
HSBC CHINA DRAGON FUND

滙豐中國翔龍基金
(Stock Code: 820)
Other Documents

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HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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

**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 19 December 2017.

The Recurring Redemption Offer closed at 4:30 p.m. (Hong Kong time) on 18 December 2017 (the Lodgement Date). Units were redeemed at the redemption price of HK\$13.14 per Unit, representing the net asset value of HK\$13.18 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 19 December 2017 and made available as of 9:30 a.m. on 20 December 2017 less a Redemption Levy of HK\$0.04 per Unit. The Redemption Levy of HK\$0.04 per Unit represented 0.30% 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 39.369% 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 18 December 2017 were redeemed on 19 December 2017. The total number of Units redeemed under the Recurring Redemption Offer is 21,484,754.

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 5 January 2018 (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 20 December 2017
Latest date for return of certificate(s) for Units not redeemed (if applicable)	5 January 2018
Latest date for despatch of cheques to redeeming Unitholders of Recurring Redemption Offer	HK\$3.0 per Unit will be paid by the Fund to Unitholders on 5 January 2018.

The Manager shall use its best

endeavours to pay the remaining redemption proceeds of HK\$10.14 per Unit to Unitholders on or before 20 February 2018 (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 relevant rules 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\$10.14 per Unit will be paid to Unitholders as soon as practicable.

Reference is made to (i) the Firm Intention Announcement dated 31 October 2017, (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 November 2017 (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 18 December 2017 (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 18 December 2017. 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 18 December 2017:

(a) The total number of Units in issue	107,423,977
(b) The maximum number of Units available for redemption under the Recurring Redemption Offer	21,484,795 (20% of the total outstanding number of Units as at 18 December 2017)
(c) The aggregate number of Units for which valid applications were made under the Recurring Redemption Offer	54,573,042 (50.80% of the total outstanding number of Units as at 18 December 2017)
(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	257,890 (0.24 % of the total outstanding number of Units as at 18 December 2017)

The Fund has satisfied the redemption requests of the Unitholders on a pro rata basis at around 39.369% 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 18 December 2017 were redeemed on 19 December 2017. The total number of Units redeemed under the Recurring Redemption Offer is 21,484,754.

Redemption of the Units

The Manager wishes to announce that the redemption made under the Recurring Redemption Offer occurred on 19 December 2017.

The total number of Units redeemed under the Recurring Redemption Offer is 21,484,754 . Units were redeemed at the redemption price of HK\$13.14 per Unit, representing the net asset value of HK\$13.18 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 19 December 2017 and made available as of 9:30 a.m. on 20 December 2017 less a Redemption Levy of HK\$0.04per Unit. The Redemption Levy of HK\$0.04 per Unit represented 0.30% 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 18 December 2017. The aggregate number of Units for which applications were made under the Recurring Redemption Offer is 54,573,042 representing 50.80% of the total outstanding number of Units as at 18 December 2017.

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 18 December 2017, 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\$3.0 per Unit to Unitholders on 5 January 2018**. 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 relevant rules 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 19 December 2017, A Shares invested directly through QFII and other net assets in the PRC account for approximately 92.21% of the net asset value of the Fund, for reference, the redemption proceeds payable out of the assets in the PRC as of 19 December 2017 is approximately 77.17% of the total redemption proceeds. **The Manager shall use its best endeavours to pay the remaining redemption proceeds of HK\$10.14 per Unit to Unitholders on or before 20 February 2018 (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\$10.14 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 5 January 2018.

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	107,166,087	99.76	107,166,087	99.76	85,782,861	99.82
Manager and entities that are the Manager's parent, Manager's subsidiaries, the Manager's fellow	257,890	0.24	257,890	0.24	156,362	0.18

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

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	70,084	0.07	70,084	0.07	42,493	0.05
HSBC International Trustee Limited	187,806	0.17	187,806	0.17	113,869	0.13

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\$)
18 December 2017 ^(a)	1,396,656,792.74	13.01
19 December 2017 ^(b)	1,415,236,348.29	13.18

^(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
20 December 2017

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
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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⁾											
	2017 Year-to-date ⁽¹⁾	2016 full year	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⁾	25.77%	-12.60%	12.64%	32.32%	1.25%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
MSCI China A	19.63%	-18.94%	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.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
MSCI China	N.A.	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 2017 ⁽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⁾	15.18%	18.84%	45.86%	N.A.
<i>MSCI China A</i>	15.91%	11.55%	13.15%	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 2017. "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 2017:

	Calendar year performance ⁽²⁾												Cumulative performance ⁽⁴⁾		
	2017 year-to-date	2016 full year	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⁾	23.90%	-13.04%	9.85%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	14.46%	17.09%	33.94%	

As at 30 November 2017:

Net asset value per unit of the Fund:	HK\$13.22
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$11.38
Discount / Premium to net asset value:	13.92% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 November 2017. 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 December 2017

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)

29 November 2017

Dear Unitholders,

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

The 2017 Interim Report 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」)2017中期報告備有英文及中文版。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

2017年11月29日

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

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

Change Request Form 變更申請表格

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

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

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

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

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

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

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

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

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

Name(s) of Unitholders#
基金單位持有人姓名#

Date
日期

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

Address#
地址#

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

Contact telephone number
聯絡電話號碼

Signature(s)
簽名

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

Notes/附註:

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

閣下寄回此變更申請表格時, 請將郵寄標籤剪貼於信封上。

如在本港投寄毋須貼上郵票。

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

No postage stamp necessary if posted in Hong Kong.

郵寄標籤 MAILING LABEL

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

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

2017 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 2017 to 30 September 2017.

The interim results of the Fund for the period from 1 April 2017 to 30 September 2017 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 2017 to 30 September 2017.

Manager's report

Market review

Onshore Chinese equities registered strong gain during the 6-month period ended 30 September 2017 after a rather stable quarter in the beginning of the year.

In 2Q this year, the Chinese market was driven higher by generally robust macro data and positive upwards earnings revisions. China 1Q GDP and March activity growth surprised on the upside. Consumption related data has also been strong. The property market has also surprised on the upside, with real estate investment and new residential starts showing resilience despite further property tightening being announced. This positive data alongside strong sales led to a significant rally in the property sector in May. The technology sector was boosted by generally strong earnings results among the heavyweights. RMB showed signs of stabilisation in Q1 and started to appreciate against the USD in Q2 on the back of improving economic fundamentals, this has also been supportive of equity market returns. Moody's downgraded China's sovereign rating by one notch during May. However, there was no significant impact on either the equity or bond markets. On June 20th, MSCI announced the addition of 222 large-cap A-shares to its benchmarks after four years of discussion. The inclusion will be implemented in two stages, first in May and then in Aug 2018. The MSCI inclusion of A-shares gave relevant stocks a lift in June and added long-term upside potential for the market. Also in June, China made new strategy announcements on coal and steel production causing both sectors to rise.

Despite rising geopolitical tensions between North Korea and the U.S., the equity market continued to march higher in Q3, fuelled again by solid macro data and upwards earnings revision during the traditional earnings season of August. China's economy grew faster than expected in the second quarter as industrial output picked up and investment remained strong. Consumption related data has also been strong. The property market in Q3 remained solid with real estate investment and new residential starts continued to expand. Consolidation in property market continued with leading players posting strong sales numbers, driving the property sector higher during the quarter. S&P stripped China's sovereign rating by one notch in September after Moody's downgrade in May. However, the market reaction to the downgrade was somewhat muted. RMB remained pretty strong against the USD in Q3 until late September the greenback rallied as U.S. President Trump unveiled a framework for tax reform and U.S. Federal announced the balance sheet normalisation will commence in October. China announced another round of property tightening measures in tier 2/3 cities in late September, which triggered some profit-taking activities in the property sector.

On the last day of September, China announced a targeted reserve requirement cut in a bid to encourage more lending to smaller firms. The cut will be effective in 2018. Market believes this will create additional liquidity in the system and balance the deleveraging impact to the economy, booting overall sentiment in the equity market. We believe market performance will remain broadly supported in the run-up to the 19th Party Congress which will be kicked off on October 18.

Outlook

The economy ended the first three quarters of 2017 on a solid footing, supported by resilient consumer spending, rebound of PPI and commodity price, strong property sales and recovery of industrial profits. This has led to a significant upward earnings revision across different sectors, driving equity market higher. Given a relatively stable near term growth outlook and broadly expansionary fiscal policy stance, we remain positive on the near term outlook for Chinese equities. China continued to press ahead the supply side and SOE reforms and a further opening up of capital/financial markets, they should provide support to the Chinese equity market.

Longer term, the recovery of economic fundamentals will attract more investments into China. PBOC's FX reserves rose for the 8th consecutive month in September by US\$17bn to US\$3.1tn. The inclusion of A-share in MSCI global index will also drive inflow as we expect the inclusion factor will gradually increase from the current 5% level.

Interim statement of assets and liabilities (unaudited)
As at 30 September 2017

	Note	30 September 2017 (Unaudited) HK\$	31 March 2017 (Audited) HK\$
Assets			
Investments at fair value through profit or loss	7, 12	1,359,097,675	1,195,585,628
Other receivables	8(c)	2,479,597	1,684,964
Cash and cash equivalents	8(d)	<u>34,831,375</u>	<u>302,578,533</u>
Total assets		<u>1,396,408,647</u>	<u>1,499,849,125</u>
Liabilities			
Redemption payable		–	264,799,578
Accrued expenses and other payables	8(a), (b) & (c)	<u>2,934,877</u>	<u>3,539,928</u>
Total liabilities		<u>2,934,877</u>	<u>268,339,506</u>
Net assets attributable to unitholders		<u>1,393,473,770</u>	<u>1,231,509,619</u>
Representing:			
Total equity		<u>1,393,473,770</u>	<u>1,231,509,619</u>
Number of units in issue	10	<u>107,423,977</u>	<u>107,423,977</u>
Net asset value per unit		<u>12.97</u>	<u>11.46</u>

Interim statement of comprehensive income (unaudited) For the six months ended 30 September 2017

	Note	Six months ended	
		30 September 2017 (Unaudited) HK\$	30 September 2016 (Unaudited) HK\$
Dividend income		23,051,287	30,136,622
Interest income on deposits	4, 8(d)	43,679	118,187
Net gains from investments	5	152,320,716	41,339,008
Net foreign exchange gain/(loss)		455,265	(1,968,833)
Other income	8(b)	1,672,720	—
Net investment income		<u>177,543,667</u>	<u>69,624,984</u>
Management fees	8(a)	(9,769,256)	(12,455,149)
Transaction costs		(1,323,289)	(2,901,898)
Trustee's fees	8(b)	(637,131)	(908,477)
Custodian fees	8(c)	(520,809)	(816,547)
Auditor's remuneration		(49,863)	(145,874)
Legal and professional fees		(781,222)	(153,485)
Other operating expenses		(254,480)	(594,894)
Operating expenses		<u>(13,336,050)</u>	<u>(17,976,324)</u>
Profit before taxation		164,207,617	51,648,660
Taxation	6	(2,243,466)	(2,355,923)
Increase in net assets attributable to unitholders and total comprehensive income for the period		<u>161,964,151</u>	<u>49,292,737</u>

Interim statement of changes in equity (unaudited) For the six months ended 30 September 2017

	Note	Six months ended	
		30 September 2017 (Unaudited) HK\$	30 September 2016 (Unaudited) HK\$
Balance at the beginning of the period		1,231,509,619	1,787,843,955
Increase in net assets attributable to unitholders and total comprehensive income for the period		161,964,151	49,292,737
Redemption of units during the period	14	—	(361,212,339)
Balance at the end of the period		<u>1,393,473,770</u>	<u>1,475,924,353</u>

Interim cash flow statement (unaudited)
For the six months ended 30 September 2017

	Six months ended	
	30 September 2017	30 September 2016
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Operating activities		
Interest income received	45,335	118,180
Dividend income received	23,051,287	30,136,622
Management fees paid	(9,830,040)	(12,835,307)
Trustee's fees paid	(672,110)	(1,014,141)
Transaction cost paid	(1,323,289)	–
Tax paid	(2,243,466)	(2,638,728)
Proceeds from sales of investments	375,958,395	926,093,535
Payments for purchases of investments	(387,149,726)	(562,956,698)
Other operating expenses paid	(1,093,429)	(6,994,745)
	<u>(3,257,043)</u>	<u>369,908,718</u>
Net cash (used in)/generated from operating activities		
Financing activity		
Payments on redemption of units	<u>(264,799,578)</u>	<u>(361,212,339)</u>
	<u>(264,799,578)</u>	<u>(361,212,339)</u>
Net cash used in financing activity		
Net (decrease)/increase in cash and cash equivalents	(268,056,621)	8,696,379
Cash and cash equivalents at the beginning of the period	302,578,533	28,362,084
Effect of foreign exchange rate changes	<u>309,463</u>	<u>(303,715)</u>
Cash and cash equivalents at the end of the period	<u><u>34,831,375</u></u>	<u><u>36,754,748</u></u>

Notes to the unaudited interim financial report

For the six months ended 30 September 2017

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 and any other similar stock connect programme between another city of the PRC and Hong Kong (currently also includes the Shenzhen-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.

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 2017, except for the accounting policy changes that are expected to be reflected in the financial statements for the year ending 31 March 2018. Details of these changes in accounting policies are set out in note 3.

The preparation of an 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 by KPMG 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 review report to the Manager is included on page 2.

The financial information relating to the financial year ended 31 March 2017 that is included in the interim financial report as comparative information does not constitute the Fund’s statutory annual 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 2017 in their report dated 28 July 2017.

(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 equities and equity-linked instruments.

Financial assets that are classified as receivables include deposits held by the Fund's custodian.

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 losses, 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 of 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 the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with HKAS 39.

The Fund uses the weighted average method to determine realised gains and losses on derecognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

(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 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 group of which it is a part, provides key management personnel services to the group or to the group's parent.

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

(i) Foreign exchange gains and losses

Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognised together with other changes in the fair value. Included in the statement of comprehensive income line item, "Net foreign exchange gain/(loss)" are net foreign exchange gains and losses on monetary financial assets and financial liabilities other than those classified at fair value through profit or loss.

(j) Units in issue

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Fund has one class of units in issue. Unitholders may not demand redemption of their units in the Fund unless otherwise permitted by the Trust Deed. 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 relate 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. 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 in this interim financial report. 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 from investments

	Six months ended	
	30 September 2017 (unaudited) HK\$	30 September 2016 (unaudited) HK\$
Realised losses	(11,159,555)	(86,400,317)
Unrealised gains	<u>163,480,271</u>	<u>127,739,325</u>
	<u>152,320,716</u>	<u>41,339,008</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 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 also determined that it was appropriate to provide for PRC taxation at the withholding tax rate of 10% on realised gains on A shares.

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 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 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 had 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\$483,404 (“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 (“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 (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\$497,888 (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.

Taxation in the interim statement of comprehensive income represents:

	Six months ended	
	30 September 2017 (unaudited) HK\$	30 September 2016 (unaudited) HK\$
PRC dividend and interest income withholding tax	2,243,466	2,624,083
PRC capital gains tax – current	–	(268,160)
	<u>2,243,466</u>	<u>2,355,923</u>

7 Investments at fair value through profit or loss

	30 September 2017 (unaudited) HK\$	31 March 2017 (audited) HK\$
Listed equities		
– outside Hong Kong	1,295,726,277	1,139,825,048
Equity-linked instruments		
– warrants	33,984,979	31,256,336
– participation note	29,386,419	24,504,244
	<u>1,359,097,675</u>	<u>1,195,585,628</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 Trustee, the Manager and their 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 \$9,769,256 (for the period from 1 April 2016 to 30 September 2016: \$12,455,149) and \$1,676,952 (as at 31 March 2017: \$1,737,736) 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

Prior to 1 July 2017, trustee fees payable to HSBC Institutional Trust Services (Asia) Limited ("the Trustee") was 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. With effect from 1 July 2017, trustee fee is calculated at the rate of 0.07% per annum on the net asset value of the Fund. 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 \$637,131 (for the period from 1 April 2016 to 30 September 2016: \$908,477) and \$94,533 (as at 31 March 2017: \$129,512) respectively. During the period, the Fund received a one-off rebate on trustee fees from the Trustee amounting to \$1,672,720 (2016: Nil).

(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 Fund's QFII custodian, Bank of Communications Co., Ltd. ("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 \$520,809 (for the period from 1 April 2016 to 30 September 2016: \$816,547) and \$234 (as at 31 March 2017: \$2,052) respectively.

A minimum clearing reserve is required to be held with the QFII custodian. As at 30 September 2017, the Fund had \$2,479,589 (as at 31 March 2017: \$1,683,300) deposit held with the QFII custodian.

(d) Bank balances

Bank accounts are maintained with The Hong Kong and Shanghai Banking Corporation Limited, which is a member of the HSBC Group, and the QFII custodian. The bank balances held as at 30 September 2017 amounted to \$26,963,409 and \$7,867,966 respectively (as at 31 March 2017: \$277,877,705 and \$24,700,828 respectively). During the period, interest earned from HSBC Hong Kong and Bank of Communications Co., Ltd. amounted to \$2,295 and \$41,384 respectively (for the period from 1 April 2016 to 30 September 2016: \$1,113 and \$117,074 respectively).

(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:

	Six months ended	
	30 September 2017 (unaudited) HK\$	30 September 2016 (unaudited) HK\$
The Hong Kong and Shanghai Banking Corporation Limited		
Commission paid for the period	19,301	–
Average rate of commission	<u>0.08%</u>	<u>–</u>
Total aggregate value of such transactions for the period	24,125,796	–
Percentage of such transactions in value to total transactions for the period	<u>3.07%</u>	<u>0.00%</u>

- (f) The Hongkong and Shanghai Banking Corporation Limited, which is a member of the HSBC Group, has redeemed nil units of the Fund during the period ended 30 September 2017 (for the period from 1 April 2016 to 30 September 2016: 70,085). As at 30 September 2017, The Hongkong and Shanghai Banking Corporation Limited held 70,084 units (as at 31 March 2017: 70,084 units) of the Fund.

9 Soft dollar practices

The Manager has entered into soft dollar commission arrangements with brokers under which certain goods and services used to support investment decision making. The Manager did not make direct payment for these services but transacted an agreed amount of business with the brokers on behalf of the Fund. Commission was paid from the Fund on these transactions.

10 Units in issue

	Six months ended	
	30 September 2017 (unaudited)	30 September 2016 (unaudited)
Number of units in issue brought forward	107,423,977	167,849,838
Units redeemed during the period	—	(33,569,920)
Number of units in issue carried forward	107,423,977	134,279,918

The Fund is a closed-ended unit trust. Unitholders may not demand redemption of their units in the Fund unless otherwise permitted by the Trust Deed. Apart from the units redeemed by the unitholders of the Fund under an offer made by the Manager as discussed in note 14, the Fund did not have any subscription or redemption of units during the period from 1 April 2017 to 30 September 2017 and the year ended 31 March 2017.

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) authorized by the SFC with exposure to A Shares; provided that the Fund's investment in CAAPs and ETFs (including synthetic ETFs) authorized 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 2017 are summarized below. Details of such investments held as at 30 September 2017 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 the 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% (31 March 2017: 15%) increase in value of the investments as at 30 September 2017, 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 approximately equal but opposite amount.

	30 September 2017 (unaudited)			31 March 2017 (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	92.98	15	194,358,942	91.68	15	169,360,067
Equity-linked instruments:						
– warrants	2.44	15	5,097,747	2.54	15	4,688,450
– participation note	2.11	15	4,407,963	1.99	15	3,675,637
	<u>97.53</u>		<u>203,864,652</u>	<u>96.21</u>		<u>177,724,154</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 were predominantly non-interest bearing. The Fund's interest rate risk is managed on an ongoing basis by the Manager.

Except for the bank deposits, the Fund did not hold any interest-bearing assets as at 30 September 2017 and 31 March 2017, therefore the Manager considers the Fund is not subject to significant interest rate risk. No sensitivity analysis is performed for 30 September 2017 and 31 March 2017.

(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 exposure on an ongoing basis.

At the date of statement of assets and liabilities the Fund had the following exposures (in HKD equivalent):

	Assets HK\$	Liabilities HK\$	Net exposure HK\$
30 September 2017 (unaudited)			
Renminbi	1,306,239,915	–	1,306,239,915
United States dollar	<u>63,371,399</u>	<u>(110,249)</u>	<u>63,261,150</u>
	<u>1,369,611,314</u>	<u>(110,249)</u>	<u>1,369,501,065</u>
31 March 2017 (audited)			
Renminbi	1,166,209,176	–	1,166,209,176
United States dollar	<u>55,761,704</u>	<u>(111,506)</u>	<u>55,650,198</u>
	<u>1,221,970,880</u>	<u>(111,506)</u>	<u>1,221,859,374</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 period ended 30 September 2017, the HKD strengthened in relation to the Renminbi by approximately 4% (as at 31 March 2017: weakened by less than 6%). At 30 September 2017, had the HKD further strengthened in relation to the Renminbi by 4% (as at 31 March 2017: weakened by 6%) , with all other variables held constant, net assets attributable to unitholders would have (decreased)/increased by the amounts shown in the following table.

	HK\$
30 September 2017 (unaudited)	
Renminbi	<u>(52,249,597)</u>
31 March 2017 (audited)	
Renminbi	<u>69,972,551</u>

A 4% weakening of the HKD (as at 31 March 2017: strengthened by 6%) against the above currency would have resulted in an approximately equal but opposite effect on the basis that all other variables remain constant. The analysis is performed on the same basis for 31 March 2017.

(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 2017, 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 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 2017 and 31 March 2017.

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 invests in 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 30 September 2017 and 31 March 2017, there were no significant concentrations of credit risk to counterparties except to the Trustee, the QFII custodian and the banks.

The Manager considers that none of these assets are impaired nor past due at the end of the reporting period.

(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 30 September 2017 was \$15,685,167 (as at 31 March 2017: \$23,435,533).

The Fund has one class of units in issue. Unitholders may not demand redemption of their units in the Fund unless otherwise permitted by the Trust Deed (see Note 14). All financial liabilities have contractual maturities of less than three months. At both 30 September 2017 and 31 March 2017, the Fund did not have significant exposures to liquidity risk.

(d) Capital management

At 30 September 2017, the Fund had \$1,393,473,770 (as at 31 March 2017: \$1,231,509,619) 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 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, 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, 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.

	30 September 2017 (unaudited)			
	Level 1	Level 2	Level 3	Total
	HK\$	HK\$	HK\$	HK\$
Listed equities	1,295,726,277	–	–	1,295,726,277
Equity-linked instruments	–	63,371,398	–	63,371,398
	<u>1,295,726,277</u>	<u>63,371,398</u>	<u>–</u>	<u>1,359,097,675</u>
	31 March 2017 (audited)			
	Level 1	Level 2	Level 3	Total
	HK\$	HK\$	HK\$	HK\$
Listed equities	1,129,067,113	–	10,757,935	1,139,825,048
Equity-linked instruments	–	55,760,580	–	55,760,580
	<u>1,129,067,113</u>	<u>55,760,580</u>	<u>10,757,935</u>	<u>1,195,585,628</u>

During the six months ended 30 September 2017, there were no transfers between the levels. A financial instrument that was classified on Level 3 as at 31 March 2017 was disposed by the Fund during the six months ended 30 September 2017.

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 2017 HK\$	Net losses included in statement of comprehensive income HK\$	Sales HK\$	Purchases HK\$	As at 30 September 2017 HK\$	*Unrealized gains/(losses) HK\$
Equities	10,757,935	(3,008,326)	(7,749,609)	-	-	-

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

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 interim 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

On 7 January 2016, the Trust Deed was amended to allow the Manager to offer, subject to the fulfillment of certain conditions before an offer can be made, a right to all unitholders to redeem part or all of their units in the Fund at the net asset value per unit calculated on the relevant redemption day, subject to a redemption levy of up to 2% of the net asset value per unit, as the Manager determines at its discretion taking into account the best interests of the unitholders ("the Recurring Redemption Offer"). Each Recurring Redemption Offer will be subject to applicable regulatory approvals. All redeemed units will be cancelled.

For the six months ended 30 September 2017, the Manager did not propose a Recurring Redemption Offer to the unitholders of the Fund.

For the six months ended 30 September 2016, the Manager offered a right to the unitholders to redeem their units in the Fund under 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.

