本基金及/或收款代理履行彼等對單位持有人及/或監管機構的義務及單位持有人可能不時同意或被告知的任何其他用途。

3. 轉交個人資料

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

- 滙豐環球投資管理(香港)有限公司及/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: **滙豐中國翔龍基金(「本基金」)**
經香港中央證券登記有限公司
香港灣仔皇后大道東183號
合和中心17M樓

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

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

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

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

I/We would like to receive a **printed copy in English** now.

本人/我們現在希望收取一份英文印刷本。

I/We would like to receive a **printed copy in Chinese** now.

本人/我們現在希望收取一份中文印刷本。

I/We would like to receive **both the printed English and Chinese copies** now.

本人/我們現在希望收取英文和中文各一份印刷本。

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

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

read the **Website version** of all future Corporate Communications published on the Fund's website in place of receiving printed copies; **OR**

瀏覽在本基金網站發表之公司通訊網上版本, 以代替印刷本; 或

to receive the **printed English version** of all future Corporate Communications **ONLY**; **OR**

僅收取本公司通訊之英文印刷本; 或

to receive the **printed Chinese version** of all future Corporate Communications **ONLY**; **OR**

僅收取本公司通訊之中文印刷本; 或

to receive **both printed English and Chinese versions** of all future Corporate Communications.

同時收取本公司通訊之英文及中文印刷本。

Name(s) of Unitholders[#]

基金單位持有人姓名[#]

Date

日期

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

Address[#]

地址[#]

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

Contact telephone number

聯絡電話號碼

Signature(s)

簽名

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

Notes/附註:

- Please complete all your details clearly.
請 閣下清楚填寫所有資料。
- By selection to read the Website Version of the Corporate Communications published on the Fund's website in place of receiving printed copies, you have expressly consented to waive the right to receive the Corporate Communications in printed form, including the right to receive notice of meeting by post or delivery at your address pursuant to the trust deed constituting the Fund.
在選擇瀏覽在本基金網站發表之公司通訊網上版本以代替收取印刷本後, 閣下已明示同意放棄收取公司通訊印刷本的權利, 包括根據成立本基金的信託契據以郵寄或送遞予 閣下之地址的方式收取大會通告之權利。
- If your units are held in joint names, the Unitholder whose name stands first on the register of members of the Fund in respect of the joint holding should sign on this Change Request Form in order to be valid.
如聯名基金單位持有人, 則本變更申請表格須由該名於基金單位持有人名冊上就聯名持有基金單位其姓名位列首位的基金單位持有人簽署, 方為有效。
- The above instruction will apply to all future Corporate Communications to be sent to Unitholders of the Fund until you notify otherwise by reasonable notice in writing to the Fund's Registrar, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or by email to hsbcchinadragon.ecom@computershare.com.hk.
上述指示適用於將來寄發予本基金單位持有人之所有公司通訊, 直至 閣下發出合理書面通知予本基金之過戶登記處香港中央證券登記有限公司地址為香港灣仔皇后大道東183號合和中心17M樓或以電郵方式發送通知 hsbcchinadragon.ecom@computershare.com.hk 另作選擇為止。
- All Future Corporate Communications in both printed English and Chinese versions will be available for inspection from the Fund's Registrar upon request.
本基金之過戶登記處將備有所有公司通訊之英、中文印刷本以供索閱。
- The unitholders are entitled to change the choice of means of receipt or language of the Fund's Corporate Communications at any time by reasonable notice in writing to the Fund's Registrar.
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- Any form with more than one box marked (X), with no box marked (X), with no signature or otherwise incorrectly completed will be void.
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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 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 would like to announce that the following conditions (being the conditions before a proposed Recurring Redemption Offer can be made, as set out in the Circular) were fulfilled to offer a Recurring Redemption Offer:

1. the Fund has been trading at a discount of its net asset value of 24.05% (daily average) from 1 February to 29 April 2016, being above the condition of discount of 20% or more for three consecutive months;
2. such redemption offer is 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 Applicable Regulations with certain exceptions set out in sub-paragraph 4 in the section headed "(a) Terms of the Recurring Redemption Offer- (i) Background to the Recurring Redemption Offer" in this announcement;
5. the Manager has taken into account of all relevant prevailing market conditions and is reasonably satisfied that the redemption proceeds can be paid to Unitholders in accordance with the time limits stipulated in the Applicable Regulations;
6. the Fund has made the One-off Redemption Offer in accordance with the Circular and has not yet made any Recurring Redemption Offer in 2016, this met the condition of the Fund not having made more than three redemption offers in a year;
7. the aggregate redemption of all Unitholders will be no more than 20% of the total outstanding number of Units as at the relevant lodgement date of the 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, and such Extraordinary Resolution has not taken place.

The Manager wishes to offer Unitholders 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.

There is no minimum number of Units which a qualifying Unitholder can apply to redeem under the Recurring 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 Recurring 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.

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 if any and appropriate 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.

The Recurring Redemption Offer will be conditional upon the SFC's approval. As previously approved at the General Meeting and set out in the Circular, the Recurring Redemption Offer will not be subject to any further approval of the Unitholders nor the advice of the independent financial advisor. As stated in the Circular, the right of Unitholders to redeem may be suspended by the Manager in the event of 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.

Investors are advised to refer to the letter of advice from an independent financial adviser dated 17 November 2015 in the Circular in relation to the opinion and recommendations of the independent financial advisor including discussions on the reasons, the risks and the benefits associated with the Recurring Redemption Offer.

WARNING: It should be noted that dealings in the Units will continue during the period from the date of this Announcement to the Redemption Day. Those Unitholders selling their Units and persons purchasing the Units during such period will accordingly bear the risk that the Recurring Redemption Offer may not occur 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, he or she is advised to exercise caution when dealing in the Units and is also recommended to consult his or her professional adviser.

A. PROPOSED RECURRING REDEMPTION OFFER

Reference is made to the circular published by HSBC China Dragon Fund (the "**Fund**") dated 17 November 2015 (the "**Circular**") regarding the extraordinary resolutions in relation 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 approved by the Independent Unitholders of the Fund in the General Meeting.

(a) Terms of the Recurring Redemption Offer

(i) Background to the Recurring Redemption Offer

The Extraordinary Resolution regarding the Recurring Redemption Offer was duly passed by the Unitholders in the General Meeting.

According to the Circular, the Manager will offer a Recurring Redemption Offer 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. such 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 Recurring Redemption Offer proposal at the 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. Investors are advised to refer to the letter of advice from an independent financial adviser dated 17 November 2015 in the Circular in relation to the opinion and recommendations of the independent financial advisor including discussions on the reasons, the risks and the benefits associated with the Recurring Redemption Offer.

The Manager would like to announce that the above eight conditions (being the conditions before a proposed Recurring Redemption Offer can be made, as set out in the Circular) were fulfilled to offer a Recurring Redemption Offer:

1. the Fund has been trading at a discount of its net asset value of 24.05% (daily average) from 1 February to 29 April 2016, being above the condition of discount of 20% or more for three consecutive months;
2. such redemption offer is 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 Applicable Regulations with the only exceptions set out in condition 4(a) and 4(b) above;
5. the Manager has taken into account of all relevant prevailing market conditions and is reasonably satisfied that the redemption proceeds can be paid to Unitholders in accordance with the time limits stipulated in the Applicable Regulations;
6. the Fund has made the One-off Redemption Offer in accordance with the Circular and has not yet made any Recurring Redemption Offer in 2016, this met the condition of the Fund not having made more than three redemption offers in a year;
7. the aggregate redemption of all Unitholders will be no more than 20% of the total outstanding number of Units as at the relevant lodgement date of the 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, and such Extraordinary Resolution has not taken place.

Accordingly, the Manager has determined at its discretion, taking into account the best interests of the Unitholders, to make a Recurring Redemption Offer.

As at the date of this announcement, 167,849,838 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 Recurring Redemption Offer to the Unitholders to redeem the whole or a part of their Units on the Redemption Day for cash.

(ii) Terms of the Recurring Redemption Offer

The Manager proposes to offer the Unitholders, conditional upon the SFC's approval, 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 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 Recurring Redemption Offer will not attract Hong Kong ad valorem or fixed stamp duty. The redemption of Units by a Unitholder pursuant to the Recurring 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 28 July 2016.

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 are 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 HK\$1,600,000, approximately 0.09% of the net asset value of the Fund as at 31 May 2016. 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.

(iii) Procedures with respect to the Recurring Redemption Offer

The Recurring Redemption Offer shall occur on the Redemption Day. Unitholders who wish to accept the Recurring 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 Recurring Redemption Offer with respect to the Units they hold as of the 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 4:30 p.m. on the Lodgement Date. No further action shall be required from the Unitholders who elect to continue to hold onto their entire holdings of Units in the Fund. Unitholders who 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 27 September 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 if any and appropriate 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 10 August 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. Further announcement will be made by the Manager as soon as practicable if there is a need to pay by instalment and the corresponding date(s) of payment. As of 31 May 2016, A Shares invested directly through QFII and other net assets in the PRC account for approximately 95% of the net asset value of the Fund, for reference, the redemption proceeds payable out of the assets in the PRC as of 31 May 2016 is approximately 75% of the total redemption proceeds (assuming that 20% of the total outstanding Units are being redeemed).

(iv) Limits on the Recurring Redemption Offer

Unitholders should note that there is no minimum number of Units which a qualifying Unitholder can apply to redeem under the Recurring 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 Recurring 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 Recurring Redemption Offer. In the event that the aggregate number of Units for which applications to redeem are made under the Recurring 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 Recurring 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 Recurring 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 Recurring 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 Recurring 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 Recurring 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 Recurring Redemption Offer will be subject to certain condition referred to in the section headed "Condition to the Recurring Redemption Offer" below and the full terms and details of the Recurring 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 Recurring 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.

Posting of the circular to Unitholders in relation to the Recurring Redemption Offer on the Fund's website and/or by post to Unitholders	21 June 2016
Commencement date for lodging the redemption request with the Registrar	12 July 2016
Lodgement Date of the Recurring Redemption Offer (i.e. last date for lodgment of Recurring Redemption Offer request)	26 July 2016
Redemption Day of the Recurring Redemption Offer	27 July 2016
Date of announcement of the net asset value of the Fund as of the Value Day	28 July 2016
Registrar to dispatch the balanced certificates to the Unitholders and return of certificates representing request that do not satisfy Recurring Redemption Offer (by ordinary post)	10 August 2016
Target payment date of the Recurring Redemption Offer	The Manager shall use its best endeavours to pay all the redemption proceeds, less the Redemption Levy, to

Unitholders on or before 27 September 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 Recurring 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 27 September 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 10 August 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 Recurring Redemption Offer, the payment of such redemption proceeds under the Recurring 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 Recurring 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 Recurring 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 Recurring 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 Recurring 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 Recurring Redemption Offer" above for details;

- (iv) *Risk of Odd Lots:* any Units held by Unitholders that are not successfully redeemed under the Recurring 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 Recurring Redemption Offer, (i) if effected, will increase the total expense ratio of the Fund by 0.07 % (i.e. from 1.97 % for the financial year ended 31 March 2016 to approximately 2.04% after the Recurring Redemption Offer (assuming that 20% of the total outstanding Units will be redeemed)) 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 such Recurring 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, however, while the Manager does not envisage the current exercise of the Recurring Redemption Offer will result in the asset value of the Fund being less than HK\$400,000,000, recurring redemption offer(s) to be made in the future may result in the termination of the Fund;
- (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; and
- (vii) *Foreign currency risk:* A major part of the Fund's investments is denominated in RMB and a major portion of the Fund's revenue and income is received in RMB. There is no assurance that any revenue and income received by the Fund in RMB may be promptly converted into US\$, the Fund will therefore be exposed to risk of fluctuation in the exchange rate of RMB relative to US\$ and US\$ relative to Hong Kong dollars (the currency in which the redemption proceeds will be paid in). The Manager may use hedging techniques to, at the costs and expense of the Fund, attempt offsetting currency risks. However, there is no assurance that the hedging

techniques to be adopted by the Manager will achieve a desired result which is beneficial to the Fund's investments and performance.