15 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 September 2017

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 2017 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**

Amendments to HKAS 7, *Statement of cash flows*:

Disclosure initiative

1 January 2017

HKFRS 9, *Financial instruments*

1 January 2018

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

Investment portfolio (unaudited) As at 30 September 2017

	<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>			
Agricultural Bank of China – A Share	6,606,556	29,536,557	2.12
Air China Ltd – A Share	2,876,200	29,396,594	2.11
Angel Yeast Co Ltd – A Share	606,133	18,108,651	1.30
Bank of China Ltd – A Share	8,869,500	42,776,056	3.07
Bank of Hangzhou Co Ltd – A Share	1,319,360	21,566,229	1.55
Bank of Nanjing Co Ltd – A Share	2,845,910	26,415,414	1.90
BBMG Corp – A Share	2,065,100	15,387,731	1.10
Beijing New Building Materials Plc – A Share	1,442,330	29,076,865	2.09
Beijing Originwater Technology Co Ltd – A Share	1,368,300	28,917,105	2.07
China Communications Const – A Share	710,300	12,752,432	0.91
China Fortune Land Development Co Ltd – A Share	596,700	21,754,899	1.56
China Gezhouba Group Co Ltd – A Share	2,414,679	29,411,457	2.11
China International Travel Service Corp Ltd – A Share	640,658	25,921,092	1.86
China Life Insurance Co Ltd – A Share	1,038,939	33,818,651	2.43
China Merchants Shekou Industrial Zone Holdings Co Ltd – A Share	1,919,864	41,181,905	2.95
China Petroleum & Chemical Corp – A Share	3,443,572	23,800,399	1.71
GoerTek Inc – A Share	1,698,734	40,345,552	2.90
Guangdong Provincial Expressway Development Co Ltd – A Share	3,242,840	32,573,098	2.34
Guotai Junan Securities Co Ltd	283,569	7,197,390	0.52
Guotai Junan Securities Co Ltd – A Share	1,426,400	36,204,089	2.60
Hangzhou Robam Appliances Co Ltd – A Share	778,310	38,559,431	2.77
Hongfa Technology Co Ltd – A Share	1,036,508	50,487,652	3.62
Hua Xia Bank Co Ltd – A Share	4,333,139	47,084,004	3.38
Huafa Industrial Co Ltd Zhuhai – A Share	2,170,800	19,537,768	1.40
Huangshan Tourism Development Co Ltd – A Share	519,300	10,304,376	0.74
Huatai Securities Co Ltd	314,500	8,351,510	0.60
Huatai Securities Co Ltd – A Share	1,695,406	45,021,302	3.23
Hubei Hongcheng General Machinery Co Ltd – A Share	996,656	43,096,555	3.09
Jiangsu Hengrui Medicine Co Ltd	112,403	7,908,594	0.57
Jiangsu Hengrui Medicine Co Ltd – A Share	607,128	42,717,091	3.07
Jiangsu Yanghe Brewery Joint-Stock Co Ltd – A Share	126,300	15,041,335	1.08
Kangde Xin Composite Material Group Co Ltd – A Share	934,700	23,263,373	1.67
Kunming Yunnei Power Co Ltd – A Share	3,132,550	14,887,193	1.07
Kweichow Moutai Co Ltd – A Share	67,065	40,725,466	2.92

HSBC China Dragon Fund			
	<i>Holdings</i>	<i>Market value</i> HK\$	<i>% of total net assets attributable to unitholders</i>
Equity (continued)			
<i>Listed investments (continued)</i>			
<i>The People's Republic of China (continued)</i>			
Luzhou Laojiao Co Ltd – A Share	470,336	30,962,132	2.22
New China Life Insurance Co Ltd – A Share	580,549	38,605,739	2.77
Qingdao Haier Co Ltd – A Share	2,167,510	38,380,456	2.75
SAIC Motor Corp Ltd – A Share	110,300	3,907,495	0.28
SDIC Power Holdings Co Ltd – A Share	2,070,491	17,833,196	1.28
Shan Dong Sun Paper Industry Joint Stock Co Ltd – A Share	3,555,914	41,684,684	2.99
Shandong Chenming Paper Holdings Ltd – A Share	2,321,405	53,418,082	3.83
Shenzhen Techand Ecology Environment Co Ltd – A Share	1,561,652	24,812,053	1.78
Soochow Securities Co Ltd – A Share	1,345,100	19,256,359	1.38
Tangshan Sanyou Chemical I – A Share	3,577,200	49,070,164	3.52
YOUZU Interactive Co Ltd – A Share	869,400	24,668,101	1.77
Equities (Total)		<u>1,295,726,277</u>	<u>92.98</u>
Equity-linked instruments			
<i>Listed investments</i>			
CICC Financial Trading Warrants 06 May 2018	905,343	33,984,979	2.44
Credit Suisse AG (Bank of China) PN 04 January 2022	2,840,921	13,701,252	0.98
		<u>47,686,231</u>	<u>3.42</u>
<i>Unlisted but quoted investment</i>			
CICC Financial Trading Ltd (Sc Mtr Ltd) PN 15 December 2018	442,758	15,685,167	1.13
		15,685,167	1.13
Equity-linked instruments (Total)		<u>63,371,398</u>	<u>4.55</u>
Total investments (Total cost of investments: \$1,119,707,719)		1,359,097,675	97.53
Other net assets		34,376,095	2.47
Total net assets attributable to unitholders		<u>1,393,473,770</u>	<u>100.00</u>

Statement of movements in portfolio holdings (unaudited)
For the period ended 30 September 2017

	<i>% of total net assets attributable to unitholders</i>	
	30 September 2017	31 March 2017
<i>Listed investments</i>		
Equities	92.98	92.55
Equity-linked instruments	<u>3.42</u>	<u>3.50</u>
	<u>96.40</u>	<u>96.05</u>
<i>Unlisted but quoted investments</i>		
Equity-linked instruments	<u>1.13</u>	<u>1.03</u>
Total investments	97.53	97.08
Other net assets	<u>2.47</u>	<u>2.92</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 2017

(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
31 March 2017	HK\$1,231,509,619
30 September 2017	HK\$1,393,473,770

(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
31 March 2017	HK\$11.46
30 September 2017	HK\$12.97

(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. For the six months ended 30 September 2016, the Manager offered a right to the unitholders to redeem not more than 20% 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
1 April 2016 to 31 March 2017	9.89	11.58
1 April 2017 to 30 September 2017	11.08	13.29

Issuance of Results

The unaudited interim report of the Fund for the period from 1 April 2017 to 30 September 2017 will be despatched to Unitholders on or about 30 November 2017.

Hong Kong, 29 November 2017

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.

Change Request Form 變更申請表格

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

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

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

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

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

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

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

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

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

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

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

Date
日期

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

Address[#]
地址[#]

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

Contact telephone number
聯絡電話號碼

Signature(s)
簽名

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

Notes/附註:

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

閣下寄回此變更申請表格時, 請將郵寄標籤剪貼於信封上。

如在本港投寄毋須貼上郵票。

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

No postage stamp necessary if posted in Hong Kong.

郵寄標籤 MAILING LABEL

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

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 November 2017 (“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2017年11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 _____, 2017 由單位持有人於2017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 dened 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 18 December 2017 (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 31 October 2017 (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 Queen's 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/or other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof) has/have been received by the Receiving Agent.

If you have questions in relation to the Recurring Redemption Offer, please telephone the Unitholder Helpline at (852) 2862 8699. 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 18 December 2017. 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2017年12月18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

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

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

(b) 本人／吾等不可撤回地指示及授權滙豐環球投資管理(香港)有限公司及／或本基金、收款代理及／或彼等各自的代理人，(i)就本人／吾等根據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名列首位者(如屬聯名登記單位持有人)，郵誤風險概由本人／吾等承擔，並且(ii)就本人／吾等根據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名列首位者(如屬聯名登記單位持有人)，郵誤風險概由本人／吾等承擔；(倘收取支票(各支票)的人士並非登記單位持有人或名列首位的聯名登記單位持有人，則請於下欄填上該名人士的姓名及地址。)

姓名：(請用正楷填寫)

地址：(請用正楷填寫)

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

(d) 本人／吾等承諾於必需或合宜時簽立其他有關文件及以進一步保證的方式作出有關行動及事宜，以贖回本人／吾等根據接納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2017年10月31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；

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

(f) 本人／吾等不可撤回地指示及授權滙豐環球投資管理(香港)有限公司及／或本基金或彼等各自的代理人，在交回隨附經本人／吾等正式簽署的其他所有權文件(如有)(及／或任何就此所需並令人滿意的彌償保證)後，憑此代表本人／吾等向滙豐環球投資管理(香港)有限公司或本基金或收款代理領取本人／吾等就單位應獲發的證書，並將有關證書送交收款代理，且授權及指示收款代理在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

(g) 本人／吾等委任滙豐環球投資管理(香港)有限公司及／或本基金為本人／吾等就本贖回表格所涉全部單位的受權人，該授權書於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。

2. 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：(i)本贖回表格所註明的單位數目，將在不附帶任何性質的一切第三方權利、留置權、押記、衡平權、不利權益及產權負擔，並連同於公告日期附於、或將於其後附於該等單位的一切權利的情況下贖回；及(ii)倘本人／吾等的註冊地址位於香港境外的司法管轄區，本人／吾等已全面遵守所有有關司法管轄區的法例，取得所有所需的政府、外匯管制或其他同意，符合所有必要的監管手續或法律規定，及已支付任何人士應付的任何轉讓稅或其他稅項，本人／吾等並無採取或不採取任何行動而將引致或可能引致滙豐環球投資管理(香港)有限公司及／或本基金或任何其他人士違反與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。

3. 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名列首位者(如為聯名登記單位持有人)以交還本人／吾等，郵誤風險概由本人／吾等承擔。

4. 本人／吾等茲附上將由你們按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。

5. 本人／吾等保證，本人／吾等為本贖回表格所列數目的單位的登記持有人，且本人／吾等有十足權利、權力及授權，可以接納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。

6. 本人／吾等向滙豐環球投資管理(香港)有限公司及本基金保證，本人／吾等已遵守於單位持有人名冊所列本人／吾等地址的所在司法管轄區關於本人／吾等接納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。

7. 本人／吾等向滙豐環球投資管理(香港)有限公司及本基金保證，本人／吾等將全面負責支付於單位持有人名冊所列本人／吾等地址的所在有關司法管轄區、關於本人／吾等接納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。

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

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

10. 本人／吾等向及對滙豐環球投資管理(香港)有限公司及本基金不可撤回地承諾、聲明、保證及同意(本人／吾等的繼承人及承讓人亦受此約束)，就根據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／或就其代理人，將可能須向本人／吾等(作為單位持有人)寄發的任何通告、通函、保證書或其他文件或通訊(包括代表本人／吾等單位的任何有關證書)寄送至香港中央證券登記有限公司(收件人：「滙豐中國翔龍基金」)，地址為香港灣仔皇后大道東183號合和中心17樓1712-1716號舖。

11. 本基金保留將任何並不完全恰當或無隨附有關單位證書及／或其他所有權文件(及／或任何就此所需並令人滿意的彌償保證)的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 8699，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2017年12月18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

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 November 2017

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 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 8699 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 8699。

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

2017年11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 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 November 2017.

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 (i) the announcement dated 31 October 2017 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 November 2017 (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 despatched to the Unitholders on 21 November 2017.

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 November 2017

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 November 2017
Commencement date for lodging the redemption request with the Registrar	4 December 2017
Lodgement Date of the Recurring Redemption Offer (i.e. last date for lodgement of Recurring Redemption Offer request)	4:30 p.m. on 18 December 2017
Redemption Day of the Recurring Redemption Offer (note 1)	19 December 2017
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. 20 December 2017)
Announcement of the net asset value of the Fund as of the Value Day.	by 5:00 p.m. on 20 December 2017
Latest date for return of certificate(s) for Units not redeemed (if applicable)	5 January 2018
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 20 February 2018 (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 relevant rules 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 20 February 2018). However, distribution of redemption proceeds payable out of the Fund's assets in the PRC will be subject to the relevant rules 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 5 January 2018.**

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 31 October 2017 by the Manager in relation to the Recurring Redemption Offer
“Second Recurring Redemption Offer”	the Recurring Redemption Offer dated 15 March 2017
“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 November 2017, being the latest practicable date prior to the despatch of this circular for ascertaining certain information contained herein
“Lodgement Date”	18 December 2017, 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 23 October 2017 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

DEFINITIONS

“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
“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 30 April 2017, 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

DEFINITIONS

“Unit(s)”	unit(s) of the Fund
“Unitholder(s)”	holder(s) of Units
“Value Day”	the Redemption Day, being the date on which the relevant market closing price of the underlying investments of the Fund, and the Fund’s applicable operating expenses accrued or incurred to date shall be used to calculate the net asset value of the Fund to be adopted as the redemption price for the purpose of the Recurring Redemption Offer

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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

(Stock Code: 820)

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

Directors of the Manager:

EXECUTIVE DIRECTORS:

BERRY, Stuart Glenn
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 November 2017

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 26 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 November 2017 are HK\$1,470,120,386 and HK\$1,233,277,256, respectively, representing a discount of 16.11%.

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 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 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 20.29% (daily average) from 1 June 2017 to 1 August 2017, 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 one Recurring Redemption Offer in 2017, this met the condition of the Fund not having made more than three redemption offers in a calendar year; the last Recurring Redemption Offer was made on 15 March 2017;

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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, 107,423,977 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 5:00p.m. on 20 December 2017.

LETTER FROM THE MANAGER

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\$900,000, approximately 0.06% of the net asset value of the Fund as at 16 November 2017. 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 20 February 2018). However, distribution of redemption proceeds payable out of the Fund's assets in the PRC will be subject to the relevant rules 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 5 January 2018. 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 November 2017, A Shares invested directly through QFII and other net assets in the PRC account for approximately 93.61% of the net asset value of the Fund, for reference, the redemption proceeds payable out of the assets in the PRC as of 16 November 2017 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.

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(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.

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.

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

(b) Key Risk Factors

Unitholders should carefully consider the risk factors described in the Offering Circular and below before deciding on whether to apply for redemption of their Units under the 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 20 February 2018 (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 relevant rules 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 5 January 2018. 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. SAFE may also implement *ad hoc* control on repatriation, which the Manager does not have control over and 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;

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- (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;

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- (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 0.04% (i.e. from 1.90% for the financial year ended 31 March 2017 to approximately 1.94% 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.

(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.

LETTER FROM THE MANAGER

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

(i) *Hong Kong*

- Profits Tax

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

- Stamp Duty

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

The trading of Hong Kong stock (including the underlying H shares and shares issued by red chip companies) by the Fund to effect the 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 place of business 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 from sources in the PRC.

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- 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 (“VAT”)

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 VAT 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) and those derived from the trading of China A-shares listed on the Shanghai Stock Exchange are exempted from VAT.

In addition, pursuant to the “Circular on the Taxation Policy of the Pilot Programme for the Mutual Stock Market Access between Shenzhen and Hong Kong Stock Markets” Caishui [2016] No.127 promulgated by the MoF, the SAT and the China Securities Regulatory Commission on 1 December 2016, under the business tax to VAT transformation pilot program, gains from the trading of China A-shares listed on the Shenzhen Stock Exchange will also be exempted from VAT.

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 redeemed an aggregate of 26,855,941 Units at HK\$11.26 per Unit on 15 March 2017 pursuant to the Second Recurring 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 2017, 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 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.

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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	107,166,087	99.76%	85,732,870	99.76%
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	257,890	0.24%	206,312	0.24%

(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 20.29% to its net asset value over the past three months since 1 June 2017 to 31 August 2017, 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 1.90% for the financial year ended 31 March 2017 to approximately 1.94% 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 November 2017 (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 November 2017 (<i>note 1</i>)	1,470,120,386	1,470,120,386
Less: Redemption proceeds payable to Unitholders under the Recurring Redemption Offer (<i>Note 2</i>)	—	(288,143,595)
Less: Estimated costs and expenses with respect to the realisation of the assets of the Fund	—	(5,880,482)
	1,470,120,386	1,176,096,309
Number of Units in issue	107,423,977	85,939,182
Unaudited adjusted net asset value per Unit	HK\$13.69	HK\$13.69

Note 1: being the unaudited consolidated equity attributable to Unitholders as at 16 November 2017 as published by the Fund on 17 November 2017 which has included accruals of estimated expenses in relation to the Recurring Redemption Offer.

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

Net asset value of the Units being redeemed	HK\$294,024,077
Less: Redemption levy retained by the Fund	<u>(HK\$5,880,482)</u>
	<u>HK\$288,143,595</u>

According to the above example, the Recurring Redemption Offer involves the payment of HK\$294,024,077 (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\$5,880,482, 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\$5,880,482. The Recurring Redemption Offer will therefore reduce the unaudited adjusted net asset value and hence the working capital from HK\$1,470,120,386 to HK\$1,176,096,309 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\$13.69 based on the information and assumption mentioned in the example above.

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

(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.

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(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.

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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

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 November 2017 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 107,423,977 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 4 December 2017. Any certificate(s) of Units received prior to 4 December 2017 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 5:00p.m. on 20 December 2017.
- 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 November 2017 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 20.29% to its net asset value over the past three months since 1 June 2017 to 31 August 2017, 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 20 February 2018 (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 relevant rules 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 5 January 2018. 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. SAFE may also implement *ad hoc* control on repatriation, which the Manager does not have control over and 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 0.04% (i.e. from 1.90% for the financial year ended 31 March 2017 to approximately 1.94% 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

During the 12-month period immediately preceding the date of this circular, the Fund redeemed an aggregate of 26,855,941 Units at HK\$11.26 per Unit on 15 March 2017 pursuant to the Second Recurring 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 2017, 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, parties acting in concert, hold any Units.

(b) Substantial Unitholder's interests in the Fund

As at the Latest Practicable Date, having made all reasonable enquiries, the Manager cannot ascertain the identity of the person (if any) who holds 10% ("**10% holder**") or more of the Units in issue of the Fund and cannot determine the intention of such person (if any) as regards the acceptance of the Recurring Redemption Offer. The Manager has looked at the "Disclosure of Interests" forms ("**DI Forms**") on the

website of the Hong Kong Exchange and Clearing Limited, and it appeared that the figures presented therein may not be up-to-date. In particular, the Manager notes that the figures appearing from the DI Forms appeared unreasonable and improbable after taking into account the figures of the preceding redemption exercises. The Manager has therefore considered and further took all reasonable and exhaustive steps in order to determine the 10% holder, such steps include having attempted to obtain the relevant information from the register of the Fund maintained by the Registrar and the list of holders from HKSCC Nominees Limited. However, given that holders of a non-corporate entity (including the Fund) are not statutorily mandated to make disclosures of their holdings, the Manager cannot ascertain with full certainty the identity of the person (if any) who holds 10% or more of the Units in issue of the Fund from the above-mentioned sources or whether the substantial holder information available to the Manager is up to date. Such limitation also applies should the Manager contact any of the filing parties of the DI Forms for confirmation. Accordingly, while the Manager has taken all reasonable and exhaustive steps discussed above, the Manager is unable to ascertain the identity of the 10% holder and the intention of such person as regards the acceptance of Recurring Redemption Offer.

For the same reasons, the Manager cannot determine with full certainty the effect which the Recurring Redemption Offer will have on the percentage voting rights of the person (if any) holding 10% or more of the Units in issue assuming the Recurring Redemption Offer is successful.

The Manager shall continue to conduct reasonable steps to ascertain if such information is available, and that where such information is available, the Manager will disclose it to the Unitholders as required pursuant to the Takeovers Code and any other applicable rules and regulations.

(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	<i>Units</i>	<i>Approx.%</i>
The Hongkong and Shanghai Banking Corporation Limited	70,084	0.07%
HSBC International Trustee Limited	187,806	0.17%

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, 107,423,977 Units are in issue. Assuming that the Recurring Redemption Offer is fully exercised by Unitholders, there will be approximately 85,939,182 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\$)
November 2016	9.00	8.60	11.39	11.01
December 2016	9.04	8.14	11.36	10.62
January 2017	8.86	8.35	11.07	10.75
February 2017	9.40	8.78	11.43	11.03
March 2017	9.51	8.99	11.58	11.15
April 2017	9.55	9.05	11.71	11.48
May 2017	9.34	9.08	11.56	11.08
June 2017	9.74	9.25	12.24	11.66
July 2017	10.06	9.51	12.59	12.03
August 2017	10.32	9.80	13.03	12.38
September 2017	10.60	10.22	13.29	12.91
October 2017	11.00	10.32	13.48	12.91
16 November 2017, being the last trading date before the Latest Practicable Date	11.52	10.94	13.70	13.34

The following table shows the closing prices of the Unit on the Stock Exchange and the net asset value per Unit on 16 November 2017 (the last trading date before the Latest Practicable Date), 30 October 2017 (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\$)
28 April 2017	9.34	11.57
31 May 2017	9.27	11.55
30 June 2017	9.73	12.24
31 July 2017	9.91	12.54
31 August 2017	10.32	13.03
29 September 2017	10.34	12.98
31 October 2017	10.80	13.46
30 October 2017, the last trading date before the date of the Firm Intention Announcement	10.72	13.43
16 November 2017, being the last trading date before the Latest Practicable Date	11.48	13.69

The highest and lowest closing price per Unit as quoted on the Stock Exchange during the Relevant Period were HK\$11.50 on 10 November 2017, 14 November 2017 and 17 November 2017, and HK\$9.10 on 18 May 2017, respectively.

6. UNITS 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 2017 as extracted from the Fund's relevant annual reports.

	2017 <i>HK\$</i>	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Net investment income/(loss)	<u>144,924,575</u>	<u>(725,262,875)</u>	<u>1,272,742,147</u>
Profit/(loss) before taxation	108,826,329	(781,917,463)	1,228,032,081
Taxation	<u>(1,013,311)</u>	<u>118,361,704</u>	<u>(958,267)</u>
Increase/(decrease) in net assets attributable to unitholders and total comprehensive income for the year/period	<u>107,813,018</u>	<u>(663,555,759)</u>	<u>1,227,073,814</u>

Notes

- (1) There were no extraordinary items, exceptional items and minority interests during each of the three years ended 31 March 2017.
- (2) The reports of the auditor of the Fund for the three years ended 31 March 2017 do not contain any qualifications. The auditor of the Fund for all three years ended 31 March 2015, 31 March 2016 and 31 March 2017 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 2017.

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 2017 extracted from the annual report of the Fund for the year ended 31 March 2017.

STATEMENT OF ASSETS AND LIABILITIES

As at 31 March 2017

	<i>Note</i>	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Assets			
Investments at fair value through profit or loss	7, 12	1,195,585,628	1,765,287,599
Other receivables	8(c)	1,684,964	2,529,380
Cash and cash equivalents	8(d)	<u>302,578,533</u>	<u>28,362,084</u>
Total assets		<u>1,499,849,125</u>	<u>1,796,179,063</u>
Liabilities			
Taxation	6(b)	—	1,451,988
Redemption payable		264,799,578	—
Accrued expenses and other payables	8(a), (b) & (c)	<u>3,539,928</u>	<u>6,883,120</u>
Total liabilities		<u>268,339,506</u>	<u>8,335,108</u>
Net assets attributable to unitholders		<u>1,231,509,619</u>	<u>1,787,843,955</u>
Representing:			
Total equity		<u>1,231,509,619</u>	<u>1,787,843,955</u>
Number of units in issue	10	<u>107,423,977</u>	<u>167,849,838</u>
Net asset value per unit		<u>11.46</u>	<u>10.65</u>

The notes on pages 50 to 66 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	<i>Note</i>	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Dividend income		30,673,741	41,376,398
Interest income on deposits	4, 8(d)	172,813	495,882
Net gains/(losses) from investments	5	117,299,307	(764,814,928)
Net foreign exchange loss		<u>(3,221,286)</u>	<u>(2,320,227)</u>
Net investment income/(loss)		<u>144,924,575</u>	<u>(725,262,875)</u>
Management fees	8(a)	(23,395,359)	(38,807,957)
Transaction costs	8(e)	(6,504,742)	(5,721,740)
Trustee's fees	8(b)	(1,715,223)	(2,784,276)
Custodian fees	8(c)	(1,505,220)	(2,402,979)
Auditor's remuneration		(251,978)	(594,933)
Legal and professional fees		(679,444)	(2,022,031)
Other operating expenses		<u>(2,046,280)</u>	<u>(4,320,672)</u>
Operating expenses		<u>(36,098,246)</u>	<u>(56,654,588)</u>
Profit/(loss) before taxation		108,826,329	(781,917,463)
Taxation	6(a)	<u>(1,013,311)</u>	<u>118,361,704</u>
Increase/(decrease) in net assets attributable to unitholders and total comprehensive income for the year		<u>107,813,018</u>	<u>(663,555,759)</u>

The notes on pages 50 to 66 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	<i>Note</i>	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Balance at the beginning of the year		1,787,843,955	2,855,917,483
Increase/(decrease) in net assets attributable to unitholders and total comprehensive income for the year		107,813,018	(663,555,759)
Redemption of units during the year	14	<u>(664,147,354)</u>	<u>(404,517,769)</u>
Balance at the end of the year		<u><u>1,231,509,619</u></u>	<u><u>1,787,843,955</u></u>

The notes on pages 50 to 66 form part of these financial statements.

CASH FLOW STATEMENT*For the year ended 31 March 2017*

	2017	2016
	<i>HK\$</i>	<i>HK\$</i>
Operating activities		
Interest income received	171,149	495,882
Dividend income received	30,673,741	41,376,398
Management fees paid	(23,859,874)	(40,058,207)
Trustee's fees paid	(1,849,176)	(2,805,555)
Transaction costs paid	(6,504,742)	(5,721,740)
Tax paid	(2,465,299)	(15,708,295)
Proceeds from sales of investments	2,061,890,467	1,830,205,916
Payments for purchases of investments	(1,374,889,189)	(1,565,114,622)
Other operating expenses paid	<u>(8,096,958)</u>	<u>(7,863,888)</u>
Net cash generated from operating activities	<u>675,070,119</u>	<u>234,805,889</u>
Financing activity		
Payments on redemption of units	<u>(399,347,776)</u>	<u>(404,517,769)</u>
Net cash used in financing activity	<u>(399,347,776)</u>	<u>(404,517,769)</u>
Net increase/(decrease) in cash and cash equivalents	275,722,343	(169,711,880)
Cash and cash equivalents at the beginning of the year	28,362,084	199,280,592
Effect of foreign exchange rates changes	<u>(1,505,894)</u>	<u>(1,206,628)</u>
Cash and cash equivalents at the end of the year	<u>302,578,533</u>	<u>28,362,084</u>

The notes on pages 50 to 66 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31 March 2017***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 and any other similar stock connect programme between another city of the PRC and Hong Kong (currently also include Shenzhen-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.

2 SIGNIFICANT ACCOUNTING POLICIES**(a) Statement of compliance**

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

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

(b) Basis of preparation of the financial statements

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

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

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

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

(c) Financial instruments*(i) Classification*

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

Financial assets that are classified as receivables include 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 of 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 group of which it is a part, provides key management personnel services to the group or to the group's parent.