(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 Recurring 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 dividends, interest, royalty, rental and other income (including capital gain) earned directly from sources in the PRC.

- 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/Value-Added Tax

Pursuant to the notice Caishui [2005] No. 155 issued jointly by the State Administration of Taxation ("SAT") and the Ministry of Finance ("MoF") in December 2005, gains derived by QFIIs from securities trading carried out by the PRC brokers are exempted from business tax in the PRC. Pursuant to the notice Caishui [2016] No. 36 issued jointly by the SAT and MoF in March 2016, effective from 1 May 2016, PRC valued added tax replaced business tax to cover all sectors that used to fall under the PRC business tax. Gains derived by QFIIs from securities trading carried out through domestic entrusted companies (i.e. the PRC brokers) are exempted from value-added tax.

Please refer to the section headed "Taxation and Regulatory Requirements" in the Offering Circular for more information.

(d) Condition to the Recurring Redemption Offer

The Recurring Redemption Offer will be conditional upon the SFC's approval. As previously approved at the General Meeting and set out in the Circular, the Recurring Redemption Offer will not be subject to any further approval of the Unitholders nor the advice of the independent financial advisor. As stated in the Circular, the right of Unitholders to redeem may be suspended by the Manager in the event of 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.

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

(e) Overseas Unitholders

Based on the register of Unitholders as at 31 May 2016, 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 (including the exercise of the One-off Redemption Offer as described in the Circular) as discretionary fund managers and/or for proprietary purposes have confirmed that there has neither been dealing nor any exercise of the One-off Redemption Offer as described in the Circular 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	186,588	0.11 %
HSBC International Trustee Limited	553,159	0.33 %

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 Recurring 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 Recurring Redemption Offer from any Unitholder.

Commencing from 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 Recurring Redemption Offer on the assumptions that (i) the aggregate number of Units for which applications are made under the Recurring 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 Recurring 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 Recurring Redemption Offer		Immediately after the completion of the Recurring Redemption Offer	
	<i>Units</i>	<i>Approx.%</i>	<i>Units</i>	<i>Approx.%</i>
Public Unitholders	167,110,091	99.56%	133,688,073	99.56%
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	739,747	0.44%	591,798	0.44%

(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 Recurring Redemption Offer. Eligible Unitholders should note that acceptance of the Recurring 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 Recurring 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 Recurring Redemption Offer, they may either (i) provide instructions to their nominee agents of their intentions with regard to the Recurring 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 Recurring Redemption Offer.

Other than the condition to the Recurring Redemption Offer as noted under the section headed "Condition to the Recurring 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 Recurring 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 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 24.05% to its net asset value over the past three months since 1 February to 29 April 2016 (for reference, as at 31 May 2016, the Fund has been trading at a discount of 20.70% to its net asset value), the Manager believes that the Recurring 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 Recurring Redemption Offer or that the performance of the Fund will be improved or enhanced thereafter.

The Recurring 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 1.97% for the financial year ended 31 March 2016 to approximately 2.04% after the Recurring Redemption Offer (assuming that 20% of the total outstanding Units are being redeemed).

Investors are advised to refer to the letter of advice from an independent financial adviser dated 17 November 2015 in the Circular in relation to the opinion and recommendations of the independent financial advisor including discussions on the reasons, the risks and the benefits associated with the Recurring Redemption Offer.

(l) Future Intentions of the Fund

The management of the Fund will remain unchanged and the Fund's listing on the Stock Exchange will be maintained upon completion of the Recurring Redemption Offer. No other major changes will be introduced to the Fund. The size of the Fund will be reduced after the Recurring 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, however, while the Manager does not envisage the current exercise of the Recurring Redemption Offer will result in the asset value of the Fund being less than HK\$400,000,000, recurring redemption offer(s) to be made in the future may result in the termination of the Fund.

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

(m) 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 24.05% to its net asset value over the past three months since 1 February to 29 April 2016, the Manager believes that the Recurring 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 Recurring Redemption Offer or that the performance of the Fund will be improved or enhanced thereafter.

(n) Condition to the Manager's ability to offer the Recurring Redemption Offer

The Manager's entitlement to offer a Recurring Redemption Offer will be conditional upon the SFC's approval of the Recurring Redemption Offer.

B. CIRCULAR

Details, including the terms and conditions, of the proposed Recurring Redemption Offer and all other information reasonably necessary to enable the Unitholders to make an informed decision on whether to exercise their rights to apply for a Recurring Redemption Offer, the Trustee's view on the Recurring Redemption Offer shall be set out in a circular 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.

C. GENERAL

It should be noted that dealings in the Units will continue during the period from the date of this Announcement to the Redemption Day. Those Unitholders selling their Units and persons purchasing the Units during such period will accordingly bear the risk that the Recurring Redemption Offer may not occur 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, he or she is advised to exercise caution when dealing in the Units and is also recommended to consult his or her professional adviser.

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 1229).

D. 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
"Applicable Regulations"	the Code on Share Buy-Backs as if they were applicable to the Fund (including but not limited to all relevant timing and disclosure requirements under the Code on Share Buy-Backs), the SFC Products Handbook and all other applicable codes, rules, regulations and laws
"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
"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
"Fund"	HSBC China Dragon Fund
"Extraordinary Resolution"	A resolution proposed as such and passed on a poll by 75% or more of the votes of those present and entitled to vote in person or by proxy at a duly convened meeting of the Unitholders
"General Meeting"	the general meeting of Unitholders held on 7 January 2016 to approve the extraordinary resolutions in relation 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 approved

"HKSCC"	Hong Kong Securities Clearing Company Limited
"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 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 Recurring Redemption Offer
"Manager"	HSBC Global Asset Management (Hong Kong) Limited
"Offering Circular"	the offering circular of the Fund dated 12 April 2016 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
"Recurring Redemption Offer"	an offer by the Manager 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 certain conditions as described in the Circular and the Offering Circular
"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 Recurring Redemption Offer as described in this announcement

"Registrar"	Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
"SFC"	the Securities and Futures Commission of Hong Kong
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Trust Deed"	the trust deed dated 20 June 2007 between the Trustee and the Manager and includes any amendments and supplements thereto
"Trustee"	HSBC Institutional Trust Services (Asia) Limited
"Unit(s)"	unit(s) of the Fund
"Unitholder(s)"	unitholder(s) of Units
"Value Day"	the Redemption Day, being the date on which the relevant market closing price of the underlying investments of the Fund, and the Fund's applicable operating expenses accrued or incurred to date shall be used to calculate the net asset value of the Fund to be adopted as the redemption price for the purpose of the Recurring Redemption Offer

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
1 June 2016

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 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 ⁽¹⁾.