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 relate 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. 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

	2017	2016
	<i>HK\$</i>	<i>HK\$</i>
Realised (losses)/gains	(18,552,483)	47,751,282
Unrealised gains/(losses)	<u>135,851,790</u>	<u>(812,566,210)</u>
	<u>117,299,307</u>	<u>(764,814,928)</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 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 also determined that it is appropriate to provide for PRC taxation at the withholding tax rate of 10% on realised gains on A shares.

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 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 had 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\$483,404 (“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 (“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 (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\$497,888 (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:

	2017 HK\$	2016 HK\$
PRC dividend and interest income withholding tax	1,511,199	3,191,833
PRC capital gains tax — current	<u>(497,888)</u>	<u>(121,553,537)</u>
	<u>1,013,311</u>	<u>(118,361,704)</u>

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

	2017 HK\$	2016 HK\$
PRC withholding tax provision relating to prior years	<u>—</u>	<u>1,451,988</u>
	<u>—</u>	<u>1,451,988</u>

7 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Listed equities		
— outside Hong Kong	1,139,825,048	1,651,798,526
Equity-linked instruments		
— warrants	31,256,336	73,732,273
— participation note	<u>24,504,244</u>	<u>39,756,800</u>
	<u>1,195,585,628</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 year and payable at the end of the year amounted to \$23,395,359 (2016: \$38,807,957) and \$1,737,736 (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 year and payable at the end of the year amounted to \$1,715,223 (2016: \$2,784,276) and \$129,512 (2016: \$263,465) 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 \$1,505,220 (2016: \$2,402,979) and \$2,052 (2016: \$884) respectively.

A minimum clearing reserve is required to be held with the QFII custodian. As at 31 March 2017, the Fund had \$1,683,300 (as at 31 March 2016: \$2,529,380) deposit held with the QFII custodian.

(d) Bank balances

Bank accounts are maintained with The Hong Kong 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 2017 amounted to \$277,877,705 and \$24,700,828

respectively (2016: \$766,677 and \$27,595,407 respectively). During the year, interest earned from HSBC Hong Kong and Bank of Communications Co Ltd amounted to \$3,496 and \$169,317 respectively (2016: \$Nil and \$495,882 respectively).

- (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 these company are as follows:

	2017	2016
	<i>HK\$</i>	<i>HK\$</i>
The Hong Kong and Shanghai Banking Corporation Limited		
Commission paid for the year	24,535	—
Average rate of commission	<u>0.11%</u>	<u>—</u>
Total aggregate value of such transactions for the year	22,121,771	162,233,494
Percentage of such transactions in value to total transactions for the year	<u>0.67%</u>	<u>4.84%</u>

- (f) The Hongkong and Shanghai Banking Corporation Limited, which is a member of the HSBC Group, has redeemed 116,504 units of the Fund during the year ended 31 March 2017 (2016: 95,969). As at 31 March 2017, The Hongkong and Shanghai Banking Corporation Limited held 70,084 units (as at 31 March 2016: 186,588 units) of the Fund.

9 SOFT DOLLAR PRACTICES

The Manager has entered into soft dollar commission arrangements with brokers under which certain goods and services used to support investment decision making. The Manager did not make direct payment for these services but transacted an agreed amount of business with the brokers on behalf of the Fund. Commission was paid from the Fund on these transactions.

10 UNITS IN ISSUE

	2017	2016
Number of units in issue brought forward	167,849,838	209,812,263
Units redeemed during the year	<u>(60,425,861)</u>	<u>(41,962,425)</u>
Number of units in issue carried forward	<u>107,423,977</u>	<u>167,849,838</u>

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 year ended 31 March 2017 and 2016.

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 31 March 2017 are summarised below. Details of such investments held as at 31 March 2017 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% (2016: 15%) increase in value of the investments as at 31 March 2017, 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.

	2017			2016		
	% 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	91.68	15	169,360,067	86.59	15	232,208,963
Equity-linked instruments:						
— warrants	2.54	15	4,688,450	4.12	15	11,059,841
— participation note	1.99	15	3,675,637	2.23	15	5,963,520
	<u>96.21</u>		<u>177,724,154</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 non-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 2017 and 31 March 2016, therefore the Manager considers the Fund is not subject to significant interest rate risk. No sensitivity analysis is performed for 2017 and 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 dollars ("HKD").

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

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

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

	Assets <i>HK\$</i>	Liabilities <i>HK\$</i>	Net exposure <i>HK\$</i>
31 March 2017			
Renminbi	1,166,209,176	—	1,166,209,176
United States dollar	<u>55,761,704</u>	<u>(111,506)</u>	<u>55,650,198</u>
	<u>1,221,970,880</u>	<u>(111,506)</u>	<u>1,221,859,374</u>
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>

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 2017, the HKD weakened in relation to the Renminbi by less than 6%. At 31 March 2017, had the HKD further weakened in relation to the Renminbi by 6% (2016: 4%), 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

	<i>HK\$</i>
31 March 2017	
Renminbi	<u>69,972,551</u>
31 March 2016	
Renminbi	<u>67,221,288</u>

A 6% (2016: 4%) 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 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 31 March 2017, 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 2017 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 the statement of assets and liabilities.

At both 31 March 2017 and 2016, there were no significant concentrations of credit risk to counterparties except to the Trustee, the QFII Custodian and the banks.

The Manager considers that none of these assets are impaired nor past due at the end of the reporting period.

(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 2017 was \$23,435,533 (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 31 March 2017 and 2016, there were no significant exposures to liquidity risk for the Fund.

(d) Capital management

At 31 March 2017, the Fund had \$1,231,509,619 (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 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.

	2017			
	Level 1 <i>HK\$</i>	Level 2 <i>HK\$</i>	Level 3 <i>HK\$</i>	Total <i>HK\$</i>
Listed equities	1,129,067,113	—	10,757,935	1,139,825,048
Equity-linked instruments	—	55,760,580	—	55,760,580
	<u>1,129,067,113</u>	<u>55,760,580</u>	<u>10,757,935</u>	<u>1,195,585,628</u>
	2016			
	Level 1 <i>HK\$</i>	Level 2 <i>HK\$</i>	Level 3 <i>HK\$</i>	Total <i>HK\$</i>
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 Fujian Sunner Development Co Ltd — A Shares. This instrument has been suspended for trading and in financial statements it is revaluated and priced using last traded price before suspension with the adjustment based on peer performance since last adjustment. The Fund held five investments which have classified as level 3 due to suspended trading as at 31 March 2016.

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 <i>HK\$</i>	Net losses included in the statement of comprehensive income <i>HK\$</i>	Sales <i>HK\$</i>	Purchase <i>HK\$</i>	As at 31 March 2017 <i>HK\$</i>	*Unrealized losses <i>HK\$</i>
Equities	<u>103,738,774</u>	<u>(10,567,296)</u>	<u>(93,171,478)</u>	<u>15,012,597</u>	<u>10,757,935</u>	<u>(4,254,662)</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 2017, equity securities amounting to \$10,757,935 (2016: \$89,872,987) 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 2017 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	Fair value at 31 March 2017 <i>HK\$</i>	Valuation techniques	Unobservable input
Equities	10,757,935	Index return method	Return on relevant market index (−1.61%)

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 2017 is as shown below:

Input	Change in return of the relevant market index	Effect on the net assets attributable to unitholders <i>HK\$</i>
As at 31 March 2017		
Equities		
CSI300 Index	5%	546,720
CSI300 Index	(5%)	(546,720)

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 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 year ended 31 March 2017, 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. Thereafter on 15 March 2017, 26,855,941 units, representing 20% of the total outstanding number of units as at 14 March 2017, were redeemed at a total amount of \$302,935,015. A redemption levy of \$0.04 and \$0.02 per unit was charged and deducted from the redemption price and retained by the Fund. The redeemed units were then cancelled.

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 was charged and deducted from the redemption price and retained by the Fund. The redeemed units were then cancelled.

15 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2017

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 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Fund:

	Effective for accounting periods beginning on or after
Amendments to HKAS 7, <i>Statement of cash flows: Disclosure initiative</i>	1 January 2017
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, new standards and interpretation is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Fund's results of operations and financial position.

III. INDEBTEDNESS STATEMENT

At the close of business on 17 November 2017, 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 2017, being the date to which the latest audited financial statements of the Fund were prepared, up to and including the Latest Practicable Date.

On the back of encouraging macro data and positive earnings surprises as economic momentum improved, particularly on the industrial side of the economy, onshore Chinese equities managed to extend its gain from Q1 to Q2 and Q3 of 2017. Over this period, the net asset value per unit of the Fund moved from HK11.47 as of end March to HK\$12.98 as of end September, outpacing gains in the market on the back of strong performance from our stock picks in IT, financials and healthcare.

In 2Q this year, the market was driven higher by generally robust macro data and positive upwards earnings revisions. China 1Q GDP and March activity growth surprised on the upside. Consumption related data has also been strong. The property market has also surprised on the upside, with real estate investment and new residential starts showing resilience despite further property tightening being announced. This positive data alongside strong sales led to a significant rally in the property sector in May. The technology sector was boosted by generally strong earnings results among the heavyweights. The continued stabilization of the RMB has also been supportive of equity market returns. While Moody’s downgraded China’s sovereign rating by one notch during May, there was no significant impact on either the equity or bond markets. On June 20th, MSCI announced the addition of 222 large-cap A-shares to its benchmarks after four years of discussion. The inclusion will be implemented in two stages, first in May and then in Aug 2018. The MSCI inclusion of A-shares gave relevant stocks a lift in June and added long-term upside potential for the market. Also in June, China made new strategy announcements on coal and steel production causing both sectors to rise.

Despite rising geopolitical tensions between North Korea and the U.S. in Q3, the equity market continued to march higher, fuelled again by solid macro data, positive corporate earnings and upwards earnings estimate revision during the traditional earnings season of August. China’s economy grew faster than expected in the second quarter as industrial output picked up and investment remained strong. Consumption related data has also been strong. The property market in Q3 remained solid with real estate investment and new residential starts continued to expand. Consolidation in property market continued with leading players posting strong sales numbers, driving the property sector higher during

the quarter. S&P stripped China's sovereign rating by one notch in September after Moody's downgrade in May. However, the market reaction to the downgrade was somewhat muted. China announced another round of property tightening measures in tier 2/3 cities in September, which triggered some profit-taking activities in the property sector. RMB had been pretty strong against the USD in the first half of Q3 until September when USD rallied after US President Trump unveiled a framework for tax reform and US Federal announced the balance sheet normalisation will commence in October.

On the last day of September, China announced a targeted reserve requirement cut in a bid to encourage more lending to smaller firms. The cut will be effective in 2018. Market believes this will create additional liquidity in the system and balance the deleveraging impact to the economy, booting overall sentiment in the equity market. Onshore market started Q4 with a gain (+2.0%) up to 13 October. We believe market performance will remain broadly supported in the run-up to the 19th Party Congress which will be kicked off on October 18.

V. FINANCIAL AND TRADING PROSPECTS

The economy ended the first three quarters of 2017 on a solid footing, supported by resilient consumer spending, rebound of PPI and commodity price, strong property sales and recovery of industrial profits. This has led to a significant upward earnings revision, driving equity market higher. Given a relatively stable near term growth outlook and broadly expansionary fiscal policy stance, the Manager remain positive on the near term outlook for Chinese equities. As China continued to press ahead the supply side and SOE reforms and a further opening up of capital/financial markets, the manager believe they should provide support to the Chinese equity market.

Longer term, the recovery of economic fundamentals will attract more investments into China. PBOC's FX reserves rose for the 8th consecutive month in Sep by US\$17bn to US\$3.1tn. The inclusion of A-share in MSCI global index will also drive inflow as we expect the inclusion factor will gradually increase from the current 5% level.

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).

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⁾											
	2017 Year-to-date ⁽¹⁾	2016 full year	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⁾	27.95%	-12.60%	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>	22.85%	-18.94%	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.	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.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance ⁽⁴⁾			
	up to 31 October 2017 ⁽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⁾	17.35%	23.44%	48.40%	N.A.
<i>MSCI China A</i>	19.36%	17.73%	16.19%	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 October 2017. "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 2017:

	Calendar year performance ⁽²⁾												Cumulative performance ⁽⁴⁾		
	2017 year-to-date	2016 full year	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⁾	26.15%	-13.04%	9.85%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	16.34%	21.59%	36.37%	

As at 31 October 2017:

Net asset value per unit of the Fund:	HK\$13.46
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$10.80
Discount / Premium to net asset value:	19.76% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 October 2017. 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
17 November 2017

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

*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 20.29% (daily average) from 1 June 2017 to 31 August 2017, 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 one Recurring Redemption Offer in 2017, this met the condition of the Fund not having made more than three redemption offers in a calendar year; the last Recurring Redemption Offer was made on 15 March 2017;
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 relevant rules 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 20.29% (daily average) from 1 June 2017 to 31 August 2017, 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 one Recurring Redemption Offer in 2017, this met the condition of the Fund not having made more than three redemption offers in a calendar year; the last Recurring Redemption Offer was made on 15 March 2017;
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, 107,423,977 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 5:00p.m. on 20 December 2017.

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\$900,000, approximately 0.06% of the net asset value of the Fund as at 30 October 2017. 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 20 February 2018). However, distribution of redemption proceeds payable out of the

Fund's assets in the PRC will be subject to the relevant rules 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 5 January 2018. 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 30 October 2017, A Shares invested directly through QFII and other net assets in the PRC account for approximately 93.64% of the net asset value of the Fund, for reference, the redemption proceeds payable out of the assets in the PRC as of 30 October 2017 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 November 2017
Commencement date for lodging the redemption request with the Registrar	4 December 2017
Lodgement Date of the Recurring Redemption Offer (i.e. last date for lodgment of Recurring Redemption Offer request)	18 December 2017
Redemption Day of the Recurring Redemption Offer	19 December 2017
Date of announcement of the net asset value of the Fund as of the Value Day	20 December 2017
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)	5 January 2018
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 20 February 2018 (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 relevant rules 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 20 February 2018 (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 relevant rules 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 5 January 2018. 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. SAFE may also implement *ad hoc* control on repatriation, which the Manager does not have control over and 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 0.04% (i.e. from 1.90% for the financial year ended 31 March 2017 to approximately 1.94% 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 place of business 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 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 ("**VAT**")

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 VAT 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) and those derived from the trading of China A-shares listed on the Shanghai Stock Exchange are exempted from VAT.

In addition, pursuant to the "*Circular on the Taxation Policy of the Pilot Programme for the Mutual Stock Market Access between Shenzhen and Hong Kong Stock Markets*" Caishui [2016] No.127 promulgated by the MoF, the SAT and the China Securities Regulatory Commission on 5 November 2016, under the business tax to VAT transformation pilot program, gains from the trading of China A-shares listed on the Shenzhen Stock Exchange will also be exempted from VAT.

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 30 October 2017, 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	70,084	0.07%
HSBC International Trustee Limited	187,806	0.17%

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	107,166,087	99.76%	85,732,870	99.76%
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	257,890	0.24%	206,312	0.24%

(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 20.29% to its net asset value over the past three months since 1 June 2017 to 31 August 2017, 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 1.90% for the financial year ended 31 March 2017 to approximately 1.94% 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 20.29% to its net asset value over the past three months since 1 June 2017 to 31 August 2017, 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 23 October 2017 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
31 October 2017

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)

ANNOUNCEMENT TO UNITHOLDERS

Dear Valued Investor,

We, as the Manager of the HSBC China Dragon Fund (the "**Fund**"), are writing to inform you of the following changes to the Fund.

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

1. Updates to Foreign Account Tax Compliance Act ("FATCA") and Inclusion of Automatic Exchange of Information ("AEOI")

The Offering Circular of the Fund has been revised to reflect FATCA updates and include AEOI disclosures.

2. General Updates

In addition, there are also general updates in the disclosures regarding, among others, HSBC Group policies, taxation and selling restrictions.

* * *

For the avoidance of doubt, there is no change to the way the Fund is currently managed and there is no change to the risk profile of the Fund. In addition, there is no change to the fee level/cost in managing the Fund.

As a result of the above changes, the Offering Circular has been updated.

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 mainly invests directly and indirectly in 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. This document has not been reviewed by the Securities and Futures Commission.

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

23 October 2017

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

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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⁾											
	2017 Year-to-date ⁽¹⁾	2016 full year	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⁾	23.27%	-12.60%	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>	19.52%	-18.94%	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.	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.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance ⁽⁴⁾			
	up to 29 September 2017 ⁽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⁾	14.29%	19.83%	42.96%	N.A.
<i>MSCI China A</i>	14.37%	15.40%	13.04%	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 September 2017. "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 September 2017:

	Calendar year performance ⁽²⁾												Cumulative performance ⁽⁴⁾		
	2017 year-to-date	2016 full year	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⁾	21.65%	-13.04%	9.85%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	13.16%	18.00%	31.51%	

As at 29 September 2017:

Net asset value per unit of the Fund:	HK\$12.98
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$10.34
Discount / Premium to net asset value:	20.34% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 29 September 2017. 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 October 2017

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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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⁾											
	2017 Year-to-date ⁽¹⁾	2016 full year	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⁾	23.33%	-12.60%	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>	19.19%	-18.94%	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.	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.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance ⁽⁴⁾			
	up to 31 August 2017 ⁽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⁾	16.56%	18.16%	43.03%	N.A.
<i>MSCI China A</i>	13.40%	12.76%	12.73%	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 August 2017. "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 2017:

	Calendar year performance ⁽²⁾												Cumulative performance ⁽⁴⁾		
	2017 year-to-date	2016 full year	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⁾	22.12%	-13.04%	9.85%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	15.62%	16.86%	32.02%	

As at 31 August 2017:

Net asset value per unit of the Fund:	HK\$13.03
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$10.32
Discount / Premium to net asset value:	20.80% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 August 2017. 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 September 2017

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⁾											
	2017 Year-to-date ⁽¹⁾	2016 full year	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⁾	18.71%	-12.60%	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>	14.04%	-18.94%	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.	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.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance ⁽⁴⁾			
	up to 31 July 2017 ⁽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⁾	15.44%	17.64%	37.67%	N.A.
<i>MSCI China A</i>	11.36%	11.69%	7.86%	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 July 2017. "Net asset value of the Fund" performance figures are net of fees performance calculated according to the net asset value per unit of the Fund.

As at 31 July 2017:

	Calendar year performance ⁽²⁾												Cumulative performance ⁽⁴⁾		
	2017 year-to-date	2016 full year	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⁾	17.53%	-13.04%	9.85%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	13.79%	15.90%	27.05%	

As at 31 July 2017:

Net asset value per unit of the Fund:	HK\$12.54
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$9.91
Discount / Premium to net asset value:	20.97% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 July 2017. 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
17 August 2017

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)

**ANNOUNCEMENT TO UNITHOLDERS
REDUCTION AND REBATE OF TRUSTEE FEE**

Dear Valued Investor,

We, as the Manager of the HSBC China Dragon Fund (the "**Fund**"), are writing to inform you that (1) the trustee fee has been reduced and (2) a one-off rebate of trustee fee has been provided by the Trustee to the Fund.

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

1. Reduction of trustee fee

With effect from 1 July 2017, the rate of the trustee fee has been reduced to 0.07% per annum of the net asset value of the Fund.

There is no change to the investment objective, investment strategies, investment restrictions and normal operations of the Fund.

The Offering Circular and product key fact statement of the Fund has been revised to reflect the above change, and is available for inspection, free of charge, at the registered office of the Manager.

2. Rebate of trustee fee

As a gesture of goodwill, the Trustee has provided a one-off rebate of part of the fee previously received by the Trustee (the "**Rebate**") to the Fund. The Rebate will be released and recognised as a gain in the books of the Fund on 19 July 2017, resulting in the following impact on the net asset value of the Fund:

Amount of one-off Rebate of trustee fee	Amount expressed as a percentage of net asset value as of 19 July 2017	Effect on net asset value
USD214,362	0.13%	Positive

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 mainly invests directly and indirectly in 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. This document has not been reviewed by the Securities and Futures Commission.

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 2017

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))

(stock code: 820)

Managed by
HSBC Global Asset Management (Hong Kong) Limited

2017 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 2016 to 31 March 2017.

The annual results of the Fund for the period from 1 April 2016 to 31 March 2017 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 2016 to 31 March 2017.

Manager's report

Market Review

The market had a rocky start to 2016, driven by the weakened investor confidence in domestic policy, volatility of the renminbi and the tepid economic activity. Investor sentiment was further weighed on by the skepticism around China's policy stance as the State media People's Daily published an article in May citing that the nation's economic growth will likely to exhibit an L-shape pattern rather than a V-shape or U-shape trajectory. Chinese equities surged in the third quarter, 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, before enduring a downward trend over the last quarter driven by restrictive measures in the property market and tightened interbank liquidity. In the first quarter of 2017 the market was boosted by strong Stock Connect southbound flows (HK\$124bn in 1Q17 vs HK\$281bn for full year 2016). A stable CNY and moderating fears around capital outflow also helped to provide support to the market. Continued robust macro data from China set a positive tone including rising PMI readings which pointed at a demand recovery in the manufacturing sector as well as stabilization in external demand. Infrastructure was also strong, supported by accelerating PPP project approval. The property market remained resilient, with strong transactions in cities without tightening measures.

Outlook

The economy has stabilized and macro data continues to improve. An expansionary stance in terms of fiscal spend alongside further implementation of supply side and SOE reforms is helping to support the Chinese economy. A further opening up of capital/financial markets should help drive equity market valuations. Earnings are looking more upbeat, as margins have started to improve on the back of the recovery in producer price inflation (PPI).

Valuations continue to look attractive when compared to long term averages.

Statement of assets and liabilities

As at 31 March 2017

	Note	2017 HK\$	2016 HK\$
Assets			
Investments at fair value through profit or loss	7, 12	1,195,585,628	1,765,287,599
Other receivables	8(c)	1,684,964	2,529,380
Cash and cash equivalents	8(d)	<u>302,578,533</u>	<u>28,362,084</u>
Total assets		<u>1,499,849,125</u>	<u>1,796,179,063</u>
Liabilities			
Taxation	6(b)	–	1,451,988
Redemption payable		264,799,578	–
Accrued expenses and other payables	8(a), (b) & (c)	<u>3,539,928</u>	<u>6,883,120</u>
Total liabilities		<u>268,339,506</u>	<u>8,335,108</u>
Net assets attributable to unitholders		<u>1,231,509,619</u>	<u>1,787,843,955</u>
Representing:			
Total equity		<u>1,231,509,619</u>	<u>1,787,843,955</u>
Number of units in issue	10	<u>107,423,977</u>	<u>167,849,838</u>
Net asset value per unit		<u>11.46</u>	<u>10.65</u>

Statement of comprehensive income

For the year ended 31 March 2017

	Note	2017 HK\$	2016 HK\$
Dividend income		30,673,741	41,376,398
Interest income on deposits	4, 8(d)	172,813	495,882
Net gains/(losses) from investments	5	117,299,307	(764,814,928)
Net foreign exchange loss		<u>(3,221,286)</u>	<u>(2,320,227)</u>
Net investment income/(loss)		<u>144,924,575</u>	<u>(725,262,875)</u>
Management fees	8(a)	(23,395,359)	(38,807,957)
Transaction costs	8(e)	(6,504,742)	(5,721,740)
Trustee's fees	8(b)	(1,715,223)	(2,784,276)
Custodian fees	8(c)	(1,505,220)	(2,402,979)
Auditor's remuneration		(251,978)	(594,933)
Legal and professional fees		(679,444)	(2,022,031)
Other operating expenses		<u>(2,046,280)</u>	<u>(4,320,672)</u>
Operating expenses		<u>(36,098,246)</u>	<u>(56,654,588)</u>
Profit/(loss) before taxation		108,826,329	(781,917,463)
Taxation	6(a)	<u>(1,013,311)</u>	<u>118,361,704</u>
Increase/(decrease) in net assets attributable to unitholders and total comprehensive income for the year		<u>107,813,018</u>	<u>(663,555,759)</u>

Statement of changes in equity

For the year ended 31 March 2017

	Note	2017 HK\$	2016 HK\$
Balance at the beginning of the year		1,787,843,955	2,855,917,483
Increase/(decrease) in net assets attributable to unitholders and total comprehensive income for the year		107,813,018	(663,555,759)
Redemption of units during the year	14	<u>(664,147,354)</u>	<u>(404,517,769)</u>
Balance at the end of the year		<u>1,231,509,619</u>	<u>1,787,843,955</u>

Cash flow statement

For the year ended 31 March 2017

	2017	2016
	HK\$	HK\$
Operating activities		
Interest income received	171,149	495,882
Dividend income received	30,673,741	41,376,398
Management fees paid	(23,859,874)	(40,058,207)
Trustee's fees paid	(1,849,176)	(2,805,555)
Transaction costs paid	(6,504,742)	(5,721,740)
Tax paid	(2,465,299)	(15,708,295)
Proceeds from sales of investments	2,061,890,467	1,830,205,916
Payments for purchases of investments	(1,374,889,189)	(1,565,114,622)
Other operating expenses paid	(8,096,958)	(7,863,888)
Net cash generated from operating activities	<u>675,070,119</u>	<u>234,805,889</u>
Financing activity		
Payments on redemption of units	<u>(399,347,776)</u>	<u>(404,517,769)</u>
Net cash used in financing activity	<u>(399,347,776)</u>	<u>(404,517,769)</u>
Net increase/(decrease) in cash and cash equivalents	275,722,343	(169,711,880)
Cash and cash equivalents at the beginning of the year	28,362,084	199,280,592
Effect of foreign exchange rates changes	(1,505,894)	(1,206,628)
Cash and cash equivalents at the end of the year	<u>302,578,533</u>	<u>28,362,084</u>

Notes to the financial statements

For the year ended 31 March 2017

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 and any other similar stock connect programme between another city of the PRC and Hong Kong (currently also include Shenzhen-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.