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

The relevant figures are gross of fees and (if any) net of capital gain tax provision performances calculated from internal sources; and are for indicative purpose only. Returns would be lower once fees are deducted. The performances of the indices are quoted for indicative comparison purpose only and the indices are not the benchmarks of the Fund.

	Calendar year performance ⁽²⁾										
	2016 Year-to- date ⁽¹⁾	2015 full year	2014 full year	2013 full year	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾
					Year-to- date since 1 January up to 31 December ⁽¹⁾	Year-to- date since 1 January up to 5 September ⁽¹⁾					
The Fund’s A- share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	-15.19%	12.64%	32.32%	1.25%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
<i>MSCI China A</i>	-17.81%	7.15%	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.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
<i>MSCI China</i>	N.A.	N.A.	N.A.	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance ⁽⁴⁾			
	up to 29 April 2016 ⁽¹⁾			up to 5 September 2012 ⁽¹⁾
	6 months	1 year	Since August 07 ⁽³⁾	Since August 07 ⁽³⁾
The Fund's A-share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	-13.77%	-33.57%	12.53%	N.A.
MSCI China A	-15.45%	-36.59%	-4.10%	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 April 2016. "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 April 2016:

	Calendar year performance ⁽²⁾										Cumulative performance ⁽⁴⁾		
	2016 year-to-date	2015 full year	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 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾
Net asset value of the Fund (net of fees) ⁽¹⁾	-14.91%	9.85%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	-14.14%	-34.79%	5.78%

As at 29 April 2016:

Net asset value per unit of the Fund:	HK\$10.44
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$8.04
Discount / Premium to net asset value:	22.99% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 29 April 2016. 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 May 2016

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 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 ⁽¹⁾.

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

The relevant figures are gross of fees and (if any) net of capital gain tax provision performances calculated from internal sources; and are for indicative purpose only. Returns would be lower once fees are deducted. The performances of the indices are quoted for indicative comparison purpose only and the indices are not the benchmarks of the Fund.

	Calendar year performance ⁽²⁾										
	2016 Year-to- date ⁽¹⁾	2015 full year	2014 full year	2013 full year	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾
					Year-to- date since 1 January up to 31 December ⁽¹⁾	Year-to- date since 1 January up to 5 September ⁽¹⁾					
The Fund’s A- share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	-13.34%	12.64%	32.32%	1.25%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
<i>MSCI China A</i>	-15.63%	7.15%	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.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
<i>MSCI China</i>	N.A.	N.A.	N.A.	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance ⁽⁴⁾			
	up to 31 March 2016 ⁽¹⁾			up to 5 September 2012 ⁽¹⁾
	6 months	1 year	Since August 07 ⁽³⁾	Since August 07 ⁽³⁾
The Fund's A-share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	3.03%	-20.25%	15.00%	N.A.
MSCI China A	-2.73%	-23.84%	-1.56%	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 2016. "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 2016:

	Calendar year performance ⁽²⁾										Cumulative performance ⁽⁴⁾		
	2016 year-to-date	2015 full year	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 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾
Net asset value of the Fund (net of fees) ⁽¹⁾	-13.12%	9.85%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	1.72%	-21.73%	8.00%

As at 31 March 2016:

Net asset value per unit of the Fund:	HK\$10.66
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$8.00
Discount / Premium to net asset value:	24.95% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 March 2016. 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
22 April 2016

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 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

Change of Director

HSBC Global Asset Management (Hong Kong) Limited, as the Manager of the Fund, hereby announces that Mr. PACTON, Olivier has resigned as the Director of the Manager with effect from 11 April 2016.

The Offering Circular of the Fund has been revised accordingly. A copy of the Offering Circular dated 12 April 2016 has been posted on the Fund's website on 12 April 2016.

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
12 April 2016

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 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

Change of Director

HSBC Global Asset Management (Hong Kong) Limited, as the Manager of the Fund, hereby announces that Mr. RIKHYE, Jayant has resigned as the Director of the Manager with effect from 31 March 2016.

The Offering Circular of the Fund has been revised accordingly. A copy of the Offering Circular dated 1 April 2016 has been posted on the Fund's website on 1 April 2016.

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
1 April 2016

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 and Ms. WONG, Pik Kuen Helen.

IMPORTANT

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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)

Voluntary Announcement – Fund Performance

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

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

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

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

The relevant figures are gross of fees and (if any) net of capital gain tax provision performances calculated from internal sources; and are for indicative purpose only. Returns would be lower once fees are deducted. The performances of the indices are quoted for indicative comparison purpose only and the indices are not the benchmarks of the Fund.

	Calendar year performance ⁽²⁾										
	2016 Year-to- date ⁽¹⁾	2015 full year	2014 full year	2013 full year	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾
					Year-to- date since 1 January up to 31 December ⁽¹⁾	Year-to- date since 1 January up to 5 September ⁽¹⁾					
The Fund’s A- share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	-22.96%	12.64%	32.32%	1.25%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
<i>MSCI China A</i>	-25.81%	7.15%	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.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
<i>MSCI China</i>	N.A.	N.A.	N.A.	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance ⁽⁴⁾			
	up to 29 February 2016 ⁽¹⁾			up to 5 September 2012 ⁽¹⁾
	6 months	1 year	Since August 07 ⁽³⁾	Since August 07 ⁽³⁾
The Fund's A-share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	-12.71%	-17.88%	2.22%	N.A.
<i>MSCI China A</i>	-18.87%	-22.22%	-13.43%	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 29 February 2016. "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 February 2016:

	Calendar year performance ⁽²⁾										Cumulative performance ⁽⁴⁾		
	2016 year-to-date	2015 full year	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 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾
Net asset value of the Fund (net of fees) ⁽¹⁾	-22.66%	9.85%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	-12.78%	-19.51%	-3.85%

As at 29 February 2016:

Net asset value per unit of the Fund:	HK\$9.49
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$7.20
Discount / Premium to net asset value:	24.13% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 29 February 2016. 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
18 March 2016

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)

**ANNOUNCEMENT OF THE FINAL PAYMENT OF PROCEEDS WITH RESPECT TO THE
ONE-OFF REDEMPTION OFFER AND CERTAIN CHANGES TO THE OFFERING
CIRCULAR OF THE FUND**

The Manager wishes to inform the Unitholders of (i) the final payment of proceeds with respect to the redemption of Units of the Fund made under the One-off Redemption Offer and (ii) certain changes to the offering circular of the Fund as a result of the promulgation of the Provisions by SAFE.

1. One-off Redemption Offer

The Registrar has sent the first payment of HK\$7.00 per Unit in respect to the One-off Redemption Offer to the redeeming Unitholders on 12 February 2016. Following the relevant clearance from SAFE with respect to the repatriation of its assets in the PRC, **the Fund will pay the final instalment of the redemption proceeds, namely, HK\$2.60 per Unit to the redeeming Unitholders on 24 March 2016.**

2. The Provisions

On 3 February 2016, SAFE has promulgated the Provisions on the Foreign Exchange Administration of the Securities Investment by Qualified Foreign Institutional Investors in the PRC which took effective as of 3 February 2016.

1. One-off Redemption Offer

Reference is made to announcement by HSBC China Dragon Fund (the "**Fund**") on 27 January 2016 (the "**Announcement**") regarding the One-off Redemption Offer. Capitalised terms used herein shall, unless otherwise defined, have the same meanings ascribed to them in the Announcement.

The redemption made under the One-off Redemption Offer occurred on 26 January 2016.

The Registrar has sent the first payment of HK\$7.00 per Unit in respect of the One-off Redemption Offer to the redeeming Unitholders on 12 February 2016.

Following the relevant clearance from the State Administration of Foreign Exchange ("**SAFE**") with respect to the repatriation of its assets in the PRC, **the Fund will pay the final instalment of the redemption proceeds, namely, HK\$2.60 per Unit to the redeeming Unitholders on 24 March 2016** in accordance with the terms disclosed in the Circular.

2. The Provisions

On 3 February 2016, SAFE has promulgated the Provisions on the Foreign Exchange Administration of the Securities Investment by Qualified Foreign Institutional Investors in the PRC (《合格境外機構投資者境內證券投資外匯管理規定》) (the "Provisions"). The Provisions took effective as of 3 February 2016. The Manager would like to update you of the key changes resulted from the promulgation of the Provisions:

- (i) prior to the promulgation of the Provisions, the Manager, as a qualified foreign institutional investor ("QFII"), was required to remit the entire investment principal for their QFII investment quota into the special RMB account opened with the QFII Custodian within six (6) months, subject to any extension that may be granted by SAFE, of being issued with the foreign exchange registration certificate by SAFE. Pursuant to the Provisions, a QFII is no longer subject to such 6-month requirement but is required to effectively use its QFII investment quota within one year of its approval;
- (ii) prior to the promulgation of the Provisions, any repatriation of the Fund's principal funds (that is, excluding any net realised profits of the Fund) would result in the reduction of the QFII investment quota of the Manager in respect of the Fund. Pursuant to the Provisions, the QFII investment quota of a QFII is no longer subject to any reduction as a result of repatriation of the Fund's investment principal; and
- (iii) prior to the promulgation of the Provisions, the investment principal of the Manager, once remitted by the Manager into the special RMB account opened with the QFII Custodian, may not be repatriated for a minimum of one year for a close-ended fund. Such one-year period has been reduced to three months under the Provisions.

Pursuant to the Provisions, the QFII investment quota of the Manager with respect to the Fund will not be reduced as a result of repatriation of its assets to satisfy the One-off Redemption Offer. The Provisions shall have no other impact on the One-off Redemption Offer and the existing QFII investment quota of the Fund.

The offering circular of the Fund has accordingly been updated to reflect the above changes. Please refer to the offering circular of the Fund for more detailed discussions of QFII and the Provisions.

General Information

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

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

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

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

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
14 March 2016

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

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(Stock Code: 820)

Voluntary Announcement – Fund Performance

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

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

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

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

The relevant figures are gross of fees and (if any) net of capital gain tax provision performances calculated from internal sources; and are for indicative purpose only. Returns would be lower once fees are deducted. The performances of the indices are quoted for indicative comparison purpose only and the indices are not the benchmarks of the Fund.

	Calendar year performance ⁽²⁾										
	2016 Year-to- date ⁽¹⁾	2015 full year	2014 full year	2013 full year	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾
					Year-to- date since 1 January up to 31 December ⁽¹⁾	Year-to- date since 1 January up to 5 September ⁽¹⁾					
The Fund’s A- share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	-21.98%	12.64%	32.32%	1.25%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
<i>MSCI China A</i>	-24.54%	7.15%	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.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
<i>MSCI China</i>	N.A.	N.A.	N.A.	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance ⁽⁴⁾			
	up to 29 January 2016 ⁽¹⁾			up to 5 September 2012 ⁽¹⁾
	6 months	1 year	Since August 07 ⁽³⁾	Since August 07 ⁽³⁾
The Fund's A-share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	-23.85%	-13.52%	3.53%	N.A.
<i>MSCI China A</i>	-29.44%	-17.52%	-11.96%	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 29 January 2016. "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 January 2016:

	Calendar year performance ⁽²⁾										Cumulative performance ⁽⁴⁾		
	2016 year-to-date	2015 full year	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 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾
Net asset value of the Fund (net of fees) ⁽¹⁾	-21.92%	9.85%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	-24.92%	-15.59%	-2.94%

As at 29 January 2016:

Net asset value per unit of the Fund:	HK\$9.58
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$7.50
Discount / Premium to net asset value:	21.71% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 29 January 2016. 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 February 2016

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)*

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

The Manager wishes to announce that the redemption of Units made under the One-off Redemption Offer occurred on 26 January 2016.