2 Significant accounting policies

(a) *Statement of compliance*

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

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

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

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

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

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

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

(c) *Financial instruments*

(i) Classification

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

Financial assets that are classified as receivables include 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 of 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 group of which it is a part, provides key management personnel services to the group or to the group's parent.

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 relate 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. 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

	2017 HK\$	2016 HK\$
Realised (losses)/gains	(18,552,483)	47,751,282
Unrealised gains/(losses)	<u>135,851,790</u>	<u>(812,566,210)</u>
	<u>117,299,307</u>	<u>(764,814,928)</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 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 also determined that it is appropriate to provide for PRC taxation at the withholding tax rate of 10% on realised gains on A shares.

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 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 had 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\$483,404 ("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 ("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 (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\$497,888 (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:

	2017 HK\$	2016 HK\$
PRC dividend and interest income withholding tax	1,511,199	3,191,833
PRC capital gains tax – current	<u>(497,888)</u>	<u>(121,553,537)</u>
	<u>1,013,311</u>	<u>(118,361,704)</u>

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

	2017 HK\$	2016 HK\$
PRC withholding tax provision relating to prior years	<u>–</u>	<u>1,451,988</u>
	<u>–</u>	<u>1,451,988</u>

7 Investments at fair value through profit or loss

	2017 HK\$	2016 HK\$
Listed equities		
– outside Hong Kong	1,139,825,048	1,651,798,526
Equity-linked instruments		
– warrants	31,256,336	73,732,273
– participation note	<u>24,504,244</u>	<u>39,756,800</u>
	<u>1,195,585,628</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 year and payable at the end of the year amounted to \$23,395,359 (2016: \$38,807,957) and \$1,737,736 (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 year and payable at the end of the year amounted to \$1,715,223 (2016: \$2,784,276) and \$129,512 (2016: \$263,465) 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 \$1,505,220 (2016: \$2,402,979) and \$2,052 (2016: \$884) respectively.

A minimum clearing reserve is required to be held with the QFII custodian. As at 31 March 2017, the Fund had \$1,683,300 (as at 31 March 2016: \$2,529,380) deposit held with the QFII custodian.

(d) *Bank balances*

Bank accounts are maintained with The Hong Kong 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 2017 amounted to \$277,877,705 and \$24,700,828 respectively (2016: \$766,677 and \$27,595,407 respectively). During the year, interest earned from HSBC Hong Kong and Bank of Communications Co Ltd amounted to \$3,496 and \$169,317 respectively (2016: \$Nil and \$495,882 respectively).

- (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 these company are as follows:

	2017	2016
	HK\$	HK\$
The Hong Kong and Shanghai Banking Corporation Limited		
Commission paid for the year	24,535	–
Average rate of commission	<u>0.11%</u>	<u>–</u>
Total aggregate value of such transactions for the year	22,121,771	162,233,494
Percentage of such transactions in value to total transactions for the year	<u>0.67%</u>	<u>4.84%</u>

- (f) The Hongkong and Shanghai Banking Corporation Limited, which is a member of the HSBC Group, has redeemed 116,504 units of the Fund during the year ended 31 March 2017 (2016: 95,969). As at 31 March 2017, The Hongkong and Shanghai Banking Corporation Limited held 70,084 units (as at 31 March 2016: 186,588 units) of the Fund.

9 Soft dollar practices

The Manager has entered into soft dollar commission arrangements with brokers under which certain goods and services used to support investment decision making. The Manager did not make direct payment for these services but transacted an agreed amount of business with the brokers on behalf of the Fund. Commission was paid from the Fund on these transactions.

10 Units in issue

	2017	2016
Number of units in issue brought forward	167,849,838	209,812,263
Units redeemed during the year	<u>(60,425,861)</u>	<u>(41,962,425)</u>
Number of units in issue carried forward	<u>107,423,977</u>	<u>167,849,838</u>

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 year ended 31 March 2017 and 2016.

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 31 March 2017 are summarised below. Details of such investments held as at 31 March 2017 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% (2016: 15%) increase in value of the investments as at 31 March 2017, 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.

	2017			2016		
	% 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	91.68	15	169,360,067	86.59	15	232,208,963
Equity-linked instruments:						
– warrants	2.54	15	4,688,450	4.12	15	11,059,841
– participation note	1.99	15	3,675,637	2.23	15	5,963,520
	<u>96.21</u>		<u>177,724,154</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 non-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 2017 and 31 March 2016, therefore the Manager considers the Fund is not subject to significant interest rate risk. No sensitivity analysis is performed for 2017 and 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 dollars ("HKD").

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

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

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

	Assets HK\$	Liabilities HK\$	Net exposure HK\$
31 March 2017			
Renminbi	1,166,209,176	–	1,166,209,176
United States dollar	<u>55,761,704</u>	<u>(111,506)</u>	<u>55,650,198</u>
	<u>1,221,970,880</u>	<u>(111,506)</u>	<u>1,221,859,374</u>
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>

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 2017, the HKD weakened in relation to the Renminbi by less than 6%. At 31 March 2017, had the HKD further weakened in relation to the Renminbi by 6% (2016: 4%), 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 2017	
Renminbi	<u>69,972,551</u>
31 March 2016	
Renminbi	<u>67,221,288</u>

A 6% (2016: 4%) 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 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 31 March 2017, 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 2017 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 the statement of assets and liabilities.

At both 31 March 2017 and 2016, there were no significant concentrations of credit risk to counterparties except to the Trustee, the QFII Custodian and the banks.

The Manager considers that none of these assets are impaired nor past due at the end of the reporting period.

(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 2017 was \$23,435,533 (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 31 March 2017 and 2016, there were no significant exposures to liquidity risk for the Fund.

(d) Capital management

At 31 March 2017, the Fund had \$1,231,509,619 (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 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.

	2017			
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Listed equities	1,129,067,113	–	10,757,935	1,139,825,048
Equity-linked instruments	–	55,760,580	–	55,760,580
	<u>1,129,067,113</u>	<u>55,760,580</u>	<u>10,757,935</u>	<u>1,195,585,628</u>
	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>

Level 3 financial instruments include Fujian Sunner Development Co Ltd – A Shares. This instrument has been suspended for trading and in financial statements it is revaluated and priced using last traded price before suspension with the adjustment based on peer performance since last adjustment. The Fund held five investments which have classified as level 3 due to suspended trading as at 31 March 2016.

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\$	Net losses included in the statement of comprehensive income HK\$	Sales HK\$	Purchase HK\$	As at 31 March 2017 HK\$	*Unrealized losses HK\$
Equities	<u>103,738,774</u>	<u>(10,567,296)</u>	<u>(93,171,478)</u>	<u>15,012,597</u>	<u>10,757,935</u>	<u>(4,254,662)</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 2017, equity securities amounting to \$10,757,935 (2016: \$89,872,987) 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 2017 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	Fair value at 31 March 2017 HK\$	Valuation techniques	Unobservable input
Equities	10,757,935	Index return method	Return on relevant market index (-1.61%)

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 2017 is as shown below:

	Input	Change in return of the relevant market index	Effect on the net assets attributable to unitholders HK\$
As at 31 March 2017			
Equities	CSI300 Index	5%	546,720
	CSI300 Index	(5%)	(546,720)

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 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 year ended 31 March 2017, 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. Thereafter on 15 March 2017, 26,855,941 units, representing 20% of the total outstanding number of units as at 14 March 2017, were redeemed at a total amount of \$302,935,015. A redemption levy of \$0.04 and \$0.02 per unit was charged and deducted from the redemption price and retained by the Fund. The redeemed units were then cancelled.

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 was charged and deducted from the redemption price and retained by the Fund. The redeemed units were then cancelled.

15 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2017

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 2017 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 7, Statement of cash flows: Disclosure initiative</i>	1 January 2017
<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 2017

	<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>			
Bank of Beijing Co Ltd – A Share	3,074,304	33,296,395	2.70
Bank of China Ltd – A Share	8,869,500	36,923,654	3.00
Bank of Hangzhou Co Ltd – A Share	942,400	24,134,611	1.96
Baoshan Iron & Steel Co Ltd – A Share	4,248,200	31,200,755	2.53
Beijing New Building Materials Plc – A Share	1,442,330	20,161,141	1.64
Beijing Originwater Technology Co Ltd – A Share	828,800	15,166,304	1.23
China Communications Const – A Share	1,448,200	29,261,952	2.38
China Film Co Ltd – A Share	452,800	12,025,193	0.98
China Gezhouba Group Co Ltd – A Share	2,414,679	32,063,803	2.60
China International Travel Service Corp Ltd – A Share	809,129	51,721,785	4.20
China Life Insurance Co Ltd – A Share	1,038,939	29,642,719	2.41
China Merchants Shekou Industrial Zone Holdings Co Ltd – A Share	1,919,864	38,099,166	3.09
China Petroleum & Chemical Corp – A Share	3,443,572	22,260,912	1.81
Chongqing Department Store Co Ltd – A Share	409,325	12,269,843	1.00
Fujian Sunner Development Co Ltd – A Share	521,358	10,757,935	0.87
GoerTek Inc – A Share	849,367	32,618,509	2.65
Guangshen Railway Co Ltd – A Share	4,634,000	27,133,296	2.20
Hangzhou Robam Appliances Co Ltd – A Share	598,700	33,468,179	2.72
Hongfa Technology Co Ltd – A Share	1,036,508	42,483,200	3.45
Hua Xia Bank Co Ltd – A Share	4,630,049	58,921,508	4.78
Huafa Industrial Co Ltd Zhuhai – A Share	1,206,000	18,408,749	1.49
Huangshan Tourism Development Co Ltd – A Share	1,231,000	24,012,214	1.95
Huatai Securities Co Ltd – A Share	1,695,406	32,133,806	2.61
Hubei Hongcheng General Machinery Co Ltd – A Share	996,656	37,870,107	3.07
Jiangsu Hengrui Medicine C – A Share	505,940	31,005,443	2.52
Jiangsu Yanghe Brewery Joint-Stock Co Ltd – A Share	255,200	25,157,755	2.04
JSTI Group – A Share	986,364	20,386,461	1.65
Kangde Xin Composite Material Group Co Ltd – A Share	1,756,686	37,873,374	3.08
Kunming Yunnei Power Co Ltd – A Share	2,899,925	30,262,699	2.46
Kweichow Moutai Co Ltd – A Share	67,065	29,235,614	2.37
Midea Group Co Ltd – A Share	542,000	20,355,991	1.65
New China Life Insurance Co Ltd – A Share	580,549	27,619,871	2.24
Qingdao Haier Co Ltd – A Share	3,053,210	41,954,943	3.41
Shan Dong Sun Paper Industry Joint Stock Co Ltd – A Share	2,231,514	17,950,159	1.46

HSBC China Dragon Fund			
	<i>Holdings</i>	<i>Market value HK\$</i>	<i>% of total net assets attributable to unitholders</i>
Shenzhen Expressway Co Ltd	428,821	4,160,578	0.34
Shenzhen Expressway Co Ltd – A Share	743,449	7,213,214	0.59
Sinochem International Corp – A Share	1,744,320	21,686,373	1.76
Soochow Securities Co Ltd – A Share	1,345,100	18,756,518	1.52
Tangshan Santou Chemical I – A Share	2,710,600	29,173,798	2.37
Tongkun Group Co Ltd – A Share	1,485,133	25,601,645	2.08
YOUZU Interactive Co Ltd – A Share	756,300	23,762,847	1.93
Zhejiang Semir Garment Co Ltd – A Share	1,952,570	21,632,029	1.76
Equities (Total)		<u>1,139,825,048</u>	<u>92.55</u>
Equity-linked instruments			
<i>Listed investments</i>			
Credit Suisse AG (Bank of China) PN 04 January 2022	2,840,921	11,826,646	0.96
CICC Financial Trading Warrants 06 May 2018	868,770	31,256,336	2.54
		<u>43,082,982</u>	<u>3.50</u>
<i>Unlisted but quoted investments</i>			
CICC Financial Trading Ltd (Sc Mtr Ltd) PN 15 December 2018	442,758	12,677,598	1.03
		<u>12,677,598</u>	<u>1.03</u>
Equity-linked instruments (Total)		<u>55,760,580</u>	<u>4.53</u>
Total investments			
(Total cost of investments: \$1,119,389,527)		1,195,585,628	97.08
Other net assets			
		<u>35,923,991</u>	<u>2.92</u>
Total net assets attributable to unitholders		<u>1,231,509,619</u>	<u>100.00</u>

Statement of movements in portfolio holdings (Unaudited)

For the year ended 31 March 2017

	<i>% of total net asset attributable to unitholders</i>	
	2017	2016
Listed investments		
Equities	92.55	92.39
Equity-linked instruments	<u>3.50</u>	<u>6.35</u>
	<u>96.05</u>	<u>98.74</u>
Unlisted but quoted investments		
Equity-linked instruments	<u>1.03</u>	<u>–</u>
	<u>1.03</u>	<u>–</u>
Total investments	97.08	98.74
Other net assets	<u>2.92</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 year ended 31 March 2017

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

Year/period end

31 March 2017	HK\$1,231,509,619
31 March 2016	HK\$1,787,843,955
31 March 2015	HK\$2,855,917,483
31 March 2014	HK\$1,628,843,669

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

Year/period end

31 March 2017	HK\$11.46
31 March 2016	HK\$10.65
31 March 2015	HK\$13.61
31 March 2014	HK\$7.76

(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\$
2017	9.89	11.58
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 2016 to 31 March 2017 will be despatched to Unitholders on or about 31 July 2017.

Hong Kong, 28 July 2017

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: This notice requires your immediate attention. If you have any questions about the contents of this notice, you should seek independent professional advice.

IMPORTANT

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)

17 July 2017

Dear Valued Investor,

RE: HSBC China Dragon Fund – Additional Information Required for Anti-Money Laundering/Counter-Financing of Terrorism and Customer Due Diligence (“AML/CDD”)

We, the Manager of HSBC China Dragon Fund, are writing to you as an existing registered unitholder of HSBC China Dragon Fund.

AML/CDD information required

As financial institutions, the Manager and the Trustee are required to keep our policies and procedures concerning AML/ CDD under regular review. As part of that regular review, and in the spirit of the enhanced regulatory environment in Hong Kong, the Manager and the Trustee have reviewed the existing AML/CDD measures relevant to HSBC China Dragon Fund.

Accordingly, and in the context of, the Anti-Money Laundering and Counter Terrorist Financing (Financial Institutions) Ordinance, the related guidelines issued by the Securities and Futures Commission and the Hong Kong Monetary Authority¹, we hereby request you (or, for joint unitholders, each of you) to provide additional customer due diligence information listed in the Appendix to this letter (“**Additional CDD Information**”), no later than 17 August 2017, to HSBC Global Asset Management (Hong Kong) Limited, Level 22, HSBC Main Building, 1

¹ Guidelines on Anti-Money Laundering and Counter-Terrorist Financing issued by the Securities and Futures Commission and the Hong Kong Monetary Authority in April 2015 and March 2015 respectively

Queen's Road Central, Hong Kong, with "HSBC China Dragon Fund – PRIVATE AND CONFIDENTIAL" clearly marked on the envelope.

After the Manager and/or the Trustee has reviewed and assessed the Additional CDD Information provided, the Manager and/or the Trustee may require further AML/CDD information from you.

We appreciate your efforts in providing the Additional CDD Information to us.

Personal data

Kindly note that any Additional CDD Information to be provided by you pursuant to this letter will contain personal data as defined in the Personal Data (Privacy) Ordinance. We therefore draw your attention to the attached "Collection and Use of Customer Information, Financial Crime Risk Management Activity and Tax Compliance – Terms and Conditions" and "Notice relating to the Personal Data (Privacy) Ordinance" which, among other things, sets out the policies and practices for the Manager with regard to any personal data provided by you to us.

Enquiries

Investors who have any questions concerning this notice may contact the registrar of HSBC China Dragon Fund, Computershare at telephone number +852 2862 8555.

Yours sincerely,

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

**Appendix
Requested Documents**

1. a copy of your:
 - a. **if you are a Hong Kong permanent resident:** Hong Kong identity card; or
 - b. **if you are a non-permanent resident in Hong Kong:** Hong Kong identity card and proof of nationality which can be either one of the following: (i) valid travel document (e.g. passport), (ii) relevant national identity card bearing the individual's photograph or (iii) other government document which certifies nationality; or
 - c. **if you are a Hong Kong non-resident:** foreign travel document which contains the bearer's photograph, full name, date of birth and nationality; and
2. your residential address (and permanent address if different), together with a copy of a government correspondence, utility bill or bank statement issued within the last 3 months which can be used to verify such address.

✂-----

REPLY SLIP – HSBC CHINA DRAGON FUND
PLEASE DETACH AND RETURN WITH THE REQUESTED DOCUMENTS

I, _____ (*insert name of HSBC China Dragon Fund unitholder*), confirm that the following documents have been enclosed to this reply slip:

- (one of (a), (b) and (c))
1. a copy of my:
 - a. **(for a Hong Kong permanent resident):** Hong Kong identity card; or
 - b. **(for a non-permanent resident in Hong Kong):** Hong Kong identity card and proof of nationality which can be either one of the following: (i) valid travel document (e.g. passport), (ii) relevant national identity card bearing the individual's photograph or (iii) other government document which certifies nationality; or
 - c. **(for a Hong Kong non-resident)** foreign travel document which contains the bearer's photograph, full name, date of birth and nationality; and
 2. my residential address (and permanent address if different), together with a copy of a government correspondence, utility bill or bank statement issued within the last 3 months which can be used to verify such address.

Daytime Telephone Number*: _____

* Please provide a daytime telephone number as the Manager and the Trustee may contact you if further documents are required

Personal Information Collection Statement

Certain information or documents to be provided by you will constitute personal data as defined in the Personal Data (Privacy) Ordinance. Please read carefully the attached "Collection and Use of Customer Information, Financial Crime Risk Management Activity and Tax Compliance – Terms and Conditions" and "Notice relating to the Personal Data (Privacy) Ordinance" which, among other things, sets out the policies and practices of the Manager with regard to any personal data provided.



COLLECTION AND USE OF CUSTOMER INFORMATION, FINANCIAL CRIME RISK MANAGEMENT ACTIVITY AND TAX COMPLIANCE - TERMS AND CONDITIONS

DEFINITIONS

Capitalised terms used in these Terms shall have the following meanings and any references to the singular shall include the plural and vice versa, unless the context otherwise requires:

“Authorities” means any judicial, administrative or regulatory body, any government, or public or government agency, instrumentality or authority, any Tax Authority, securities or futures exchange, court, central bank or law enforcement body, or any agents thereof, having jurisdiction over any part of HSBC Group.

“Compliance Obligations” means obligations of any member of the HSBC Group to comply with: (a) any applicable local or foreign statute, law, regulation, ordinance, rule, judgment, decree, voluntary code, directive, sanctions regime, court order, agreement between any member of the HSBC Group and an Authority, or agreement or treaty between Authorities and applicable to HSBC or a member of the HSBC Group (**“Laws”**), or international guidance and internal policies or procedures, (b) any valid demand from Authorities or reporting, regulatory trade reporting, disclosure or other obligations under Laws, and (c) Laws requiring HSBC to verify the identity of our Customers.

“Connected Person” means a person or entity whose information (including Personal Data or Tax Information) is provided by, or on behalf of, the Customer to any member of the HSBC Group or otherwise received by any member of the HSBC Group in connection with the provision of the Services. In relation to the Customer, a **Connected Person** may include, but is not limited to, any guarantor of the Customer, a director or officer of a company, partners or members of a partnership, any “substantial owner”, “controlling person”, or beneficial owner, trustee, settler or protector of a trust, account holder of a designated account, payee of a designated payment, representative, agent or nominee of the Customer, or any other persons or entities having a relationship to the Customer that is relevant to its relationship with the HSBC Group.

“controlling persons” generally means individuals who exercise control over an entity (for a trust, these generally include the settlor, the trustee, the protector, the beneficiaries or class of beneficiaries, and any other individual(s) who exercises ultimate effective control over the trust, and in the case of a legal entity other than a trust, such term generally includes persons in equivalent or similar positions who exercise ultimate effective control over such entity), subject always to applicable local laws.

“Customer” means a person or entity to whom any member of the HSBC Group provides Services.

“Customer Information” includes without limitation any Personal Data, confidential information, and/or Tax Information of either the Customer or a Connected Person (including accompanying statements, waivers and consents).

“Financial Crime” includes without limitation money laundering, terrorist financing, bribery, corruption, tax evasion, fraud, evasion of economic or trade sanctions, and/or violations, or attempts to circumvent or violate any Laws or regulations relating to these matters.

“HSBC” means HSBC Global Asset Management (Hong Kong) Limited in its own capacity or acting for and on behalf of a fund or funds whether as manager, advisor, distributor or service provider.

“HSBC Group” means HSBC Holdings plc, and/or any of, its affiliates, subsidiaries, associated entities and any of their branches and offices including HSBC, and **“any member of the HSBC Group”** has the same meaning.

“Loss” means any claim, charge, cost (including, but not limited to, any legal or other professional cost), damages, debt, expense, tax, liability, obligation, allegation, suit, action, demand, cause of action, proceeding or judgment, however calculated or caused, and whether direct or indirect, consequential, punitive or incidental.

“Personal Data” shall bear the meaning attributable to it under the laws of the jurisdiction where such data is collected, used, or transferred (as the case maybe) and, unless otherwise specified, generally includes any data relating to a living individual (and corporate entities, in those countries outside Hong Kong where data privacy law applies to corporates), from which the individual can be identified and in a form where access to or processing of the data is practicable, and includes without limitation, sensitive personal data, name(s), residential address(es), contact information, age, date of birth, place of birth, nationality, citizenship, personal and marital status.

“Services” means, without limitation, (a) the opening, maintaining and closing of the Customer’s accounts with any member of the HSBC Group and/or any fund account(s), (b) the provision of any related investment products related



services and other services to the Customer (including, for example, securities dealing, investment advisory, asset management, corporate finance, broker, agency, custodian), processing applications, switching and redemption requests and product eligibility assessment, and (c) the maintenance of HSBC Group and/or HSBC's overall relationship with the Customer, including carrying out Customer's instructions, responding any as enquiry by the Customer, dealing in any other matters relating to the Customer's investment in the fund(s) market research and administrative purposes.

"substantial owners" generally means any individuals entitled to more than 10% of the profits of or with an interest of more than 10% in an entity either directly or indirectly, subject always to applicable local laws.

"Tax Authorities" means domestic or foreign tax, revenue, fiscal or monetary authorities.

"Tax Information" means any documentation or information (and accompanying statements, waivers and consents) relating, directly or indirectly, to the tax status of a Customer (regardless of whether that Customer is an individual or a business, non-profit or other corporate entity) and any owner, "controlling person", "substantial owner" or beneficial owner of a Customer, that any member of the HSBC Group considers, acting reasonably, is needed to comply (or demonstrate compliance, or avoid non-compliance) with any HSBC Group member's obligations to any Tax Authority. **"Tax Information"** includes, but is not limited to, information about: tax residence and/or place of organisation (as applicable), tax domicile, tax identification number, Tax Certification Forms, certain Personal Data (including name(s), residential address(es), age, date of birth, place of birth, nationality, citizenship).

"Tax Certification Forms" means any forms or other documentation as may be issued or required by a Tax Authority or by HSBC from time to time to confirm the tax status of an account holder or the Connected Person of an entity.

1. COLLECTION, PROCESSING AND SHARING OF CUSTOMER INFORMATION

These Terms explain how HSBC and other members of the HSBC Group may use any Customer Information. By using the Services, the Customer agrees that HSBC and members of the HSBC Group may use Customer Information in accordance with these Terms.

Customer Information will not be disclosed to anyone (including other members of the HSBC Group), other than where:

- HSBC is legally required to disclose;
- HSBC has a public duty to disclose;
- HSBC's or a recipient's (as described in paragraph 1.3 below) legitimate business purposes require disclosure;
- the disclosure is made with Customer consent; or
- it is disclosed as set out in the following Terms.

COLLECTION

1.1. HSBC and other members of the HSBC Group may collect, use and share **Customer Information** (including relevant information about the Customer, the Customer's transactions, the Customer's use of HSBC's products and services, and the Customer's relationships with the HSBC Group). **Customer Information** may be requested from the Customer (or a person acting on the Customer's behalf), or may also be collected by or on behalf of HSBC, or other members of the HSBC Group, from other sources (including from publically available information), generated or combined with other information available to HSBC or any member of the HSBC Group.

Any telephone conversation with HSBC and/or HSBC Group in connection with the Services may be recorded.

USE AND PROCESSING

1.2. HSBC and/or members of the HSBC Group may use, process, transfer (including transfers outside of Hong Kong) and/or disclose Customer Information in connection with the following Purposes: (a) providing Services and for any transactions requested or authorised by the Customer, (b) meeting Compliance Obligations, (c) conducting Financial Crime Risk Management Activity (defined in paragraph 3.1 below), (d) collecting any amounts due from the Customer, (e) enforcing or defending HSBC's, or a member of the HSBC Group's, rights, (f) for internal operational requirements of HSBC or the HSBC Group (including, without limitation, credit and risk management, system or product development and planning, insurance, audit and administrative purposes), (g) maintaining HSBC's and/or a member of the HSBC Group's overall relationship with the Customer, and or any other directly related purposes (the "Purposes").

SHARING

1.3. By using the Services, the Customer agrees that HSBC and/or members of the HSBC Group, as the case maybe, may (as necessary and appropriate for the Purposes) transfer and disclose any Customer Information to the following recipients (who may also use, process, transfer and/or disclose such Customer Information for the Purposes):

- a. any member of the HSBC Group;
- b. any sub-contractors, agents, service providers, or associates of the HSBC Group (including their employees, directors and officers);



- c. any Authorities who made a valid request to HSBC or a member of the HSBC Group;
- d. anyone acting on behalf of the Customer, payment recipients, beneficiaries, account nominees, intermediary, correspondent and agent banks, clearing houses, clearing or settlement systems, market counterparties, upstream withholding agents, swap or trade repositories, stock exchanges, companies in which the Customer has an interest in securities (where such securities are held by HSBC or other member of the HSBC Group for the Customer);
- e. any party acquiring an interest in or assuming risk in or in connection with the Services;
- f. other financial institutions;
- g. any third party fund manager who provides asset management services to the Customer; and/or
- h. in connection with any HSBC or any member of the HSBC Group's business transfer, disposal, merger or acquisition;

wherever located (in or outside Hong Kong), including in jurisdictions which do not have data protection laws that provide the same level of protection as the jurisdiction in which the Customer Information is collected or in which the Services are supplied.

CUSTOMER OBLIGATIONS

- 1.4. The Customer agrees to inform HSBC promptly, in writing if there are any changes to Customer Information supplied to HSBC or a member of the HSBC Group from time to time, and to respond to any request from, HSBC, or a member of the HSBC Group.
- 1.5. The Customer confirms that every Connected Person whose information (including Personal Data or Tax Information) they have provided to HSBC or a member of the HSBC Group has been notified of and has given their express and prescribed consent thereto and agreed to the collection, use, processing, disclosure and transfer of their information as set out in these Terms. The Customer also confirms that they have or shall without delay advise the relevant Connected Persons that they may have rights of access to, and correction of, any Personal Data provided in this context.
- 1.6. Provision of any Personal Data is voluntary. However, failure to supply such Personal Data may result in HSBC or the HSBC Group being unable to provide the Services. Where:
 - a Customer fails to provide Customer Information that HSBC or the HSBC Group reasonably requests, or
 - a Customer withholds or withdraws any consents which HSBC or the HSBC Group may need to process, transfer or disclose Customer Information for the Purposes, or
 - HSBC or a member of the HSBC Group has suspicions regarding the possible commission of Financial Crime or a Customer presents a potential Financial Crime risk to HSBC and/or a member of the HSBC Group,

HSBC and/or a member of the HSBC Group may:

- a. be unable to provide new, or continue to provide all or part of the, Services to the Customer and reserves the right to terminate its business relationship with the Customer;
- b. take actions necessary for HSBC or a member of the HSBC Group to meet the Compliance Obligations;
- c. delay the payment of any distribution and/or redemption proceeds; and/or
- d. block, transfer or close Customer account(s), to the extent permissible by law.

In addition, the failure of a Customer to supply their, or their Connected Person's, Tax Information and accompanying statements, waivers and/or consents, may result in HSBC and/or any member of the HSBC Group making its own decision with respect to the Customer's status, including whether to report such Customer to a Tax Authority, and may require HSBC and/or any member of the HSBC Group or other persons to withhold amounts as may be legally required by any Tax Authority and paying such amounts to any Tax Authority.

2. DATA PROTECTION

- 2.1. Whether it is collected, used and/or processed in a home jurisdiction or overseas, in accordance with applicable data protection legislation, Customer Information will be protected by a strict code of secrecy and security which all members of the HSBC Group, their staff and third parties are subject to.
- 2.2. Any collection, use or transfer of Personal Data in Hong Kong by HSBC and/or any member of the HSBC Group will be in accordance with the Hong Kong Personal Data (Privacy) Ordinance (as amended) (the "Ordinance"). Under the Ordinance, the subject of the Personal Data has the right to request HSBC and/or any member of the HSBC Group:
 - a. to respond to him/her as to whether HSBC and/or any member of the HSBC Group hold any Personal Data and provide access to such Personal Data;
 - b. correct any Personal Data relating to him/her which is inaccurate; and
 - c. describe any policies and practices in relation to Personal Data and inform him/her the kinds of Personal Data held by HSBC and/or any member of the HSBC Group.



HSBC and/or any member of the HSBC Group may charge a reasonable fee for processing the aforementioned data access request.

- 2.3. Requests for Personal Data access or correction and for information regarding policies and practices and kinds of data held may be made in writing to:

The Local Compliance Officer
HSBC Global Asset Management (Hong Kong) Limited
Level 22, HSBC Main Building
1 Queen's Road Central
Hong Kong

3. FINANCIAL CRIME RISK MANAGEMENT ACTIVITY

- 3.1. HSBC, and members of the HSBC Group, are required, and may take any action they consider appropriate in their sole and absolute discretion, to meet Compliance Obligations in connection with the detection, investigation and prevention of Financial Crime ("**Financial Crime Risk Management Activity**").

Such action may include, but is not limited to: (a) screening, intercepting and investigating any instruction, communication, drawdown request, application for Services, or any payment sent to or by the Customer, or on its behalf, (b) investigating the source of or intended recipient of funds (c) combining Customer Information with other related information in the possession of any member of the HSBC Group, and/or (d) making further enquiries as to the status of a person or entity, whether they are subject to a sanctions regime, or confirming a Customer's identity and status.

- 3.2. To the extent permissible by law, neither HSBC nor any other member of the HSBC Group shall be liable to the Customer or any third party in respect of any Loss whether incurred by the Customer or a third party in connection with the delaying, blocking or refusing of any payment or the provision of all or part of the Services or otherwise as a result of Financial Crime Risk Management Activity.

4. TAX COMPLIANCE

The Customer on its own behalf and on behalf of and each Connected Person acting in their capacity as a Connected Person (and not in their personal capacity) acknowledges, as the case maybe, that they are solely responsible for understanding and complying with their tax obligations (including but not limited to, tax payment or filing of returns or other required documentation relating to the payment of all relevant taxes) in all jurisdictions in which those obligations arise and relating to the opening and use of account(s) and/or Services provided by HSBC and/or members of the HSBC Group. The Customer on its own behalf and on behalf of each Connected Person acknowledges, as the case maybe, that certain countries may have tax legislation (including but not limited to the Inland Revenue Ordinance of Hong Kong and its provisions including those concerning automatic exchange of financial account information) with extra-territorial effect regardless of the Customer's or Connected Person's place of domicile, residence, citizenship or incorporation. The Customer on its own behalf and on behalf of each Connected Person also acknowledges, as the case maybe, that HSBC and/or any member of the HSBC Group does not provide tax advice. The Customer is advised to seek independent legal and/or tax advice. The Customer on its own behalf and on behalf of each Connected Person further acknowledges, as the case maybe, that HSBC and/or any member of the HSBC Group has no responsibility in respect of a Customer's tax obligations in any jurisdiction which they may arise including, without limitation, any that may relate specifically to the opening and use of account(s) and/or Services provided by HSBC and/or members of the HSBC Group.

5. USE OF PERSONAL DATA DIRECT MARKETING – FOR INDIVIDUALS

- 5.1. Customers who are individuals, should note that, subject to obtaining your consent (which includes an indication of no objection) and/or otherwise complying with applicable local laws, HSBC and/or HSBC Group may, from time to time, use your Personal Data namely: your name(s), residential address(es), email address(es) and other contact information for direct marketing of (a) collective investment schemes managed, advised, distributed or promoted by HSBC and/or by the HSBC Group, (b) asset management, investment advisory, wealth management or any other investment related services offered by HSBC and/or the HSBC Group, (c) other investment opportunity promoted by HSBC and/or by the HSBC Group, (d) other investment financial or investment providers or services promoted by HSBC and/or by the HSBC Group, (e) banking or financial services or related products and services including brokerage, agency, custodian and credit facilities or any other products or services directly related to the above promoted by HSBC and/or by the HSBC Group. HSBC and HSBC Group will not transfer such Personal Data to any third parties for direct marketing purposes without obtaining the relevant Customer's consent as required by applicable local laws.
- 5.2. You may, at any time and without charge, request that HSBC and HSBC Group not to use your Personal Data in direct marketing by sending your request to the relevant officer at the address provided in paragraph 2.3 above.



6. MISCELLANEOUS

- 6.1. In the event of any conflict or inconsistency between any of these Terms and those in any other service, product, business relationship, account or agreement between the Customer and HSBC, these Terms shall prevail. Any consents, authorisations, HSBC requested waivers and permissions that already exist, or are separately obtained, from the Customer in relation to Customer Information shall continue to apply in full force and effect, to the extent permissible by applicable local law.
- 6.2. If all or any part of the provisions of these Terms become illegal, invalid or unenforceable in any respect under the law of any jurisdiction, that shall not affect or impair the legality, validity or enforceability of such provision in any other jurisdictions or the remainder of these Terms in that jurisdiction.
- 6.3. These Terms shall continue to apply notwithstanding their termination, any termination by HSBC or a member of the HSBC Group of the provision of any Services to the Customer or the closure of any Customer account.

Note: In case of discrepancies between the English and Chinese versions, the English version shall apply and prevail.

Notice relating to the Personal Data (Privacy) Ordinance (the “Ordinance”)

- (a) From time to time, it is necessary for individuals to supply the member(s) of the HSBC Group (HSBC Group means HSBC Holdings plc, and/or any of its affiliates, subsidiaries, associated entities and any of their branches and offices (together or individually) including HSBC Investment Funds (Hong Kong) Limited and HSBC Global Asset Management (Hong Kong) Limited and “member of the HSBC Group” has the same meaning) with data in connection with the opening or continuation of accounts and the establishment or continuation of fund or investment product facilities or provision of fund or investment product services or compliance with any laws, guidelines or requests issued by regulatory or other authorities.
- (b) Failure to supply such data may result in members of the HSBC Group being unable to open or continue accounts or establish or continue fund or investment product functions or facilities or provide fund or investment product services.
- (c) It is also the case that data are collected from (i) customers in the ordinary course of the continuation of the customer relationship (for example, when customers write cheques, deposit application proceeds or collect realisation proceeds, or otherwise deal in the relevant fund(s) or investment product(s)), (ii) a person acting on behalf of the individual whose data are provided, and (iii) other sources (for example, information obtained from agencies or in the continuation of the fund or investment product relationship). Data may also be generated or combined with other information available to any member of the HSBC.
- (d) The purposes for which data may be used are as follows:
- (i) considering applications for products and services and the daily operation of products, services and facilities provided to customers;
 - (ii) conducting know your client and checks (customer due diligence) and upon periodic or special reviews thereof;
 - (iii) creating and maintaining any member of the HSBC Group’s credit and risk related models;
 - (iv) assisting other financial institutions to conduct similar checks;
 - (v) ensuring ongoing due diligence of customers;
 - (vi) designing financial services or related products for customers’ use;
 - (vii) marketing services, products and other subjects as described in (f) below;
 - (viii) collecting of amounts outstanding from customers;
 - (ix) meeting obligations, requirements or arrangements, whether compulsory or voluntary, of any member of the HSBC Group to comply with, or in connection with:
 - (1) any law, regulation, judgment, court order, voluntary code, sanctions regime, within or outside the Hong Kong Special Administrative Region (“**Hong Kong**”) existing currently and in the future (“**Laws**”) (e.g. the Inland Revenue Ordinance and its provisions including those concerning automatic exchange of financial account information);
 - (2) any guidelines, guidance or requests given or issued by any legal, regulatory, governmental, tax, law enforcement or other authorities, or self-regulatory or industry bodies or associations of financial services providers within or outside Hong Kong existing currently and in the future (e.g. guidelines, guidance or requests given or issued by the Inland Revenue Department including those concerning automatic exchange of financial account information) and any international guidance, internal policies or procedures;
 - (3) any present or future contractual or other commitment with local or foreign legal, regulatory, judicial, administrative, public or law enforcement body, or governmental, tax, revenue, monetary, securities or futures exchange, court, central bank or other authorities, or self-regulatory or industry bodies or associations of financial service providers or any of their agents with jurisdiction over all or any part of the HSBC Group (together the “**Authorities**” and each an “**Authority**”) that is assumed by, imposed on or applicable to any member of the HSBC Group; or
 - (4) any agreement or treaty between Authorities;
 - (x) complying with any obligations, requirements, policies, procedures, measures or arrangements for sharing data and information within the HSBC Group and/or any other use of data and information in accordance with any programmes for compliance with sanctions or prevention or detection of money laundering, terrorist financing or other unlawful activities;
 - (xi) conducting any action to meet obligations of any member of the HSBC Group to comply with Laws or international guidance or regulatory requests relating to or in connection with the detection, investigation and prevention of money laundering, terrorist financing, bribery, corruption, tax evasion, fraud, evasion of economic or trade sanctions and/or any acts or attempts to circumvent or violate any Laws relating to these matters;
 - (xii) meeting any obligations of any member of the HSBC Group to comply with any demand or request from the Authorities;

- (xiii) enabling an actual or proposed assignee of any member of the HSBC Group, or participant or sub-participant of any member of the HSBC Group's rights in respect of the customer to evaluate the transaction intended to be the subject of the assignment, participation or sub-participation; and
- (xiv) any purpose or purposes relating thereto.
- (e) Data held by any member of the HSBC Group relating to an individual will be kept confidential but any or a member of the HSBC Group may provide such information to the following parties (whether within or outside Hong Kong) for the purposes set out in paragraph (d):
 - (i) any agents, contractors, sub-contractors, service providers or associates of the HSBC Group (including their employees, directors, officers, agents, contractors, service providers, and professional advisers);
 - (ii) any third party service provider who provides administrative, telecommunications, computer, payment or securities clearing or other services to the HSBC Group in connection with the operation of its business (including their employees, directors and officers);
 - (iii) any Authorities;
 - (iv) any person under a duty of confidentiality to a member of the HSBC Group which has undertaken to keep such information confidential and to comply with applicable Hong Kong Laws;
 - (v) the drawee bank providing a copy of a paid cheque (which may contain information about the payee) to the drawer;
 - (vi) any persons acting on behalf of an individual whose data are provided, payment recipients, beneficiaries, account nominees, intermediary, correspondent and agent banks, clearing houses, clearing or settlement systems, market counterparties, upstream withholding agents, swap or trade repositories, stock exchanges, companies in which the customer has an interest in securities (where such securities are held by any member of the HSBC Group) or a person making any payment into the customer's account;
 - (vii) any person to whom any member of the HSBC Group is under an obligation or required or expected to make disclosure for the purposes set out in, or in connection with, paragraph (d)(ix), (d)(x) or (d)(xi);
 - (viii) any actual or proposed assignee of, or participant or sub-participant or transferee of any member of the HSBC Group's rights in respect of the customer; and
 - (ix)
 - (1) any member of the HSBC Group;
 - (2) third party financial institutions, insurers, securities and investment services providers;
 - (3) co-branding partners of any member of the HSBC Group (the names of such co-branding partners will be provided during the application process for the relevant services and products, as the case may be);
 - (4) charitable or non-profit making organisations; and
 - (5) external service providers (including but not limited to mailing houses, telecommunication companies, telemarketing and direct sales agents, call centres, data processing companies and information technology companies) that any member of the HSBC Group engages for the purposes set out in paragraph (d)(vii).

Such information may be transferred to a place outside Hong Kong.

(f) **Use of Data in Direct Marketing**

Any member of the HSBC Group may use a customer's data in direct marketing and the HSBC Group requires the customer's consent (which includes an indication of no objection) for that purpose. In this connection, please note that:

- (i) the name, contact details, products and other service portfolio information, transaction pattern and behavior, financial background and demographic data of a customer held by the HSBC Group from time to time may be used by the HSBC Group in direct marketing;
- (ii) the following classes of services, products and subjects may be marketed:
 - (1) financial, insurance, securities and investment services and related services and products;
 - (2) reward, loyalty, co-branding or privileges programmes and related services and products;
 - (3) services and products offered by the HSBC Group co-branding partners (the names of such co-branding partners will be provided during the application for the relevant services and products, as the case may be); and
 - (4) donations and contributions for charitable and/or non-profit making purposes;
- (iii) the above services, products and subjects may be provided by or (in the case of donations and contributions) solicited any member of the HSBC Group. The HSBC Group will not transfer such customer data to any third parties for direct marketing purposes without obtaining the relevant Customer's consent as required by applicable local laws.

If, after the customer has given his/her consent or indication of no objection, but subsequently the customer does not wish any member of the HSBC Group to use his data for use in direct marketing as described above, the customer may notifying the relevant officer at the address set out in paragraph (i) below.

- (g) Under and in accordance with the terms of the Ordinance, any individual has the right:
 - (i) to check whether any member of the HSBC Group holds data about him and of access to such data;
 - (ii) to require any member of the HSBC Group to correct any data relating to him which is inaccurate;
 - (iii) to ascertain any member of the HSBC Group's policies and practices in relation to data and to be informed of the kind of personal data held by any member of the HSBC Group.



- (h) In accordance with the terms of the Ordinance, any member of the HSBC Group has the right to charge a reasonable fee for the processing of any data access request.
- (i) The person to whom requests for access to data or correction of data or for information regarding policies and practices and kinds of data held are to be addressed as follows:
 - The Local Compliance Officer
 - HSBC Investment Funds (Hong Kong) Limited
 - HSBC Global Asset Management (Hong Kong) Limited
 - Level 22, HSBC Main Building
 - 1 Queen's Road Central
- (j) Nothing in this Notice shall limit the rights of customers under the Ordinance.

Note: In case of discrepancies between the English and Chinese versions, the English version shall apply and prevail.

IMPORTANT: This notice requires your immediate attention. If you have any questions about the contents of this notice, you should seek independent professional advice.

IMPORTANT

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)

17 July 2017

Dear Valued Investor,

RE: HSBC China Dragon Fund – Additional Information Required for Anti-Money Laundering/Counter-Financing of Terrorism and Customer Due Diligence (“AML/CDD”)

We, the Manager of HSBC China Dragon Fund, are writing to you as an existing registered unitholder of HSBC China Dragon Fund.

AML/CDD information required

As financial institutions, the Manager and the Trustee are required to keep our policies and procedures concerning AML/ CDD under regular review. As part of that regular review, and in the spirit of the enhanced regulatory environment in Hong Kong, the Manager and the Trustee have reviewed the existing AML/CDD measures relevant to HSBC China Dragon Fund.

Accordingly, and in the context of, the Anti-Money Laundering and Counter Terrorist Financing (Financial Institutions) Ordinance, the related guidelines issued by the Securities and Futures Commission and the Hong Kong Monetary Authority¹, we hereby request you (or, for joint unitholders, each of you) to provide additional customer due diligence information listed in the Appendix to this letter (“**Additional CDD Information**”), no later than 17 August 2017, to HSBC Global Asset Management (Hong Kong) Limited, Level 22, HSBC Main Building, 1

¹ Guidelines on Anti-Money Laundering and Counter-Terrorist Financing issued by the Securities and Futures Commission and the Hong Kong Monetary Authority in April 2015 and March 2015 respectively

Queen's Road Central, Hong Kong, with "HSBC China Dragon Fund - PRIVATE AND CONFIDENTIAL" clearly marked on the envelope.

After the Manager and/or the Trustee has reviewed and assessed the Additional CDD Information provided, the Manager and/or the Trustee may require further AML/CDD information from you.

We appreciate your efforts in providing the Additional CDD Information to us.

Personal data

Kindly note that any Additional CDD Information to be provided by you pursuant to this letter will contain personal data as defined in the Personal Data (Privacy) Ordinance. We therefore draw your attention to the attached "Collection and Use of Customer Information, Financial Crime Risk Management Activity and Tax Compliance – Terms and Conditions" and "Notice relating to the Personal Data (Privacy) Ordinance" which, among other things, sets out the policies and practices for the Manager with regard to any personal data provided by you to us.

Enquiries

Investors who have any questions concerning this notice may contact the registrar of HSBC China Dragon Fund, Computershare at telephone number +852 2862 8555.

Yours sincerely,

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

Appendix Requested Documents

(A) For an individual

For an individual, please provide the following:

1. a copy of the following identification documents:
 - a. **if you are a Hong Kong permanent resident:** Hong Kong identity card; or
 - b. **if you are a non-permanent resident in Hong Kong:** Hong Kong identity card and proof of nationality which can be either one of the following: (i) valid travel document (e.g. passport), (ii) relevant national identity card bearing the individual's photograph or (iii) other government document which certifies nationality; or
 - c. **if you are a Hong Kong non-resident:** foreign travel document which contains the bearer's photograph, full name, date of birth and nationality; and
2. your residential address (and permanent address if different), together with a copy of a government correspondence, utility bill or bank statement issued within the last 3 months which can be used to verify such address.

(B) If you are a corporate

For a corporate, please provide the following:

1. a copy of the Certificate of Incorporation and Business Registration Certificate of the Company (where applicable);
2. a copy of the Company's memorandum and articles of association;
3. ownership structure chart of the Company;
4. the name(s) and address(es) of the beneficial owners of the Company;
5. the name of each of the directors of the Company, together with:
 - a. a copy of the identification documents of each director (please refer to item (A)(1)); and
 - b. the director's residential address (and permanent address if different), together with a government correspondence, utility bill or bank statement issued within the last 3 months which can be used to verify such address.
6. a copy of the following document, issued in the last six months, showing, that the Company is still registered and has not been dissolved, wound up, suspended or struck off:
 - a. **if the Company was incorporated in Hong Kong:** a certified true copy (by independent lawyers / accountants) of search report obtained from a Hong Kong Company Registry search;
 - b. **if the Company is incorporated outside Hong Kong:** either a similar company search report in the place of incorporation of the Company or a certificate of incumbency or equivalent document;

7. the registered office address of the Company;
8. documents evidencing the identity (please refer to item (A)(1)) and the authority (e.g. board resolutions or power of attorney) of the persons purporting to act on behalf of the Company; and
9. the identification documents and address proof (please refer to item (A)(1) and (A)(2)) for each of the beneficial owners (shareholders) holding 25% or more of the voting rights or share capital.

(C) *If you are a partnership or unincorporated bodies*

If you are a partnership or unincorporated bodies, please provide the following:

1. the full name;
2. the business address;
3. the names of all partners and individuals who exercise control over the management of the partnership or unincorporated body, and names of individuals who own or control not less than 10% of its capital or profits, or of its voting rights;
4. the identification documents (please refer to items under (A) for individual and (B) for corporate) for each of the beneficial owners of the partnership or unincorporated body;
 1. for partnership, beneficial owner means:
 - (i) an individual who:
 - (a) is entitled to or controls, directly or indirectly, not less than a 10% share of the capital or profits of the partnership;
 - (b) is, directly or indirectly, entitled to exercise or control the exercise of not less than 10% of the voting rights in the partnership; or
 - (c) exercises ultimate control over the management of the partnership; or
 - (ii) if the partnership is acting on behalf of another person, means the other person.
 2. for unincorporated body, beneficial owner means:
 - a. an individual who ultimately owns or controls the unincorporated body; or
 - b. if the unincorporated body is acting on behalf of another person, means the other person.
5. For partnership, a copy of the partnership deed; for unincorporated body, copy of constitutional document;
6. In cases where a partnership arrangement exists, a mandate from the partnership authorizing the opening of an account and conferring authority on those who will operate it.

(D) *If you are a trustee*

If you are a trustee on behalf of a trust, please provide the following:

1. a copy of the trust instrument (e.g. trust deed); or
a written confirmation from a trustee acting in a professional capacity; or
a written confirmation from a lawyer who has reviewed the relevant instrument; or

for trusts that are managed by the trust companies which are subsidiaries (or affiliate companies) of an financial institution, that financial institution may rely on a written confirmation from its trust subsidiaries (or trust affiliate companies);

2. the name of the trust;
3. date of establishment/settlement;
4. the jurisdiction whose laws govern the arrangement, as set out in the trust instrument;
5. the identification number (if any) granted by any applicable official bodies (e.g. tax identification number or registered charity or non-profit organization number);
6. identification information of trustee(s) - in line with guidance for individual (A) or corporate (B) or partnership or unincorporated bodies (C) (where appropriate);
7. identification information of settlor(s) and any protector(s) or enforcers in line with guidance for individual (A) or corporate (B) (where appropriate); and
8. identification information of known beneficiaries in line with guidance for individuals (A) or corporates (B). Known beneficiaries mean those persons or that class of persons who can, from the terms of the trust instrument, be identified as having a reasonable expectation of benefiting from the trust capital or income.

Personal Information Collection Statement

Certain information or documents to be provided by you will constitute personal data as defined in the Personal Data (Privacy) Ordinance. Please read carefully the attached “Collection and Use of Customer Information, Financial Crime Risk Management Activity and Tax Compliance – Terms and Conditions” and “Notice relating to the Personal Data (Privacy) Ordinance” which, among other things, sets out the policies and practices of the Manager with regard to any personal data provided.



COLLECTION AND USE OF CUSTOMER INFORMATION, FINANCIAL CRIME RISK MANAGEMENT ACTIVITY AND TAX COMPLIANCE - TERMS AND CONDITIONS

DEFINITIONS

Capitalised terms used in these Terms shall have the following meanings and any references to the singular shall include the plural and vice versa, unless the context otherwise requires:

“Authorities” means any judicial, administrative or regulatory body, any government, or public or government agency, instrumentality or authority, any Tax Authority, securities or futures exchange, court, central bank or law enforcement body, or any agents thereof, having jurisdiction over any part of HSBC Group.

“Compliance Obligations” means obligations of any member of the HSBC Group to comply with: (a) any applicable local or foreign statute, law, regulation, ordinance, rule, judgment, decree, voluntary code, directive, sanctions regime, court order, agreement between any member of the HSBC Group and an Authority, or agreement or treaty between Authorities and applicable to HSBC or a member of the HSBC Group (**“Laws”**), or international guidance and internal policies or procedures, (b) any valid demand from Authorities or reporting, regulatory trade reporting, disclosure or other obligations under Laws, and (c) Laws requiring HSBC to verify the identity of our Customers.