The One-off Redemption Offer closed at 4:30 p.m. (Hong Kong time) on 25 January 2016 (the Lodgement Date). Units were redeemed at the redemption price of HK\$9.60 per Unit, representing the net asset value of HK\$9.64 per Unit calculated using the relevant market closing price of the underlying investments of the Fund and the Fund's applicable operating expenses accrued or incurred to date on 26 January 2016 and made available as of 9:30 a.m. on 27 January 2016 less a Redemption Levy of HK\$0.04 per Unit. The Redemption Levy of HK\$0.04 per Unit represented 0.41% of the net asset value of each Unit redeemed.

The Fund has satisfied the redemption requests of the Unitholders on a pro rata basis at around 33.964% for each Unitholder based on the number of Units such Unitholder has validly applied to redeem, rounded down to the nearest whole Unit, and Units representing 20% of the total outstanding number of Units as at 25 January 2016 were redeemed on 26 January 2016. The total number of Units redeemed under the One-off Redemption Offer is 41,962,425.

Upon the redemption made under the One-off Redemption Offer, all redeemed Units have been cancelled. The Registrar will send, by ordinary post at the redeeming Unitholder's own risk, certificate(s) for Units not redeemed on or before 12 February 2016 (if applicable).

INVESTORS SHOULD NOTE THE FOLLOWING KEY DATES:

Time for calculating the net asset value of the Fund as of the Value Day	9:30 a.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	HK\$7.00 per Unit will be paid by the Fund to Unitholders on 12 February 2016
	The Manager shall use its best endeavours to pay the remaining redemption proceeds, less the Redemption Levy, of HK\$2.60

per Unit to Unitholders on or before 26 March 2016 (i.e. within 2 months after the Redemption Day) in accordance with the terms disclosed in the Circular. 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 Manager will issue further announcement to inform Unitholders when the remaining redemption proceeds of HK\$2.60 per Unit will be paid to Unitholders as soon as practicable.

Reference is made to poll results announcement by HSBC China Dragon Fund (the "**Fund**") on 7 January 2016 (the "Announcement") and the circular published by the Fund dated 17 November 2015 (the "**Circular**") regarding the extraordinary resolutions in relation 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 approved by the unitholders of the Fund in the general meeting held on 7 January 2016.

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

The resolutions regarding (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 were duly passed by the Unitholders in the general meeting held on 7 January 2016.

The conditions of the One-off Redemption Offer were fulfilled and the One-off Redemption Offer became unconditional on 8 January 2016.

The One-off Redemption Offer closed at 4:30 p.m. (Hong Kong time) on 25 January 2016 (the Lodgement Date).

Results of the One-off Redemption Offer

Unitholders that exercised their rights under the One-off Redemption Offer have returned their redemption requests forms together with the relevant certificate(s) and/ or transfer receipt(s) and / or any other document(s) of title for the number of Units in respect of which Unitholders intended to redeem to the registrar of the Fund no later than 4:30 p.m. on 25 January 2016. Acceptances of the

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

As at 4:30 p.m. on 25 January 2016:

- | | |
|--|--|
| (a) The total number of Units in issue | 209,812,263 |
| (b) The maximum number of Units available for redemption under the One-off Redemption Offer | 41,962,452 (20% of the total outstanding number of Units as at 25 January 2016) |
| (c) The aggregate number of Units for which valid applications were made under the One-off Redemption Offer | 123,548,191 (58.89 % of the total outstanding number of Units as at 25 January 2016) |
| (d) Out of (c) above, the aggregate number of Units for which valid applications were made under the One-off Redemption Offer by the Manager and entities that are the Manager's parent, the Manager's subsidiaries, the Manager's fellow subsidiaries, associated companies of any 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 | 363,057 (0.17 % of the total outstanding number of Units as at 25 January 2016) |

The Fund has satisfied the redemption requests of the Unitholders on a pro rata basis at around 33.964% for each Unitholder based on the number of Units such Unitholder has validly applied to redeem, rounded down to the nearest whole Unit, and Units representing 20% (the "**Redemption Percentage**") of the total outstanding number of Units as at 25 January 2016 were redeemed on 26 January 2016. The total number of Units redeemed under the One-off Redemption Offer is 41,962,425.

Redemption of the Units

The Manager wishes to announce that the redemption made under the One-off Redemption Offer occurred on 26 January 2016.

The total number of Units redeemed under the One-off Redemption Offer is 41,962,425. Units were redeemed at the redemption price of HK\$9.60 per Unit, representing the net asset value of HK\$9.64 per Unit calculated using the relevant market closing price of the underlying investments of the Fund and the Fund's applicable operating expenses accrued or incurred to date on 26 January 2016 and made available as of 9:30 a.m. on 27 January 2016 less a Redemption Levy of HK\$0.04 per Unit. The Redemption Levy of HK\$0.04 per Unit represented 0.41% of the net asset value of each Unit redeemed.

According to the Circular, the total number of Units redeemed by the Fund shall not exceed 20% of the total outstanding number of Units as at 25 January 2016. The aggregate number of Units for which applications were made under the One-off Redemption Offer is 123,548,191 representing 58.89% of the total outstanding number of Units as at 25 January 2016.

As the aggregate number of Units for which applications were made under the One-off Redemption Offer exceeded 20% of the total outstanding number of Units as at 25 January 2016, the number of Units that such Unitholders could eventually redeem was reduced proportionally.

The Registrar will send, by ordinary post and by batches at the redeeming Unitholder's own risk, remittances for such total amount as is due to that redeeming Unitholder, that is, the net asset value of the Units redeemed less the Redemption Levy, whose redemption under the One-off Redemption Offer has been accepted by the Manager.