“Connected Person” means a person or entity whose information (including Personal Data or Tax Information) is provided by, or on behalf of, the Customer to any member of the HSBC Group or otherwise received by any member of the HSBC Group in connection with the provision of the Services. In relation to the Customer, a **Connected Person** may include, but is not limited to, any guarantor of the Customer, a director or officer of a company, partners or members of a partnership, any “substantial owner”, “controlling person”, or beneficial owner, trustee, settler or protector of a trust, account holder of a designated account, payee of a designated payment, representative, agent or nominee of the Customer, or any other persons or entities having a relationship to the Customer that is relevant to its relationship with the HSBC Group.

“controlling persons” generally means individuals who exercise control over an entity (for a trust, these generally include the settlor, the trustee, the protector, the beneficiaries or class of beneficiaries, and any other individual(s) who exercises ultimate effective control over the trust, and in the case of a legal entity other than a trust, such term generally includes persons in equivalent or similar positions who exercise ultimate effective control over such entity), subject always to applicable local laws.

“Customer” means a person or entity to whom any member of the HSBC Group provides Services.

“Customer Information” includes without limitation any Personal Data, confidential information, and/or Tax Information of either the Customer or a Connected Person (including accompanying statements, waivers and consents).

“Financial Crime” includes without limitation money laundering, terrorist financing, bribery, corruption, tax evasion, fraud, evasion of economic or trade sanctions, and/or violations, or attempts to circumvent or violate any Laws or regulations relating to these matters.

“HSBC” means HSBC Global Asset Management (Hong Kong) Limited in its own capacity or acting for and on behalf of a fund or funds whether as manager, advisor, distributor or service provider.

“HSBC Group” means HSBC Holdings plc, and/or any of, its affiliates, subsidiaries, associated entities and any of their branches and offices including HSBC, and **“any member of the HSBC Group”** has the same meaning.

“Loss” means any claim, charge, cost (including, but not limited to, any legal or other professional cost), damages, debt, expense, tax, liability, obligation, allegation, suit, action, demand, cause of action, proceeding or judgment, however calculated or caused, and whether direct or indirect, consequential, punitive or incidental.

“Personal Data” shall bear the meaning attributable to it under the laws of the jurisdiction where such data is collected, used, or transferred (as the case maybe) and, unless otherwise specified, generally includes any data relating to a living individual (and corporate entities, in those countries outside Hong Kong where data privacy law applies to corporates), from which the individual can be identified and in a form where access to or processing of the data is practicable, and includes without limitation, sensitive personal data, name(s), residential address(es), contact information, age, date of birth, place of birth, nationality, citizenship, personal and marital status.

“Services” means, without limitation, (a) the opening, maintaining and closing of the Customer’s accounts with any member of the HSBC Group and/or any fund account(s), (b) the provision of any related investment products related



services and other services to the Customer (including, for example, securities dealing, investment advisory, asset management, corporate finance, broker, agency, custodian), processing applications, switching and redemption requests and product eligibility assessment, and (c) the maintenance of HSBC Group and/or HSBC's overall relationship with the Customer, including carrying out Customer's instructions, responding any as enquiry by the Customer, dealing in any other matters relating to the Customer's investment in the fund(s) market research and administrative purposes.

"substantial owners" generally means any individuals entitled to more than 10% of the profits of or with an interest of more than 10% in an entity either directly or indirectly, subject always to applicable local laws.

"Tax Authorities" means domestic or foreign tax, revenue, fiscal or monetary authorities.

"Tax Information" means any documentation or information (and accompanying statements, waivers and consents) relating, directly or indirectly, to the tax status of a Customer (regardless of whether that Customer is an individual or a business, non-profit or other corporate entity) and any owner, "controlling person", "substantial owner" or beneficial owner of a Customer, that any member of the HSBC Group considers, acting reasonably, is needed to comply (or demonstrate compliance, or avoid non-compliance) with any HSBC Group member's obligations to any Tax Authority. **"Tax Information"** includes, but is not limited to, information about: tax residence and/or place of organisation (as applicable), tax domicile, tax identification number, Tax Certification Forms, certain Personal Data (including name(s), residential address(es), age, date of birth, place of birth, nationality, citizenship).

"Tax Certification Forms" means any forms or other documentation as may be issued or required by a Tax Authority or by HSBC from time to time to confirm the tax status of an account holder or the Connected Person of an entity.

1. COLLECTION, PROCESSING AND SHARING OF CUSTOMER INFORMATION

These Terms explain how HSBC and other members of the HSBC Group may use any Customer Information. By using the Services, the Customer agrees that HSBC and members of the HSBC Group may use Customer Information in accordance with these Terms.

Customer Information will not be disclosed to anyone (including other members of the HSBC Group), other than where:

- HSBC is legally required to disclose;
- HSBC has a public duty to disclose;
- HSBC's or a recipient's (as described in paragraph 1.3 below) legitimate business purposes require disclosure;
- the disclosure is made with Customer consent; or
- it is disclosed as set out in the following Terms.

COLLECTION

1.1. HSBC and other members of the HSBC Group may collect, use and share **Customer Information** (including relevant information about the Customer, the Customer's transactions, the Customer's use of HSBC's products and services, and the Customer's relationships with the HSBC Group). **Customer Information** may be requested from the Customer (or a person acting on the Customer's behalf), or may also be collected by or on behalf of HSBC, or other members of the HSBC Group, from other sources (including from publically available information), generated or combined with other information available to HSBC or any member of the HSBC Group.

Any telephone conversation with HSBC and/or HSBC Group in connection with the Services may be recorded.

USE AND PROCESSING

1.2. HSBC and/or members of the HSBC Group may use, process, transfer (including transfers outside of Hong Kong) and/or disclose Customer Information in connection with the following Purposes: (a) providing Services and for any transactions requested or authorised by the Customer, (b) meeting Compliance Obligations, (c) conducting Financial Crime Risk Management Activity (defined in paragraph 3.1 below), (d) collecting any amounts due from the Customer, (e) enforcing or defending HSBC's, or a member of the HSBC Group's, rights, (f) for internal operational requirements of HSBC or the HSBC Group (including, without limitation, credit and risk management, system or product development and planning, insurance, audit and administrative purposes), (g) maintaining HSBC's and/or a member of the HSBC Group's overall relationship with the Customer, and or any other directly related purposes (the "Purposes").

SHARING

1.3. By using the Services, the Customer agrees that HSBC and/or members of the HSBC Group, as the case maybe, may (as necessary and appropriate for the Purposes) transfer and disclose any Customer Information to the following recipients (who may also use, process, transfer and/or disclose such Customer Information for the Purposes):

- a. any member of the HSBC Group;
- b. any sub-contractors, agents, service providers, or associates of the HSBC Group (including their employees, directors and officers);



- c. any Authorities who made a valid request to HSBC or a member of the HSBC Group;
- d. anyone acting on behalf of the Customer, payment recipients, beneficiaries, account nominees, intermediary, correspondent and agent banks, clearing houses, clearing or settlement systems, market counterparties, upstream withholding agents, swap or trade repositories, stock exchanges, companies in which the Customer has an interest in securities (where such securities are held by HSBC or other member of the HSBC Group for the Customer);
- e. any party acquiring an interest in or assuming risk in or in connection with the Services;
- f. other financial institutions;
- g. any third party fund manager who provides asset management services to the Customer; and/or
- h. in connection with any HSBC or any member of the HSBC Group's business transfer, disposal, merger or acquisition;

wherever located (in or outside Hong Kong), including in jurisdictions which do not have data protection laws that provide the same level of protection as the jurisdiction in which the Customer Information is collected or in which the Services are supplied.

CUSTOMER OBLIGATIONS

- 1.4. The Customer agrees to inform HSBC promptly, in writing if there are any changes to Customer Information supplied to HSBC or a member of the HSBC Group from time to time, and to respond to any request from, HSBC, or a member of the HSBC Group.
- 1.5. The Customer confirms that every Connected Person whose information (including Personal Data or Tax Information) they have provided to HSBC or a member of the HSBC Group has been notified of and has given their express and prescribed consent thereto and agreed to the collection, use, processing, disclosure and transfer of their information as set out in these Terms. The Customer also confirms that they have or shall without delay advise the relevant Connected Persons that they may have rights of access to, and correction of, any Personal Data provided in this context.
- 1.6. Provision of any Personal Data is voluntary. However, failure to supply such Personal Data may result in HSBC or the HSBC Group being unable to provide the Services. Where:
 - a Customer fails to provide Customer Information that HSBC or the HSBC Group reasonably requests, or
 - a Customer withholds or withdraws any consents which HSBC or the HSBC Group may need to process, transfer or disclose Customer Information for the Purposes, or
 - HSBC or a member of the HSBC Group has suspicions regarding the possible commission of Financial Crime or a Customer presents a potential Financial Crime risk to HSBC and/or a member of the HSBC Group,

HSBC and/or a member of the HSBC Group may:

- a. be unable to provide new, or continue to provide all or part of the, Services to the Customer and reserves the right to terminate its business relationship with the Customer;
- b. take actions necessary for HSBC or a member of the HSBC Group to meet the Compliance Obligations;
- c. delay the payment of any distribution and/or redemption proceeds; and/or
- d. block, transfer or close Customer account(s), to the extent permissible by law.

In addition, the failure of a Customer to supply their, or their Connected Person's, Tax Information and accompanying statements, waivers and/or consents, may result in HSBC and/or any member of the HSBC Group making its own decision with respect to the Customer's status, including whether to report such Customer to a Tax Authority, and may require HSBC and/or any member of the HSBC Group or other persons to withhold amounts as may be legally required by any Tax Authority and paying such amounts to any Tax Authority.

2. DATA PROTECTION

- 2.1. Whether it is collected, used and/or processed in a home jurisdiction or overseas, in accordance with applicable data protection legislation, Customer Information will be protected by a strict code of secrecy and security which all members of the HSBC Group, their staff and third parties are subject to.
- 2.2. Any collection, use or transfer of Personal Data in Hong Kong by HSBC and/or any member of the HSBC Group will be in accordance with the Hong Kong Personal Data (Privacy) Ordinance (as amended) (the "Ordinance"). Under the Ordinance, the subject of the Personal Data has the right to request HSBC and/or any member of the HSBC Group:
 - a. to respond to him/her as to whether HSBC and/or any member of the HSBC Group hold any Personal Data and provide access to such Personal Data;
 - b. correct any Personal Data relating to him/her which is inaccurate; and
 - c. describe any policies and practices in relation to Personal Data and inform him/her the kinds of Personal Data held by HSBC and/or any member of the HSBC Group.



HSBC and/or any member of the HSBC Group may charge a reasonable fee for processing the aforementioned data access request.

- 2.3. Requests for Personal Data access or correction and for information regarding policies and practices and kinds of data held may be made in writing to:

The Local Compliance Officer
HSBC Global Asset Management (Hong Kong) Limited
Level 22, HSBC Main Building
1 Queen's Road Central
Hong Kong

3. FINANCIAL CRIME RISK MANAGEMENT ACTIVITY

- 3.1. HSBC, and members of the HSBC Group, are required, and may take any action they consider appropriate in their sole and absolute discretion, to meet Compliance Obligations in connection with the detection, investigation and prevention of Financial Crime ("**Financial Crime Risk Management Activity**").

Such action may include, but is not limited to: (a) screening, intercepting and investigating any instruction, communication, drawdown request, application for Services, or any payment sent to or by the Customer, or on its behalf, (b) investigating the source of or intended recipient of funds (c) combining Customer Information with other related information in the possession of any member of the HSBC Group, and/or (d) making further enquiries as to the status of a person or entity, whether they are subject to a sanctions regime, or confirming a Customer's identity and status.

- 3.2. To the extent permissible by law, neither HSBC nor any other member of the HSBC Group shall be liable to the Customer or any third party in respect of any Loss whether incurred by the Customer or a third party in connection with the delaying, blocking or refusing of any payment or the provision of all or part of the Services or otherwise as a result of Financial Crime Risk Management Activity.

4. TAX COMPLIANCE

The Customer on its own behalf and on behalf of and each Connected Person acting in their capacity as a Connected Person (and not in their personal capacity) acknowledges, as the case maybe, that they are solely responsible for understanding and complying with their tax obligations (including but not limited to, tax payment or filing of returns or other required documentation relating to the payment of all relevant taxes) in all jurisdictions in which those obligations arise and relating to the opening and use of account(s) and/or Services provided by HSBC and/or members of the HSBC Group. The Customer on its own behalf and on behalf of each Connected Person acknowledges, as the case maybe, that certain countries may have tax legislation (including but not limited to the Inland Revenue Ordinance of Hong Kong and its provisions including those concerning automatic exchange of financial account information) with extra-territorial effect regardless of the Customer's or Connected Person's place of domicile, residence, citizenship or incorporation. The Customer on its own behalf and on behalf of each Connected Person also acknowledges, as the case maybe, that HSBC and/or any member of the HSBC Group does not provide tax advice. The Customer is advised to seek independent legal and/or tax advice. The Customer on its own behalf and on behalf of each Connected Person further acknowledges, as the case maybe, that HSBC and/or any member of the HSBC Group has no responsibility in respect of a Customer's tax obligations in any jurisdiction which they may arise including, without limitation, any that may relate specifically to the opening and use of account(s) and/or Services provided by HSBC and/or members of the HSBC Group.

5. USE OF PERSONAL DATA DIRECT MARKETING – FOR INDIVIDUALS

- 5.1. Customers who are individuals, should note that, subject to obtaining your consent (which includes an indication of no objection) and/or otherwise complying with applicable local laws, HSBC and/or HSBC Group may, from time to time, use your Personal Data namely: your name(s), residential address(es), email address(es) and other contact information for direct marketing of (a) collective investment schemes managed, advised, distributed or promoted by HSBC and/or by the HSBC Group, (b) asset management, investment advisory, wealth management or any other investment related services offered by HSBC and/or the HSBC Group, (c) other investment opportunity promoted by HSBC and/or by the HSBC Group, (d) other investment financial or investment providers or services promoted by HSBC and/or by the HSBC Group, (e) banking or financial services or related products and services including brokerage, agency, custodian and credit facilities or any other products or services directly related to the above promoted by HSBC and/or by the HSBC Group. HSBC and HSBC Group will not transfer such Personal Data to any third parties for direct marketing purposes without obtaining the relevant Customer's consent as required by applicable local laws.
- 5.2. You may, at any time and without charge, request that HSBC and HSBC Group not to use your Personal Data in direct marketing by sending your request to the relevant officer at the address provided in paragraph 2.3 above.



6. MISCELLANEOUS

- 6.1. In the event of any conflict or inconsistency between any of these Terms and those in any other service, product, business relationship, account or agreement between the Customer and HSBC, these Terms shall prevail. Any consents, authorisations, HSBC requested waivers and permissions that already exist, or are separately obtained, from the Customer in relation to Customer Information shall continue to apply in full force and effect, to the extent permissible by applicable local law.
- 6.2. If all or any part of the provisions of these Terms become illegal, invalid or unenforceable in any respect under the law of any jurisdiction, that shall not affect or impair the legality, validity or enforceability of such provision in any other jurisdictions or the remainder of these Terms in that jurisdiction.
- 6.3. These Terms shall continue to apply notwithstanding their termination, any termination by HSBC or a member of the HSBC Group of the provision of any Services to the Customer or the closure of any Customer account.

Note: In case of discrepancies between the English and Chinese versions, the English version shall apply and prevail.

Notice relating to the Personal Data (Privacy) Ordinance (the “Ordinance”)

- (a) From time to time, it is necessary for individuals to supply the member(s) of the HSBC Group (HSBC Group means HSBC Holdings plc, and/or any of its affiliates, subsidiaries, associated entities and any of their branches and offices (together or individually) including HSBC Investment Funds (Hong Kong) Limited and HSBC Global Asset Management (Hong Kong) Limited and “member of the HSBC Group” has the same meaning) with data in connection with the opening or continuation of accounts and the establishment or continuation of fund or investment product facilities or provision of fund or investment product services or compliance with any laws, guidelines or requests issued by regulatory or other authorities.
- (b) Failure to supply such data may result in members of the HSBC Group being unable to open or continue accounts or establish or continue fund or investment product functions or facilities or provide fund or investment product services.
- (c) It is also the case that data are collected from (i) customers in the ordinary course of the continuation of the customer relationship (for example, when customers write cheques, deposit application proceeds or collect realisation proceeds, or otherwise deal in the relevant fund(s) or investment product(s)), (ii) a person acting on behalf of the individual whose data are provided, and (iii) other sources (for example, information obtained from agencies or in the continuation of the fund or investment product relationship). Data may also be generated or combined with other information available to any member of the HSBC.
- (d) The purposes for which data may be used are as follows:
 - (i) considering applications for products and services and the daily operation of products, services and facilities provided to customers;
 - (ii) conducting know your client and checks (customer due diligence) and upon periodic or special reviews thereof;
 - (iii) creating and maintaining any member of the HSBC Group’s credit and risk related models;
 - (iv) assisting other financial institutions to conduct similar checks;
 - (v) ensuring ongoing due diligence of customers;
 - (vi) designing financial services or related products for customers’ use;
 - (vii) marketing services, products and other subjects as described in (f) below;
 - (viii) collecting of amounts outstanding from customers;
 - (ix) meeting obligations, requirements or arrangements, whether compulsory or voluntary, of any member of the HSBC Group to comply with, or in connection with:
 - (1) any law, regulation, judgment, court order, voluntary code, sanctions regime, within or outside the Hong Kong Special Administrative Region (“**Hong Kong**”) existing currently and in the future (“**Laws**”) (e.g. the Inland Revenue Ordinance and its provisions including those concerning automatic exchange of financial account information);
 - (2) any guidelines, guidance or requests given or issued by any legal, regulatory, governmental, tax, law enforcement or other authorities, or self-regulatory or industry bodies or associations of financial services providers within or outside Hong Kong existing currently and in the future (e.g. guidelines, guidance or requests given or issued by the Inland Revenue Department including those concerning automatic exchange of financial account information) and any international guidance, internal policies or procedures;
 - (3) any present or future contractual or other commitment with local or foreign legal, regulatory, judicial, administrative, public or law enforcement body, or governmental, tax, revenue, monetary, securities or futures exchange, court, central bank or other authorities, or self-regulatory or industry bodies or associations of financial service providers or any of their agents with jurisdiction over all or any part of the HSBC Group (together the “**Authorities**” and each an “**Authority**”) that is assumed by, imposed on or applicable to any member of the HSBC Group; or
 - (4) any agreement or treaty between Authorities;
 - (x) complying with any obligations, requirements, policies, procedures, measures or arrangements for sharing data and information within the HSBC Group and/or any other use of data and information in accordance with any programmes for compliance with sanctions or prevention or detection of money laundering, terrorist financing or other unlawful activities;
 - (xi) conducting any action to meet obligations of any member of the HSBC Group to comply with Laws or international guidance or regulatory requests relating to or in connection with the detection, investigation and prevention of money laundering, terrorist financing, bribery, corruption, tax evasion, fraud, evasion of economic or trade sanctions and/or any acts or attempts to circumvent or violate any Laws relating to these matters;
 - (xii) meeting any obligations of any member of the HSBC Group to comply with any demand or request from the Authorities;

- (xiii) enabling an actual or proposed assignee of any member of the HSBC Group, or participant or sub-participant of any member of the HSBC Group's rights in respect of the customer to evaluate the transaction intended to be the subject of the assignment, participation or sub-participation; and
- (xiv) any purpose or purposes relating thereto.
- (e) Data held by any member of the HSBC Group relating to an individual will be kept confidential but any or a member of the HSBC Group may provide such information to the following parties (whether within or outside Hong Kong) for the purposes set out in paragraph (d):
 - (i) any agents, contractors, sub-contractors, service providers or associates of the HSBC Group (including their employees, directors, officers, agents, contractors, service providers, and professional advisers);
 - (ii) any third party service provider who provides administrative, telecommunications, computer, payment or securities clearing or other services to the HSBC Group in connection with the operation of its business (including their employees, directors and officers);
 - (iii) any Authorities;
 - (iv) any person under a duty of confidentiality to a member of the HSBC Group which has undertaken to keep such information confidential and to comply with applicable Hong Kong Laws;
 - (v) the drawee bank providing a copy of a paid cheque (which may contain information about the payee) to the drawer;
 - (vi) any persons acting on behalf of an individual whose data are provided, payment recipients, beneficiaries, account nominees, intermediary, correspondent and agent banks, clearing houses, clearing or settlement systems, market counterparties, upstream withholding agents, swap or trade repositories, stock exchanges, companies in which the customer has an interest in securities (where such securities are held by any member of the HSBC Group) or a person making any payment into the customer's account;
 - (vii) any person to whom any member of the HSBC Group is under an obligation or required or expected to make disclosure for the purposes set out in, or in connection with, paragraph (d)(ix), (d)(x) or (d)(xi);
 - (viii) any actual or proposed assignee of, or participant or sub-participant or transferee of any member of the HSBC Group's rights in respect of the customer; and
 - (ix)
 - (1) any member of the HSBC Group;
 - (2) third party financial institutions, insurers, securities and investment services providers;
 - (3) co-branding partners of any member of the HSBC Group (the names of such co-branding partners will be provided during the application process for the relevant services and products, as the case may be);
 - (4) charitable or non-profit making organisations; and
 - (5) external service providers (including but not limited to mailing houses, telecommunication companies, telemarketing and direct sales agents, call centres, data processing companies and information technology companies) that any member of the HSBC Group engages for the purposes set out in paragraph (d)(vii).

Such information may be transferred to a place outside Hong Kong.

(f) **Use of Data in Direct Marketing**

Any member of the HSBC Group may use a customer's data in direct marketing and the HSBC Group requires the customer's consent (which includes an indication of no objection) for that purpose. In this connection, please note that:

- (i) the name, contact details, products and other service portfolio information, transaction pattern and behavior, financial background and demographic data of a customer held by the HSBC Group from time to time may be used by the HSBC Group in direct marketing;
- (ii) the following classes of services, products and subjects may be marketed:
 - (1) financial, insurance, securities and investment services and related services and products;
 - (2) reward, loyalty, co-branding or privileges programmes and related services and products;
 - (3) services and products offered by the HSBC Group co-branding partners (the names of such co-branding partners will be provided during the application for the relevant services and products, as the case may be); and
 - (4) donations and contributions for charitable and/or non-profit making purposes;
- (iii) the above services, products and subjects may be provided by or (in the case of donations and contributions) solicited any member of the HSBC Group. The HSBC Group will not transfer such customer data to any third parties for direct marketing purposes without obtaining the relevant Customer's consent as required by applicable local laws.

If, after the customer has given his/her consent or indication of no objection, but subsequently the customer does not wish any member of the HSBC Group to use his data for use in direct marketing as described above, the customer may notifying the relevant officer at the address set out in paragraph (i) below.

- (g) Under and in accordance with the terms of the Ordinance, any individual has the right:
 - (i) to check whether any member of the HSBC Group holds data about him and of access to such data;
 - (ii) to require any member of the HSBC Group to correct any data relating to him which is inaccurate;
 - (iii) to ascertain any member of the HSBC Group's policies and practices in relation to data and to be informed of the kind of personal data held by any member of the HSBC Group.



- (h) In accordance with the terms of the Ordinance, any member of the HSBC Group has the right to charge a reasonable fee for the processing of any data access request.
- (i) The person to whom requests for access to data or correction of data or for information regarding policies and practices and kinds of data held are to be addressed as follows:
 - The Local Compliance Officer
 - HSBC Investment Funds (Hong Kong) Limited
 - HSBC Global Asset Management (Hong Kong) Limited
 - Level 22, HSBC Main Building
 - 1 Queen's Road Central
- (j) Nothing in this Notice shall limit the rights of customers under the Ordinance.

Note: In case of discrepancies between the English and Chinese versions, the English version shall apply and prevail.

IMPORTANT

The Stock Exchange of Hong Kong Limited, Hong Kong Exchanges and Clearing Limited, Hong Kong Securities Clearing Company Limited and the Hong Kong Securities and Futures Commission take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. This notice is important and requires your immediate attention. If in doubt, please seek professional advice.

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 TO UNITHOLDERS
AML / CDD INFORMATION REQUIRED FOR TRANSFER APPLICATIONS**

This Announcement is applicable to Unitholders of HSBC China Dragon Fund (the "**Fund**") holding units of the Fund ("**Units**") registered in the name of the relevant Unitholder but not investors investing in Units deposited and cleared through the Central Clearing and Settlement System ("**CCASS**").

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

Updated Transfer Form

As financial institutions, **HSBC Global Asset Management (Hong Kong) Limited**, being the manager of the Fund (the "**Manager**") and HSBC Institutional Trust Services (Asia) Limited, being the trustee of the Fund (the "**Trustee**"), are required to keep their respective policies and procedures concerning anti-money laundering/counter-financing of terrorism and customer due diligence ("**AML/CDD**") under regular review. As part of that regular review, and in the spirit of the enhanced regulatory environment in Hong Kong, the Manager and the Trustee have reviewed the existing AML/CDD measures relevant to Fund.

To facilitate the administration of the existing AML/CDD measures of the Manager and the Trustee relevant to the Fund, the Fund's standard form of transfer applicable to a Unitholder's request to transfer Units (the "**Transfer Form**") has been updated to provide (amongst other things) additional clarity in terms of the AML/CDD information and documents required to be produced as part of a transfer application. Please refer to the appendix for the latest Transfer Form. Please also refer to (i) the appendix to the latest Transfer Form for a list of the requested AML/CDD information and documents (the "**Requested Documents**"), and (ii) the declarations required from the transferor(s) and transferee(s) under the Transfer Form (the "**Declarations**").