The Circular noted that the Fund may need to pay the redemption proceeds to Unitholders by instalments. The Fund will use its assets outside PRC to settle the first part of the redemption proceeds, and **the Registrar will send the first payment of HK\$7.00 per Unit to Unitholders on 12 February 2016.** 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. 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. Accordingly, with respect to its assets in the PRC, 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 26 January 2016, A Shares invested directly through QFII and other net assets in the PRC account for approximately 82.59 % of the net asset value of the Fund, for reference, the redemption proceeds payable out of the assets in the PRC as of 26 January 2016 is approximately 27.08 % of the total redemption proceeds. **The Manager shall use its best endeavours to pay the remaining redemption proceeds of HK\$2.60 per Unit, less the Redemption Levy, to Unitholders on or before 26 March 2016 (i.e. within 2 months after the Redemption Day) in accordance with the terms disclosed in the Circular. There is no assurance that redemption proceeds payable out of the Fund's assets in the PRC will be distributed within two months.**

The Manager will issue further announcement to inform Unitholders when the remaining redemption proceeds of HK\$2.60 per Unit will be paid to Unitholders as soon as practicable.

The Redemption Levy is to be retained by the Fund for the benefit of the Fund.

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

Any request for the One-off Redemption Offer which was not satisfied is void and certificates representing such Units shall be returned to Unitholders on or before 12 February 2016.

Holding Structure

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

	Immediately before the Firm Intention Announcement		Immediately before the completion of the redemption made under the One-off Redemption Offer		Immediately after the completion of the redemption made under the One-off Redemption Offer	
	Units	Approx.%	Units	Approx.%	Approx Units	Approx.%
Public Unitholders	208,949,206	99.59	208,949,206	99.59	167,110,090	99.56
Manager and entities that are the Manager's parent, Manager's subsidiaries, the Manager's fellow	863,057*	0.41	863,057	0.41	739,748	0.44

subsidiaries,
associated
companies of any of
the foregoing (i)
trade in the Units as
discretionary fund
managers and/or (ii)
for proprietary
purposes own or
control or direct the
holding of voting
rights and rights over
the Units

* This figure was disclosed as 963,057 Units in the Firm Intention Announcement. Since the date of the Firm Intention Announcement, the Manager has received further information that the holder of 100,000 Units out of such 963,057 Units was in the category of "Public Unitholders" as at the date of the Firm Intention Announcement, and the figure above has been updated accordingly.

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

Interests of the Fund and the Manager

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

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

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

Name of Entity	Immediately before the Firm Intention Announcement		Immediately before the completion of the redemption made under the One-off Redemption Offer		Immediately after the completion of the redemption made under the One-off Redemption Offer	
	Units	Approx. %	Units	Approx. %	Approx Units	Approx. %
The Hongkong and Shanghai Banking Corporation Limited	282,557	0.13	282,557	0.13	186,589	0.11
HSBC International Trustee Limited	580,500*	0.28	580,500	0.28	553,159	0.33

* This figure was disclosed as 680,500 Units in the Firm Intention Announcement. Since the date of the Firm Intention Announcement, the Manager has received further information that the holder of 100,000 Units out of such 680,500 Units was in the category of "Public Unitholders" as at the date of the Firm Intention Announcement, and the figure above has been updated accordingly.

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

Nominee Holding

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

Odd Lots Arrangements

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

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

Overseas Unitholders

Based on the register of Unitholders, there were no Unitholder with registered addresses outside Hong Kong during the period which the One-off Redemption Offer was offered.

Securities Repurchased by the Fund and the Manager

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

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

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

Borrowing or Lending by the Manager

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

Net Asset Values

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

Date	Total net asset value of the Fund (HK\$)	Net asset value per Unit (HK\$)
25 January 2016 ^(a)	2,143,529,734	10.22
26 January 2016 ^(b)	1,616,721,942	9.64

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

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

General Information

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

The listing of the Fund on the Stock Exchange of Hong Kong does not guarantee a liquid market and the Fund may be delisted. The Fund's market price on the Stock Exchange of Hong Kong may be different from its net asset value per Unit. Currency movement may affect the value of investments. Investment in emerging market involves higher risks. The Fund invests part of its assets in China A-shares, which are subject to specific risks and restrictions as disclosed in the Offering Circular. The

Fund differs from a typical trust and investors should read the Offering Circular for details including the risk factors.

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

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

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
27 January 2016

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

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(Chapter 571 of the Laws of Hong Kong)*

(Stock Code: 820)

Voluntary Announcement – Fund Performance

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

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

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

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

The relevant figures are gross of fees and (if any) net of capital gain tax provision performances calculated from internal sources; and are for indicative purpose only. Returns would be lower once fees are deducted. The performances of the indices are quoted for indicative comparison purpose only and the indices are not the benchmarks of the Fund.

	Calendar year performance ⁽²⁾									
	2015 Year-to- date ⁽¹⁾	2014 full year	2013 full year	2012		2011 full year	2010 full year	2009 full year	2008 full year	2007 since August 07 ⁽³⁾
				Year-to- date since 1 January up to 31 December ⁽¹⁾	Year-to- date since 1 January up to 5 September ⁽¹⁾					
The Fund’s A-share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	12.64%	32.32%	1.25%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
<i>MSCI China A</i>	7.15%	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%
<i>MSCI China</i>	N.A.	N.A.	N.A.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance ⁽⁴⁾			
	up to 31 December 2015 ⁽¹⁾			up to 5 September 2012 ⁽¹⁾
	6 months	1 year	Since August 07 ⁽³⁾	Since August 07 ⁽³⁾
The Fund's A-share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾	-18.43%	12.64%	32.69%	N.A.
<i>MSCI China A</i>	-19.97%	7.15%	16.68%	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 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 December 2015:

	Calendar year performance ⁽²⁾									Cumulative performance ⁽⁴⁾		
	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 ⁽³⁾	6 months	1 year	Since August 07 ⁽³⁾
Net asset value of the Fund (net of fees) ⁽¹⁾	9.85%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	-19.91%	9.85%	24.32%

As at 31 December 2015:

Net asset value per unit of the Fund:	HK\$12.27
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$10.66
Discount / Premium to net asset value:	13.12% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 December 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
22 January 2016

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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POLL RESULTS OF THE GENERAL MEETING HELD ON 7 JANUARY 2016
AND

**THE ONE-OFF REDEMPTION OFFER HAS BECOME UNCONDITIONAL AND CERTAIN
CONDITIONS OF THE RECURRING REDEMPTION OFFER HAVE BEEN SATISFIED**

POLL RESULTS OF THE GENERAL MEETING HELD ON 7 JANUARY 2016

The Manager is pleased to announce that the extraordinary resolutions with respect 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 as mentioned in the Circular dated 17 November 2015 were duly passed by way of a poll at the General Meeting held on 7 January 2016.