A copy of the latest Transfer Form together with its appendix (as amended from time to time) can be obtained from the registrar of the Fund, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong (the "**Registrar**"). The latest Transfer Form including its appendix shall be applicable to all transfer applications received by the Registrar on or after the date of this Announcement.

Eligibility of Investors

Unitholders should note that, as provided under clause 9.4 of the trust deed constituting the Fund (the "**Trust Deed**") and as described in the Offering Circular under the section titled "Compulsory Transfer or Redemption of Units", upon notice that any of the Units are held by a Non-eligible Investor, the Manager may at its absolute discretion, give notice to the Non-eligible Investor requiring him to transfer such Units to a person whose holding would be permissible as described in this Offering Circular and as permitted under the Trust Deed or may give a request in writing for the redemption of such Units. As further provided under clause 9.5 of the Trust Deed, the Manager may also at any time and from time to time call upon any person holding or appearing to the Manager to hold directly or beneficially any Units, by notice in writing, to provide to the Manager such information and evidence as the Manager shall require in respect of any matter concerned with or in relation to such person's holding of or interest in, or the ultimate beneficial owners of (or intermediate holders or owners of), Units. For the purpose of the Offering Circular, a "Non-eligible Investor" means any person by whose holding of Units (whether directly or beneficially) would: (i) be in breach of any law or requirements of any country, any governmental authority or any stock exchange on which such Units are listed; (ii) cause the assets of the Fund to become "plan assets" within the meaning of ERISA; or (iii) in the opinion of the Manager, result in the Fund incurring any liability to taxation or suffering any other pecuniary disadvantage which the Fund might not otherwise have incurred or suffered

(in circumstances whether directly or indirectly affecting such person and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Manager to be relevant). As part of the Manager's and the Trustee's responsibility for the prevention of money laundering and to comply with all applicable laws to which the Manager, the Trustee or the Fund is subject, the Manager and the Trustee may require a detailed verification of a potential investor's identity and the source of payment of any subscriptions.

All required AML/CDD information and documents with respect to the *transferee* as requested under the Transfer Form (including the Requested Documents) (or otherwise required at the discretion of the Manager and/or the Trustee) will need to be produced as part of a Unitholder's transfer application.

The Manager and/or the Trustee, in its or their discretion, may also request AML/CDD information and documents with respect to the *transferor* to be produced.

Please note that transfer applications may be delayed, or not be processed, until satisfactory AML/CDD information and documents have been provided with respect to (i) the transferee (as requested under the Transfer Form (including the Requested Documents), or otherwise required at the discretion of the Manager and/or the Trustee), and/or (ii) the transferor (at the discretion of the Manager and/or the Trustee), for the assessment of eligibility.

Other Forms of Transfer

If a transferor or transferee chooses not to adopt the Transfer Form for the transfer of Units, but adopts any other form of transfer that is acceptable to the Manager and the Trustee, please note that the requirements under the Requested Documents shall nevertheless apply. Such transferor or transferee will also be required to provide the Declarations in a separate form which can also be obtained from the Registrar. For avoidance of doubt, neither the Manager nor the Trustee shall be liable for any loss suffered by the applicant as a result of the rejection or delay of any transfer application.

Further Information

There is no change to the investment objective, investment strategies, investment restrictions, fee structure, and normal operations of the Fund.

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 mainly invests directly and indirectly in 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. This document has not been reviewed by the Securities and Futures Commission.

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

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

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
17 July 2017

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.

Appendix

Transfer Form for HSBC CHINA DRAGON FUND

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: 820

股份編號: 820

FORM OF TRANSFER

單位轉讓書

Please complete all details required under this Form of Transfer and also attach all required information and documents as listed in the Appendix to this Form of Transfer. The certificates in respect of the Units to be transferred must be delivered with this Form of Transfer.

請填寫所有本表格要求之資料及連同表格附上如附錄中列出的所有要求之資料及文件

本單位轉讓書必須與轉讓之基金單位證書同時交付

Registrar: Computershare Hong Kong Investor Services Limited

登記處: 香港中央證券登記有限公司
香港皇后大道東 183 號合和中心 17 樓 1712-1716 號舖
電話: 2862 8555

Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong

FOR THE CONSIDERATION stated below the "Transferor(s)" named does(do) hereby transfer to the "Transferee(s)" named the Units specified below subject to the several conditions on which the said Units are now held by the Transferor(s), and the Transferee(s) does(do) hereby agree(s) to accept and be bound by the same terms and conditions and on the same basis as the Transferor(s) appearing on the face of the said Unit certificate(s) and hold the said Units subject to the conditions aforesaid.

「轉讓人」現依據所釐定之各條件，按下述之對價，將下列證書內列出現時由轉讓人持有之基金單位，轉讓與下列之「承讓人」，而承讓人現同意按下列基金單位證書正面所示之轉讓人之同等基準，接納及遵守前述條款及條件之情況下持有前述基金單位。

Number of Units 單位數目	Figures 細碼	Words 大碼
Certificate numbers 單位證書號數		
Transferor(s) 轉讓人 Name(s) in full (surname first) 詳細姓名 (請先填寫姓氏) In block capitals in English 請用正楷英文填寫	1) _____ 2) _____ 3) _____ 4) _____	
Consideration 對價	Important information: Please read overleaf 重要事項: 請參閱背頁	
Transferee(s) 承讓人 Name(s) and address in full 詳細姓名及地址 In block capitals in English 請用正楷英文填寫	Existing Unitholder(s) please mark 'X' in this box 原有基金單位持有人請於空格內填"X"號 <input type="checkbox"/>	
Name(s) in English 英文姓名 Surname(s) 姓氏	Forename(s) 名字	Name(s) in Chinese 中文姓名
1) _____	_____	_____
2) _____	_____	_____
3) _____	_____	_____
4) _____	_____	_____
ADDRESS 地址		
Flat/room no. 單位/房號	Block no. 座號	Name of building 大廈名稱
_____	_____	_____
Street no. 門牌編號	Name of street 街道名稱	Floor no. 樓數
_____	_____	_____
District 區域	Country/Hong Kong, Kowloon, N.T. 國家/香港、九龍、新界	
_____	_____	
Telephone no. 電話號碼	HCD For office use 本公司專用欄	
_____	_____	
Dividend instruction 股息處理 Name of bank 銀行名稱	Account number 賬戶號碼	
_____	_____	
Branch/address 分行/地址		

SIGNED by the parties to this transfer on 雙方簽字日期 _____

in the presence of 就此見證

Signature of witness
見證人簽名 _____

Name 姓名 _____

Address 地址 _____

Occupation 職業 _____

in the presence of 就此見證

Signature of witness
見證人簽名 _____

Name 姓名 _____

Address 地址 _____

Occupation 職業 _____

Signature(s) of Transferor(s) (轉讓人簽名)

Signature(s) of Transferee(s) (承讓人簽名)

SELLER'S BROKER 賣方經紀	BUYER'S BROKER 買方經紀	SELLER'S BROKER 賣方經紀	BUYER'S BROKER 買方經紀
1	2	11	12
3	4	13	14
5	6	15	16
7	8	17	18
9	10	19	20

Important:

- In accordance with the Stamp Duty Ordinance (Cap 117) of Hong Kong, whenever Units are bought and sold, contract notes must be prepared and may bear ad valorem stamp duty where applicable.
- The Units represented by the certificate(s) delivered with this Form of Transfer may be subject to compulsory transfer or redemption if they are held by a person under the age of 18 or held by any person in breach of any law, regulation or other requirement of any country or governmental authority or by any person in circumstances which, in the opinion of the Manager, may result in the Trustee, the Manager, the Promoter or HSBC China Dragon Fund incurring any liability to taxation or suffering any other pecuniary disadvantage or becoming subject to any law or regulation which the Trustee, the Manager, the Promoter or HSBC China Dragon Fund may not otherwise have incurred, suffered or become subject to. The Units to be transferred to any US Person (other than certain exempted categories of US Persons) may also be subject to compulsory transfer or redemption as described in the offering circular of HSBC China Dragon Fund ("Offering Circular").
- In addition, by executing this Form of Transfer, each of the Transferee(s) and the Transferor(s):
 - agree to disclose to the Trustee, the Manager, the Registrar, and/or their respective agents any information which they require about the Transferee(s) and/or the Transferor(s) (as appropriate), including (but not limited to) all required information and documents as listed in the Appendix to this Form of Transfer, and acknowledge that any failure or delay in providing the required information or documents may result in a delay in effecting or an inability to effect the transfers of the Units represented by the certificate(s) delivered with this Form of Transfer, and neither the Manager nor the Trustee shall be liable for any loss suffered by the Transferee and/or the Transferor (as appropriate) as a result of the rejection or delay of any transfer applications;
 - confirm that under the laws and regulatory requirement of the country of his/her/their domicile, citizenship and/or residency, the Transferee(s) is/are not prohibited from holding Units in HSBC China Dragon Fund; and
 - agree to be bound by the terms of the Trust Deed and the Offering Circular, as may be amended from time to time.

注意:

- 根據香港法例第 117 章印花稅條例，於購入及出售基金單位時，必須訂立買賣單據及可能承擔從價稅。(如適用)
- 倘本證書連同本單位轉讓書所代表之基金單位乃由未滿 18 歲之人士持有，或由任何觸犯任何國家或政府機構之法律、規例或其他規定的人士持有，或於經理人認為由該持有人持有可能導致信託人、經理人、發起人或滙豐中國翔龍基金招致任何其本來不用招致的稅務債項或其本來毋須蒙受的任何其他金錢損失或其本來不用遵守的任何法律或規例時，則該等基金單位可能被強制性轉讓或贖回。基金單位轉讓予美國人士(除指定除外類別的美國人士)或會跟據滙豐中國翔龍基金發售通函("發售通函")受制於強制轉讓或贖回。
- 此外，簽立本轉讓表格即表明承讓人及轉讓人分別：
 - 同意向信託人、經理人或過戶登記處及/或彼等各自之代理人披露彼等要求有關承讓人及/或轉讓人(按情況而定)之任何資料，包括(但不限於)所有如連同表格的附錄中列出所有要求之資訊及文件，並知悉如若未能或延誤提交所需資料及文件會招致延誤或拒絕處理轉讓此單位轉讓書對應之基金單位，及經理人及信託人對轉讓人及/或承讓人(如適用)因任何轉讓申請被拒絕或延誤處理所產生之損失不負賠償責任;
 - 確認根據其居所、公民資格及/或居留資格之法律及監管規定，對承讓人持有滙豐中國翔龍基金之基金單位並沒有限制; 及
 - 同意遵守信託契據及發售通函之條款則及其後可能作出之修訂。

The Stock Exchange of Hong Kong Limited, Hong Kong Securities Clearing Company Limited and the Hong Kong Securities and Futures Commission take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever arising from or in reliance upon the whole or any part of the contents of this document. Authorization by the Securities and Futures Commission is not a recommendation or endorsement of HSBC China Dragon Fund nor does it guarantee the commercial merits of HSBC China Dragon Fund or its performance. It does not mean HSBC China Dragon Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

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Capitalised terms used but not defined in this Form of Transfer shall have the same meanings as defined in the Offering Circular.

界定詞彙用於此單位轉讓書與發售通函所界定者具有相同涵義。

Appendix

Requested Documents

(A) For an individual

For an individual, please provide the following:

1. a copy of the following identification documents:
 - a. **if you are a Hong Kong permanent resident:** Hong Kong identity card; or
 - b. **if you are a non-permanent resident in Hong Kong:** Hong Kong identity card and proof of nationality which can be either one of the following: (i) valid travel document (e.g. passport), (ii) relevant national identity card bearing the individual's photograph or (iii) other government document which certifies nationality; or
 - c. **if you are a Hong Kong non-resident:** foreign travel document which contains the bearer's photograph full name date of birth and nationality and
2. your residential address (and permanent address if different), together with a copy of a government correspondence, utility bill or bank statement issued within the last 3 months which can be used to verify such address.

(B) If you are a corporate

For a corporate, please provide the following:

1. a copy of the Certificate of Incorporation and Business Registration Certificate of the Company (where applicable);
2. a copy of the Company's memorandum and articles of association
3. ownership structure chart of the Company;
4. the name(s) and address(es) of the beneficial owners of the Company;
5. the name of each of the directors of the Company, together with:
 - a. a copy of the identification documents of each director (please refer to item (A)(1)); and
 - b. the director's residential address (and permanent address if different), together with a government correspondence, utility bill or bank statement issued within the last 3 months which can be used to verify such address.
6. a copy of the following document, issued in the last six months, showing, that the Company is still registered and has not been dissolved, wound up, suspended or struck off:
 - a. **if the Company was incorporated in Hong Kong:** a certified true copy (by independent lawyers / accountants) of search report obtained from a Hong Kong Company Registry search;
 - b. **if the Company is incorporated outside Hong Kong:** either a similar company search report in the place of incorporation of the Company or a certificate of incumbency or equivalent document;

7. the registered office address of the Company;
8. documents evidencing the identity (please refer to item (A)(1)) and the authority (e.g. board resolutions or power of attorney) of the persons purporting to act on behalf of the Company; and
9. the identification documents and address proof (please refer to item (A)(1) and (A)(2)) for each of the beneficial owners (shareholders) holding 25% or more of the voting rights or share capital.

(C) *If you are a partnership or unincorporated bodies*

If you are a partnership or unincorporated bodies, please provide the following:

1. the full name;
2. the business address;
3. the names of all partners and individuals who exercise control over the management of the partnership or unincorporated body, and names of individuals who own or control not less than 10% of its capital or profits, or of its voting rights;
4. the identification documents (please refer to items under (A) for individual and (B) for corporate) for each of the beneficial owners of the partnership or unincorporated body;
 1. for partnership, beneficial owner means:
 - (i) an individual who:
 - (a) is entitled to or controls, directly or indirectly, not less than a 10% share of the capital or profits of the partnership;
 - (b) is, directly or indirectly, entitled to exercise or control the exercise of not less than 10% of the voting rights in the partnership; or
 - (c) exercises ultimate control over the management of the partnership; or
 - (ii) if the partnership is acting on behalf of another person, means the other person.
 2. for unincorporated body, beneficial owner means:
 - a. an individual who ultimately owns or controls the unincorporated body; or
 - b. if the unincorporated body is acting on behalf of another person, means the other person.
5. For partnership, a copy of the partnership deed; for unincorporated body, copy of constitutional document;
6. In cases where a partnership arrangement exists, a mandate from the partnership authorizing the opening of an account and conferring authority on those who will operate it.

(D) *If you are a trustee*

If you are a trustee on behalf of a trust, please provide the following:

1. a copy of the trust instrument (e.g. trust deed); or
a written confirmation from a trustee acting in a professional capacity; or
a written confirmation from a lawyer who has reviewed the relevant instrument; or

for trusts that are managed by the trust companies which are subsidiaries (or affiliate companies) of an financial institution, that financial institution may rely on a written confirmation from its trust subsidiaries (or trust affiliate companies);

2. the name of the trust;
3. date of establishment/settlement;
4. the jurisdiction whose laws govern the arrangement, as set out in the trust instrument;
5. the identification number (if any) granted by any applicable official bodies (e.g. tax identification number or registered charity or non-profit organization number);
6. identification information of trustee(s) - in line with guidance for individual (A) or corporate (B) or partnership or unincorporated bodies (C) (where appropriate);
7. identification information of settlor(s) and any protector(s) or enforcers in line with guidance for individual (A) or corporate (B) (where appropriate); and
8. identification information of known beneficiaries in line with guidance for individuals (A) or corporates (B). Known beneficiaries mean those persons or that class of persons who can, from the terms of the trust instrument, be identified as having a reasonable expectation of benefiting from the trust capital or income.

Personal Information Collection Statement

Certain information or documents to be provided by you will constitute personal data as defined in the Personal Data (Privacy) Ordinance. Please read carefully the attached “Collection and Use of Customer Information, Financial Crime Risk Management Activity and Tax Compliance – Terms and Conditions” and “Notice relating to the Personal Data (Privacy) Ordinance” which, among other things, sets out the policies and practices of the Manager and the Trustee with regard to any personal data provided.



COLLECTION AND USE OF CUSTOMER INFORMATION, FINANCIAL CRIME RISK MANAGEMENT ACTIVITY AND TAX COMPLIANCE - TERMS AND CONDITIONS

DEFINITIONS

Capitalised terms used in these Terms shall have the following meanings and any references to the singular shall include the plural and vice versa, unless the context otherwise requires:

“Authorities” means any judicial, administrative or regulatory body, any government, or public or government agency, instrumentality or authority, any Tax Authority, securities or futures exchange, court, central bank or law enforcement body, or any agents thereof, having jurisdiction over any part of HSBC Group.

“Compliance Obligations” means obligations of any member of the HSBC Group to comply with: (a) any applicable local or foreign statute, law, regulation, ordinance, rule, judgment, decree, voluntary code, directive, sanctions regime, court order, agreement between any member of the HSBC Group and an Authority, or agreement or treaty between Authorities and applicable to HSBC or a member of the HSBC Group (**“Laws”**), or international guidance and internal policies or procedures, (b) any valid demand from Authorities or reporting, regulatory trade reporting, disclosure or other obligations under Laws, and (c) Laws requiring HSBC to verify the identity of our Customers.

“Connected Person” means a person or entity whose information (including Personal Data or Tax Information) is provided by, or on behalf of, the Customer to any member of the HSBC Group or otherwise received by any member of the HSBC Group in connection with the provision of the Services. In relation to the Customer, a **Connected Person** may include, but is not limited to, any guarantor of the Customer, a director or officer of a company, partners or members of a partnership, any “substantial owner”, “controlling person”, or beneficial owner, trustee, settler or protector of a trust, account holder of a designated account, payee of a designated payment, representative, agent or nominee of the Customer, or any other persons or entities having a relationship to the Customer that is relevant to its relationship with the HSBC Group.

“controlling persons” generally means individuals who exercise control over an entity (for a trust, these generally include the settlor, the trustee, the protector, the beneficiaries or class of beneficiaries, and any other individual(s) who exercises ultimate effective control over the trust, and in the case of a legal entity other than a trust, such term generally includes persons in equivalent or similar positions who exercise ultimate effective control over such entity), subject always to applicable local laws.

“Customer” means a person or entity to whom any member of the HSBC Group provides Services.

“Customer Information” includes without limitation any Personal Data, confidential information, and/or Tax Information of either the Customer or a Connected Person (including accompanying statements, waivers and consents).

“Financial Crime” includes without limitation money laundering, terrorist financing, bribery, corruption, tax evasion, fraud, evasion of economic or trade sanctions, and/or violations, or attempts to circumvent or violate any Laws or regulations relating to these matters.

“HSBC” means HSBC Global Asset Management (Hong Kong) Limited in its own capacity or acting for and on behalf of a fund or funds whether as manager, advisor, distributor or service provider.

“HSBC Group” means HSBC Holdings plc, and/or any of, its affiliates, subsidiaries, associated entities and any of their branches and offices including HSBC, and **“any member of the HSBC Group”** has the same meaning.

“Loss” means any claim, charge, cost (including, but not limited to, any legal or other professional cost), damages, debt, expense, tax, liability, obligation, allegation, suit, action, demand, cause of action, proceeding or judgment, however calculated or caused, and whether direct or indirect, consequential, punitive or incidental.

“Personal Data” shall bear the meaning attributable to it under the laws of the jurisdiction where such data is collected, used, or transferred (as the case maybe) and, unless otherwise specified, generally includes any data relating to a living individual (and corporate entities, in those countries outside Hong Kong where data privacy law applies to corporates), from which the individual can be identified and in a form where access to or processing of the data is practicable, and includes without limitation, sensitive personal data, name(s), residential address(es), contact information, age, date of birth, place of birth, nationality, citizenship, personal and marital status.

“Services” means, without limitation, (a) the opening, maintaining and closing of the Customer’s accounts with any member of the HSBC Group and/or any fund account(s), (b) the provision of any related investment products related



services and other services to the Customer (including, for example, securities dealing, investment advisory, asset management, corporate finance, broker, agency, custodian), processing applications, switching and redemption requests and product eligibility assessment, and (c) the maintenance of HSBC Group and/or HSBC's overall relationship with the Customer, including carrying out Customer's instructions, responding any as enquiry by the Customer, dealing in any other matters relating to the Customer's investment in the fund(s) market research and administrative purposes.

"substantial owners" generally means any individuals entitled to more than 10% of the profits of or with an interest of more than 10% in an entity either directly or indirectly, subject always to applicable local laws.

"Tax Authorities" means domestic or foreign tax, revenue, fiscal or monetary authorities.

"Tax Information" means any documentation or information (and accompanying statements, waivers and consents) relating, directly or indirectly, to the tax status of a Customer (regardless of whether that Customer is an individual or a business, non-profit or other corporate entity) and any owner, "controlling person", "substantial owner" or beneficial owner of a Customer, that any member of the HSBC Group considers, acting reasonably, is needed to comply (or demonstrate compliance, or avoid non-compliance) with any HSBC Group member's obligations to any Tax Authority. **"Tax Information"** includes, but is not limited to, information about: tax residence and/or place of organisation (as applicable), tax domicile, tax identification number, Tax Certification Forms, certain Personal Data (including name(s), residential address(es), age, date of birth, place of birth, nationality, citizenship).

"Tax Certification Forms" means any forms or other documentation as may be issued or required by a Tax Authority or by HSBC from time to time to confirm the tax status of an account holder or the Connected Person of an entity.

1. COLLECTION, PROCESSING AND SHARING OF CUSTOMER INFORMATION

These Terms explain how HSBC and other members of the HSBC Group may use any Customer Information. By using the Services, the Customer agrees that HSBC and members of the HSBC Group may use Customer Information in accordance with these Terms.

Customer Information will not be disclosed to anyone (including other members of the HSBC Group), other than where:

- HSBC is legally required to disclose;
- HSBC has a public duty to disclose;
- HSBC's or a recipient's (as described in paragraph 1.3 below) legitimate business purposes require disclosure;
- the disclosure is made with Customer consent; or
- it is disclosed as set out in the following Terms.

COLLECTION

1.1. HSBC and other members of the HSBC Group may collect, use and share **Customer Information** (including relevant information about the Customer, the Customer's transactions, the Customer's use of HSBC's products and services, and the Customer's relationships with the HSBC Group). **Customer Information** may be requested from the Customer (or a person acting on the Customer's behalf), or may also be collected by or on behalf of HSBC, or other members of the HSBC Group, from other sources (including from publically available information), generated or combined with other information available to HSBC or any member of the HSBC Group.

Any telephone conversation with HSBC and/or HSBC Group in connection with the Services may be recorded.

USE AND PROCESSING

1.2. HSBC and/or members of the HSBC Group may use, process, transfer (including transfers outside of Hong Kong) and/or disclose Customer Information in connection with the following Purposes: (a) providing Services and for any transactions requested or authorised by the Customer, (b) meeting Compliance Obligations, (c) conducting Financial Crime Risk Management Activity (defined in paragraph 3.1 below), (d) collecting any amounts due from the Customer, (e) enforcing or defending HSBC's, or a member of the HSBC Group's, rights, (f) for internal operational requirements of HSBC or the HSBC Group (including, without limitation, credit and risk management, system or product development and planning, insurance, audit and administrative purposes), (g) maintaining HSBC's and/or a member of the HSBC Group's overall relationship with the Customer, and or any other directly related purposes (the "Purposes").

SHARING

1.3. By using the Services, the Customer agrees that HSBC and/or members of the HSBC Group, as the case maybe, may (as necessary and appropriate for the Purposes) transfer and disclose any Customer Information to the following recipients (who may also use, process, transfer and/or disclose such Customer Information for the Purposes):

- a. any member of the HSBC Group;
- b. any sub-contractors, agents, service providers, or associates of the HSBC Group (including their employees, directors and officers);



- c. any Authorities who made a valid request to HSBC or a member of the HSBC Group;
- d. anyone acting on behalf of the Customer, payment recipients, beneficiaries, account nominees, intermediary, correspondent and agent banks, clearing houses, clearing or settlement systems, market counterparties, upstream withholding agents, swap or trade repositories, stock exchanges, companies in which the Customer has an interest in securities (where such securities are held by HSBC or other member of the HSBC Group for the Customer);
- e. any party acquiring an interest in or assuming risk in or in connection with the Services;
- f. other financial institutions;
- g. any third party fund manager who provides asset management services to the Customer; and/or
- h. in connection with any HSBC or any member of the HSBC Group's business transfer, disposal, merger or acquisition;

wherever located (in or outside Hong Kong), including in jurisdictions which do not have data protection laws that provide the same level of protection as the jurisdiction in which the Customer Information is collected or in which the Services are supplied.

CUSTOMER OBLIGATIONS

- 1.4. The Customer agrees to inform HSBC promptly, in writing if there are any changes to Customer Information supplied to HSBC or a member of the HSBC Group from time to time, and to respond to any request from, HSBC, or a member of the HSBC Group.
- 1.5. The Customer confirms that every Connected Person whose information (including Personal Data or Tax Information) they have provided to HSBC or a member of the HSBC Group has been notified of and has given their express and prescribed consent thereto and agreed to the collection, use, processing, disclosure and transfer of their information as set out in these Terms. The Customer also confirms that they have or shall without delay advise the relevant Connected Persons that they may have rights of access to, and correction of, any Personal Data provided in this context.
- 1.6. Provision of any Personal Data is voluntary. However, failure to supply such Personal Data may result in HSBC or the HSBC Group being unable to provide the Services. Where:
 - a Customer fails to provide Customer Information that HSBC or the HSBC Group reasonably requests, or
 - a Customer withholds or withdraws any consents which HSBC or the HSBC Group may need to process, transfer or disclose Customer Information for the Purposes, or
 - HSBC or a member of the HSBC Group has suspicions regarding the possible commission of Financial Crime or a Customer presents a potential Financial Crime risk to HSBC and/or a member of the HSBC Group,

HSBC and/or a member of the HSBC Group may:

- a. be unable to provide new, or continue to provide all or part of the, Services to the Customer and reserves the right to terminate its business relationship with the Customer;
- b. take actions necessary for HSBC or a member of the HSBC Group to meet the Compliance Obligations;
- c. delay the payment of any distribution and/or redemption proceeds; and/or
- d. block, transfer or close Customer account(s), to the extent permissible by law.