1. THE ONE-OFF REDEMPTION OFFER HAS BECOME UNCONDITIONAL

The conditions of the One-off Redemption Offer have been fulfilled and the One-off Redemption Offer became unconditional on 8 January 2016 and will remain open for acceptance until no later than 4:30 p.m. (Hong Kong time) on 25 January 2016.

Investors should note the following key dates:

**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. 25 January 2016**

**Redemption Day of the One-off Redemption Offer
(assuming no event occurs which requires a suspension of the
Redemption Day)** **26 January 2016**

**Time for calculating the net asset value of the Fund
as of the Value Day** **9:30 a.m. on 27 January 2016**

**Announcement of the net asset value of the Fund as of the
Value Day** **by 5:00p.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

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.

WARNING

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

2. CERTAIN CONDITIONS OF THE RECURRING REDEMPTION OFFER HAVE BEEN SATISFIED

Certain conditions for the Manager to offer a Recurring Redemption Offer to all Unitholders have been satisfied. The Manager may grant Recurring Redemption Offer to all Unitholders as the Manager determines at its discretion taking into account the best interests of the Unitholders, subject to the conditions set forth in paragraph (iii) (Recurring Redemption Offer) below.

WARNING

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

Reference is made to the circular (the "**Circular**") issued by HSBC China Dragon Fund (the "**Fund**") dated 17 November 2015. Capitalised terms used herein shall, unless otherwise defined, have the same meanings ascribed to them in the Circular.

Following is the voting results on a poll in respect of the resolutions proposed at the general meeting ("**General Meeting**") of the unitholders of the Fund (the "**Unitholders**") held on 7 January 2016:

	Number of Votes (%)	
	For	Against
Extraordinary Resolutions		
To approve the Change of Investment Objective in accordance with and subject to the terms set out in the Circular	104,220,846 (99.37%)	664,500 (0.63%)
To approve the One-Off Redemption Offer in accordance with and subject to the terms set out in the Circular	104,853,346 (99.98%)	25,000 (0.02%)
To approve the Recurring Redemption Offer in accordance with and subject to the terms set out in the Circular	104,859,346 (99.98%)	24,000 (0.02 %)
To approve the amendments to the Trust Deed to effect the Recurring Redemption Offer as set out in the Circular	104,857,346 (99.98%)	25,000 (0.02%)

Notes:

- (a) For details of the resolutions and the requirements and timetable with respect 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, please refer to the Circular.
- (b) As at the date of the General Meeting, the number of Units in issue was 209,812,263.
- (c) The Trustee, the custodian of the Fund, the manager of the Fund and their respective Connected Persons including, fellow subsidiaries and/or associated companies of the Manager as well as the Manager's parent company, the subsidiaries of the Manager's parent company and associated companies of the Manager's parent company and the subsidiaries of such parent company that (i) trade in Units as discretionary fund managers and/or (ii) for proprietary purposes own or control or direct the holding of voting rights and rights over the Units, representing an aggregate of 963,057 Units, were required to abstain from voting on the extraordinary resolutions. The total number of Units entitling the Unitholders to attend the General Meeting and vote for or against the resolutions was 208,849,206.
- (d) Computershare Hong Kong Investor Services Limited, the Unit registrar of the Fund, acted as scrutineer for the poll at the General Meeting.

According to the Circular, the Manager will proceed to effect (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 after obtaining the necessary approval of the Unitholders at the General Meeting for all of the four resolutions above.

On the basis of the votes set out above, the resolutions were duly passed as extraordinary resolutions. The Manager will therefore proceed to effect any of (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.

(i) Change of Investment Objective

The Change of Investment Objective will be effective on 8 January 2016. The revised offering circular and the key fact statement with the new investment objective of the Fund will be published by the Manager on 8 January 2016.

(ii) One-off Redemption Offer

The conditions of the One-off Redemption Offer have been fulfilled and the One-off Redemption Offer became unconditional on 8 January 2016 and will remain open for acceptance until no later than 4:30 p.m. (Hong Kong time) on 25 January 2016. The Redemption Day shall take place on 26 January 2016.

Unitholders who wish to accept the One-off Redemption Offer must provide completed redemption requests to the registrar of the Fund no later than 4:30 p.m. on 25 January 2016; provided that the Unitholders are only entitled to make a redemption request under the One-off Redemption Offer with respect to the Units they hold as of the Lodgement Date.

Unitholders that are interested in exercising their rights under the One-off Redemption Offer shall be required to return their redemption requests forms together with the relevant certificate(s) and/ or transfer receipt(s) and / or any other document(s) of title (and / or any satisfactory indemnity or indemnities required in respect thereof) for the number of Units in respect of which Unitholders intend to redeem, by post or by hand to the registrar of the Fund by no later than 4:30 p.m. on 25 January 2016. No further action shall be required from the Unitholders that elect to continue to hold onto their entire holdings of Units in the Fund. Unitholders that have lost the certificates representing their Units should contact the registrar of the Fund and follow the procedure as required by the registrar of the Fund. Unitholders whose Units are held by a nominee company, including those whose interests in the Units are held through CCASS, should refer to the section headed "Nominee Registration of Units" in the Circular.

Status of Acceptance of the One-off Redemption Offer

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

Warning

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

(iii) Recurring Redemption Offer

The following conditions have been satisfied with respect to the Manager's entitlement to offer a Recurring Redemption Offer to all Unitholders:

- (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.

The Manager may grant a Recurring Redemption Offer to all Unitholders 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 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 Recurring Redemption Offer proposal at the 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.

WARNING

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

(iv) Amendments to the Trust Deed

The amendments to the Trust Deed by the supplemental Trust Deed will be effective on 8 January 2016.

General Information

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

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

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

HSBC Global Asset Management (Hong Kong) Limited

Manager of HSBC China Dragon Fund

7 January 2016

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.