In addition, the failure of a Customer to supply their, or their Connected Person's, Tax Information and accompanying statements, waivers and/or consents, may result in HSBC and/or any member of the HSBC Group making its own decision with respect to the Customer's status, including whether to report such Customer to a Tax Authority, and may require HSBC and/or any member of the HSBC Group or other persons to withhold amounts as may be legally required by any Tax Authority and paying such amounts to any Tax Authority.

2. DATA PROTECTION

- 2.1. Whether it is collected, used and/or processed in a home jurisdiction or overseas, in accordance with applicable data protection legislation, Customer Information will be protected by a strict code of secrecy and security which all members of the HSBC Group, their staff and third parties are subject to.
- 2.2. Any collection, use or transfer of Personal Data in Hong Kong by HSBC and/or any member of the HSBC Group will be in accordance with the Hong Kong Personal Data (Privacy) Ordinance (as amended) (the "Ordinance"). Under the Ordinance, the subject of the Personal Data has the right to request HSBC and/or any member of the HSBC Group:
 - a. to respond to him/her as to whether HSBC and/or any member of the HSBC Group hold any Personal Data and provide access to such Personal Data;
 - b. correct any Personal Data relating to him/her which is inaccurate; and
 - c. describe any policies and practices in relation to Personal Data and inform him/her the kinds of Personal Data held by HSBC and/or any member of the HSBC Group.



HSBC and/or any member of the HSBC Group may charge a reasonable fee for processing the aforementioned data access request.

- 2.3. Requests for Personal Data access or correction and for information regarding policies and practices and kinds of data held may be made in writing to:

The Local Compliance Officer
HSBC Global Asset Management (Hong Kong) Limited
Level 22, HSBC Main Building
1 Queen's Road Central
Hong Kong

3. FINANCIAL CRIME RISK MANAGEMENT ACTIVITY

- 3.1. HSBC, and members of the HSBC Group, are required, and may take any action they consider appropriate in their sole and absolute discretion, to meet Compliance Obligations in connection with the detection, investigation and prevention of Financial Crime ("**Financial Crime Risk Management Activity**").

Such action may include, but is not limited to: (a) screening, intercepting and investigating any instruction, communication, drawdown request, application for Services, or any payment sent to or by the Customer, or on its behalf, (b) investigating the source of or intended recipient of funds (c) combining Customer Information with other related information in the possession of any member of the HSBC Group, and/or (d) making further enquiries as to the status of a person or entity, whether they are subject to a sanctions regime, or confirming a Customer's identity and status.

- 3.2. To the extent permissible by law, neither HSBC nor any other member of the HSBC Group shall be liable to the Customer or any third party in respect of any Loss whether incurred by the Customer or a third party in connection with the delaying, blocking or refusing of any payment or the provision of all or part of the Services or otherwise as a result of Financial Crime Risk Management Activity.

4. TAX COMPLIANCE

The Customer on its own behalf and on behalf of and each Connected Person acting in their capacity as a Connected Person (and not in their personal capacity) acknowledges, as the case maybe, that they are solely responsible for understanding and complying with their tax obligations (including but not limited to, tax payment or filing of returns or other required documentation relating to the payment of all relevant taxes) in all jurisdictions in which those obligations arise and relating to the opening and use of account(s) and/or Services provided by HSBC and/or members of the HSBC Group. The Customer on its own behalf and on behalf of each Connected Person acknowledges, as the case maybe, that certain countries may have tax legislation (including but not limited to the Inland Revenue Ordinance of Hong Kong and its provisions including those concerning automatic exchange of financial account information) with extra-territorial effect regardless of the Customer's or Connected Person's place of domicile, residence, citizenship or incorporation. The Customer on its own behalf and on behalf of each Connected Person also acknowledges, as the case maybe, that HSBC and/or any member of the HSBC Group does not provide tax advice. The Customer is advised to seek independent legal and/or tax advice. The Customer on its own behalf and on behalf of each Connected Person further acknowledges, as the case maybe, that HSBC and/or any member of the HSBC Group has no responsibility in respect of a Customer's tax obligations in any jurisdiction which they may arise including, without limitation, any that may relate specifically to the opening and use of account(s) and/or Services provided by HSBC and/or members of the HSBC Group.

5. USE OF PERSONAL DATA DIRECT MARKETING – FOR INDIVIDUALS

- 5.1. Customers who are individuals, should note that, subject to obtaining your consent (which includes an indication of no objection) and/or otherwise complying with applicable local laws, HSBC and/or HSBC Group may, from time to time, use your Personal Data namely: your name(s), residential address(es), email address(es) and other contact information for direct marketing of (a) collective investment schemes managed, advised, distributed or promoted by HSBC and/or by the HSBC Group, (b) asset management, investment advisory, wealth management or any other investment related services offered by HSBC and/or the HSBC Group, (c) other investment opportunity promoted by HSBC and/or by the HSBC Group, (d) other investment financial or investment providers or services promoted by HSBC and/or by the HSBC Group, (e) banking or financial services or related products and services including brokerage, agency, custodian and credit facilities or any other products or services directly related to the above promoted by HSBC and/or by the HSBC Group. HSBC and HSBC Group will not transfer such Personal Data to any third parties for direct marketing purposes without obtaining the relevant Customer's consent as required by applicable local laws.
- 5.2. You may, at any time and without charge, request that HSBC and HSBC Group not to use your Personal Data in direct marketing by sending your request to the relevant officer at the address provided in paragraph 2.3 above.



6. MISCELLANEOUS

- 6.1. In the event of any conflict or inconsistency between any of these Terms and those in any other service, product, business relationship, account or agreement between the Customer and HSBC, these Terms shall prevail. Any consents, authorisations, HSBC requested waivers and permissions that already exist, or are separately obtained, from the Customer in relation to Customer Information shall continue to apply in full force and effect, to the extent permissible by applicable local law.
- 6.2. If all or any part of the provisions of these Terms become illegal, invalid or unenforceable in any respect under the law of any jurisdiction, that shall not affect or impair the legality, validity or enforceability of such provision in any other jurisdictions or the remainder of these Terms in that jurisdiction.
- 6.3. These Terms shall continue to apply notwithstanding their termination, any termination by HSBC or a member of the HSBC Group of the provision of any Services to the Customer or the closure of any Customer account.

Note: In case of discrepancies between the English and Chinese versions, the English version shall apply and prevail.

Notice relating to the Personal Data (Privacy) Ordinance (the “Ordinance”)

- (a) From time to time, it is necessary for individuals to supply the member(s) of the HSBC Group (HSBC Group means HSBC Holdings plc, and/or any of its affiliates, subsidiaries, associated entities and any of their branches and offices (together or individually) including HSBC Investment Funds (Hong Kong) Limited and HSBC Global Asset Management (Hong Kong) Limited and “member of the HSBC Group” has the same meaning) with data in connection with the opening or continuation of accounts and the establishment or continuation of fund or investment product facilities or provision of fund or investment product services or compliance with any laws, guidelines or requests issued by regulatory or other authorities.
- (b) Failure to supply such data may result in members of the HSBC Group being unable to open or continue accounts or establish or continue fund or investment product functions or facilities or provide fund or investment product services.
- (c) It is also the case that data are collected from (i) customers in the ordinary course of the continuation of the customer relationship (for example, when customers write cheques, deposit application proceeds or collect realisation proceeds, or otherwise deal in the relevant fund(s) or investment product(s)), (ii) a person acting on behalf of the individual whose data are provided, and (iii) other sources (for example, information obtained from agencies or in the continuation of the fund or investment product relationship). Data may also be generated or combined with other information available to any member of the HSBC.
- (d) The purposes for which data may be used are as follows:
 - (i) considering applications for products and services and the daily operation of products, services and facilities provided to customers;
 - (ii) conducting know your client and checks (customer due diligence) and upon periodic or special reviews thereof;
 - (iii) creating and maintaining any member of the HSBC Group’s credit and risk related models;
 - (iv) assisting other financial institutions to conduct similar checks;
 - (v) ensuring ongoing due diligence of customers;
 - (vi) designing financial services or related products for customers’ use;
 - (vii) marketing services, products and other subjects as described in (f) below;
 - (viii) collecting of amounts outstanding from customers;
 - (ix) meeting obligations, requirements or arrangements, whether compulsory or voluntary, of any member of the HSBC Group to comply with, or in connection with:
 - (1) any law, regulation, judgment, court order, voluntary code, sanctions regime, within or outside the Hong Kong Special Administrative Region (“**Hong Kong**”) existing currently and in the future (“**Laws**”) (e.g. the Inland Revenue Ordinance and its provisions including those concerning automatic exchange of financial account information);
 - (2) any guidelines, guidance or requests given or issued by any legal, regulatory, governmental, tax, law enforcement or other authorities, or self-regulatory or industry bodies or associations of financial services providers within or outside Hong Kong existing currently and in the future (e.g. guidelines, guidance or requests given or issued by the Inland Revenue Department including those concerning automatic exchange of financial account information) and any international guidance, internal policies or procedures;
 - (3) any present or future contractual or other commitment with local or foreign legal, regulatory, judicial, administrative, public or law enforcement body, or governmental, tax, revenue, monetary, securities or futures exchange, court, central bank or other authorities, or self-regulatory or industry bodies or associations of financial service providers or any of their agents with jurisdiction over all or any part of the HSBC Group (together the “**Authorities**” and each an “**Authority**”) that is assumed by, imposed on or applicable to any member of the HSBC Group; or
 - (4) any agreement or treaty between Authorities;
 - (x) complying with any obligations, requirements, policies, procedures, measures or arrangements for sharing data and information within the HSBC Group and/or any other use of data and information in accordance with any programmes for compliance with sanctions or prevention or detection of money laundering, terrorist financing or other unlawful activities;
 - (xi) conducting any action to meet obligations of any member of the HSBC Group to comply with Laws or international guidance or regulatory requests relating to or in connection with the detection, investigation and prevention of money laundering, terrorist financing, bribery, corruption, tax evasion, fraud, evasion of economic or trade sanctions and/or any acts or attempts to circumvent or violate any Laws relating to these matters;
 - (xii) meeting any obligations of any member of the HSBC Group to comply with any demand or request from the Authorities;

- (xiii) enabling an actual or proposed assignee of any member of the HSBC Group, or participant or sub-participant of any member of the HSBC Group's rights in respect of the customer to evaluate the transaction intended to be the subject of the assignment, participation or sub-participation; and
- (xiv) any purpose or purposes relating thereto.
- (e) Data held by any member of the HSBC Group relating to an individual will be kept confidential but any or a member of the HSBC Group may provide such information to the following parties (whether within or outside Hong Kong) for the purposes set out in paragraph (d):
 - (i) any agents, contractors, sub-contractors, service providers or associates of the HSBC Group (including their employees, directors, officers, agents, contractors, service providers, and professional advisers);
 - (ii) any third party service provider who provides administrative, telecommunications, computer, payment or securities clearing or other services to the HSBC Group in connection with the operation of its business (including their employees, directors and officers);
 - (iii) any Authorities;
 - (iv) any person under a duty of confidentiality to a member of the HSBC Group which has undertaken to keep such information confidential and to comply with applicable Hong Kong Laws;
 - (v) the drawee bank providing a copy of a paid cheque (which may contain information about the payee) to the drawer;
 - (vi) any persons acting on behalf of an individual whose data are provided, payment recipients, beneficiaries, account nominees, intermediary, correspondent and agent banks, clearing houses, clearing or settlement systems, market counterparties, upstream withholding agents, swap or trade repositories, stock exchanges, companies in which the customer has an interest in securities (where such securities are held by any member of the HSBC Group) or a person making any payment into the customer's account;
 - (vii) any person to whom any member of the HSBC Group is under an obligation or required or expected to make disclosure for the purposes set out in, or in connection with, paragraph (d)(ix), (d)(x) or (d)(xi);
 - (viii) any actual or proposed assignee of, or participant or sub-participant or transferee of any member of the HSBC Group's rights in respect of the customer; and
 - (ix)
 - (1) any member of the HSBC Group;
 - (2) third party financial institutions, insurers, securities and investment services providers;
 - (3) co-branding partners of any member of the HSBC Group (the names of such co-branding partners will be provided during the application process for the relevant services and products, as the case may be);
 - (4) charitable or non-profit making organisations; and
 - (5) external service providers (including but not limited to mailing houses, telecommunication companies, telemarketing and direct sales agents, call centres, data processing companies and information technology companies) that any member of the HSBC Group engages for the purposes set out in paragraph (d)(vii).

Such information may be transferred to a place outside Hong Kong.

(f) **Use of Data in Direct Marketing**

Any member of the HSBC Group may use a customer's data in direct marketing and the HSBC Group requires the customer's consent (which includes an indication of no objection) for that purpose. In this connection, please note that:

- (i) the name, contact details, products and other service portfolio information, transaction pattern and behavior, financial background and demographic data of a customer held by the HSBC Group from time to time may be used by the HSBC Group in direct marketing;
- (ii) the following classes of services, products and subjects may be marketed:
 - (1) financial, insurance, securities and investment services and related services and products;
 - (2) reward, loyalty, co-branding or privileges programmes and related services and products;
 - (3) services and products offered by the HSBC Group co-branding partners (the names of such co-branding partners will be provided during the application for the relevant services and products, as the case may be); and
 - (4) donations and contributions for charitable and/or non-profit making purposes;
- (iii) the above services, products and subjects may be provided by or (in the case of donations and contributions) solicited any member of the HSBC Group. The HSBC Group will not transfer such customer data to any third parties for direct marketing purposes without obtaining the relevant Customer's consent as required by applicable local laws.

If, after the customer has given his/her consent or indication of no objection, but subsequently the customer does not wish any member of the HSBC Group to use his data for use in direct marketing as described above, the customer may notifying the relevant officer at the address set out in paragraph (i) below.

- (g) Under and in accordance with the terms of the Ordinance, any individual has the right:
 - (i) to check whether any member of the HSBC Group holds data about him and of access to such data;
 - (ii) to require any member of the HSBC Group to correct any data relating to him which is inaccurate;
 - (iii) to ascertain any member of the HSBC Group's policies and practices in relation to data and to be informed of the kind of personal data held by any member of the HSBC Group.



- (h) In accordance with the terms of the Ordinance, any member of the HSBC Group has the right to charge a reasonable fee for the processing of any data access request.
- (i) The person to whom requests for access to data or correction of data or for information regarding policies and practices and kinds of data held are to be addressed as follows:
 - The Local Compliance Officer
 - HSBC Investment Funds (Hong Kong) Limited
 - HSBC Global Asset Management (Hong Kong) Limited
 - Level 22, HSBC Main Building
 - 1 Queen's Road Central
- (j) Nothing in this Notice shall limit the rights of customers under the Ordinance.

Note: In case of discrepancies between the English and Chinese versions, the English version shall apply and prevail.

IMPORTANT

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

HSBC CHINA DRAGON FUND
滙豐中國翔龍基金

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

(Stock Code: 820)

Voluntary Announcement – Fund Performance

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

The following 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⁾											
	2017 Year-to-date ⁽¹⁾	2016 full year	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⁾	9.19%	-12.60%	12.64%	32.32%	1.25%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
MSCI China A	3.21%	-18.94%	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.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
MSCI China	N.A.	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 2017 ⁽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⁾	3.18%	14.43%	26.64%	N.A.
<i>MSCI China A</i>	-3.76%	3.50%	-2.38%	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 2017. "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 2017:

	Calendar year performance ⁽²⁾											Cumulative performance ⁽⁴⁾		
	2017 year-to-date	2016 full year	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⁾	8.25%	-13.04%	9.85%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	2.30%	12.79%	17.02%

As at 31 May 2017:

Net asset value per unit of the Fund:	HK\$11.55
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$9.27
Discount / Premium to net asset value:	19.74% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 May 2017. 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:

- 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.
- Calendar year performance is the gain or loss of the Fund throughout a particular year.
- 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.
- Cumulative performance is the gain or loss of the Fund over certain period of time up to the relevant date.

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

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

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
21 June 2017

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⁾											
	2017 Year-to-date ⁽¹⁾	2016 full year	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⁾	9.04%	-12.60%	12.64%	32.32%	1.25%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
MSCI China A	2.92%	-18.94%	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.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
MSCI China	N.A.	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 28 April 2017 ⁽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⁾	5.19%	12.38%	26.46%	N.A.
MSCI China A	-1.36%	1.51%	-2.65%	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 28 April 2017. "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 28 April 2017:

	Calendar year performance ⁽²⁾											Cumulative performance ⁽⁴⁾		
	2017 year-to-date	2016 full year	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⁾	8.43%	-13.04%	9.85%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	4.27%	7.60%	16.21%

As at 28 April 2017:

Net asset value per unit of the Fund:	HK\$11.57
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$9.34
Discount / Premium to net asset value:	19.27% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 28 April 2017. 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 May 2017

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

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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⁾											
	2017 Year-to- date ⁽¹⁾	2016 full year	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⁾	7.85%	-12.60%	12.64%	32.32%	1.25%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
MSCI China A	4.50%	-18.94%	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.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
MSCI China	N.A.	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 2017 ⁽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⁾	4.84%	8.77%	25.08%	N.A.
MSCI China A	0.90%	0.40%	-1.16%	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 2017. "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 2017:

	Calendar year performance ⁽²⁾											Cumulative performance ⁽⁴⁾		
	2017 year-to-date	2016 full year	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⁾	7.50%	-13.04%	9.85%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	4.27%	7.60%	16.21%

As at 31 March 2017:

Net asset value per unit of the Fund:	HK\$11.47
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$9.05
Discount / Premium to net asset value:	21.10% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 March 2017. 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
20 April 2017

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\$1.40 per Unit in respect to the Recurring Redemption Offer to the redeeming Unitholders on 29 March 2017. **The Fund will pay the final instalment of the redemption proceeds, namely, HK\$9.86 per Unit to the redeeming Unitholders on 11 April 2017.**

Reference is made to (i) the Firm Intention Announcement dated 24 January 2017, (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 14 February 2017 (the "**Circular**"), respectively regarding the Recurring Redemption Offer, and (iv) the announcement of results of the redemption made under the Recurring Redemption Offer dated 16 March 2017.

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 15 March 2017.

The Registrar has sent the first payment of HK\$1.40 per Unit in respect of the Recurring Redemption Offer to the redeeming Unitholders on 29 March 2017.

The Fund will pay the final instalment of the redemption proceeds, namely, HK\$9.86 per Unit to the redeeming Unitholders on 11 April 2017 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
7 April 2017

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⁾											
	2017 Year-to- date ⁽¹⁾	2016 full year	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⁾	5.80%	-12.60%	12.64%	32.32%	1.25%	10.12%	N.A.	-26.10%	5.78%	89.66%	-59.35%	32.50%
MSCI China A	5.10%	-18.94%	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.	N.A.	0.13%	-18.91%	5.62%	69.11%	-55.17%	28.40%
MSCI China	N.A.	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 28 February 2017 ⁽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⁾	1.37%	20.04%	22.71%	N.A.
<i>MSCI China A</i>	-0.57%	14.83%	-0.59%	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 28 February 2017. "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 28 February 2017:

	Calendar year performance ⁽²⁾											Cumulative performance ⁽⁴⁾		
	2017 year-to-date	2016 full year	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⁾	5.62%	-13.04%	9.85%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	1.08%	18.76%	14.18%

As at 28 February 2017:

Net asset value per unit of the Fund:	HK\$11.27
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$9.28
Discount / Premium to net asset value:	17.66% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 28 February 2017. 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 March 2017

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
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(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 15 March 2017.

The Recurring Redemption Offer closed at 4:30 p.m. (Hong Kong time) on 14 March 2017 (the Lodgement Date). Units were redeemed at the redemption price of HK\$11.26 per Unit, representing the net asset value of HK\$11.28 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 15 March 2017 and made available as of 9:30 a.m. on 16 March 2017 less a Redemption Levy of HK\$0.02 per Unit. The Redemption Levy of HK\$0.02 per Unit represented 0.18 % 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 39.843% 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 14 March 2017 were redeemed on 15 March 2017. The total number of Units redeemed under the Recurring Redemption Offer is 26,855,941.

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 29 March 2017 (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 16 March 2017
Latest date for return of certificate(s) for Units not redeemed (if applicable)	29 March 2017
Latest date for despatch of cheques to redeeming Unitholders of Recurring Redemption Offer	HK\$1.40 per Unit will be paid by the Fund to Unitholders on 29 March 2017
	The Manager shall use its best endeavours to pay the remaining redemption proceeds of HK\$9.86 per Unit to Unitholders on or before 15 May 2017 (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 relevant rules 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\$9.86 per Unit will be paid to Unitholders as soon as practicable.

Reference is made to (i) the Firm Intention Announcement dated 24 January 2017, (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 14 February 2017 (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 14 March 2017 (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 14 March 2017. 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 14 March 2017:

(a) The total number of Units in issue	134,279,918
(b) The maximum number of Units available for redemption under the Recurring Redemption Offer	26,855,983 (20% of the total outstanding number of Units as at 14 March 2017)
(c) The aggregate number of Units for which valid applications were made under the Recurring Redemption Offer	67,404,298 (50.20% of the total outstanding number of Units as at 14 March 2017)
(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	461,889 (0.34 % of the total outstanding number of Units as at 14 March 2017)

The Fund has satisfied the redemption requests of the Unitholders on a pro rata basis at around 39.843% 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 14 March 2017 were redeemed on 15 March 2017. The total number of Units redeemed under the Recurring Redemption Offer is 26,855,941.

Redemption of the Units

The Manager wishes to announce that the redemption made under the Recurring Redemption Offer occurred on 15 March 2017.

The total number of Units redeemed under the Recurring Redemption Offer is 26,855,941. Units were redeemed at the redemption price of HK\$11.26 per Unit, representing the net asset value of HK\$11.28 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 15 March 2017 and made available as of 9:30 a.m. on 16 March 2017 less a Redemption Levy of HK\$0.02 per Unit. The Redemption Levy of HK\$0.02 per Unit represented 0.18% 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 14 March 2017. The aggregate number of Units for which applications were made under the Recurring Redemption Offer is 67,404,298 representing 50.20% of the total outstanding number of Units as at 14 March 2017.

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 14 March 2017, 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\$1.40 per Unit to Unitholders on 29 March 2017.** 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 relevant rules 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 15 March 2017, A Shares invested directly through QFII and other net assets in the PRC account for approximately 94.73 % of the net asset value of the Fund, for reference, the redemption proceeds payable out of the assets in the PRC as of 15 March 2017 is approximately 87.57% of the total redemption proceeds. **The Manager shall use its best endeavours to pay the remaining redemption proceeds of HK\$9.86 per Unit to Unitholders on or before 15 May 2017 (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\$9.86 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 29 March 2017.

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	133,818,029	99.66	133,818,029	99.66	107,146,118	99.74
Manager and entities that are the Manager's parent, Manager's subsidiaries, the Manager's fellow subsidiaries, associated	461,889	0.34	461,889	0.34	277,859	0.26

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

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	116,503	0.09%	116,503	0.09%	70,085	0.07
HSBC International Trustee Limited	345,386	0.26%	345,386	0.26%	207,774	0.19

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\$)
14 March 2017 ^(a)	1,516,640,930.18	11.30
15 March 2017 ^(b)	1,514,677,192.42	11.28

^(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
16 March 2017

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

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

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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

(Stock Code: 820)

Voluntary Announcement – Fund Performance

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

The following 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⁾											
	2017 Year-to-date ⁽¹⁾	2016 full year	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⁾	2.83%	-12.60%	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>	2.40%	-18.94%	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.	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.	N.A.	0.27%	-18.32%	5.10%	62.71%	-51.12%	23.43%

	Cumulative performance ⁽⁴⁾			
	up to 27 January 2017 ⁽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⁾	1.91%	15.20%	19.26%	N.A.
<i>MSCI China A</i>	0.30%	10.01%	-3.14%	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 27 January 2017. "Net asset value of the Fund" performance figures are net of fees performance calculated according to the net asset value per unit of the Fund.

As at 27 January 2017:

	Calendar year performance ⁽²⁾												Cumulative performance ⁽⁴⁾		
	2017 year-to-date	2016 full year	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⁾	3.28%	-13.04%	9.85%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	1.85%	15.03%	11.65%	

As at 27 January 2017:

Net asset value per unit of the Fund:	HK\$11.02
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$8.86
Discount / Premium to net asset value:	19.60% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 27 January 2017. 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 February 2017

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

14 February 2017

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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	14 February 2017
Commencement date for lodging the redemption request with the Registrar	28 February 2017
Lodgement Date of the Recurring Redemption Offer (i.e. last date for lodgement of Recurring Redemption Offer request)	4:30 p.m. on 14 March 2017
Redemption Day of the Recurring Redemption Offer (note 1)	15 March 2017
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. 16 March 2017)
Announcement of the net asset value of the Fund as of the Value Day.	by 5:00 p.m. on 16 March 2017
Latest date for return of certificate(s) for Units not redeemed (if applicable)	29 March 2017
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 15 May 2017 (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 relevant rules 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 15 May 2017). However, distribution of redemption proceeds payable out of the Fund's assets in the PRC will be subject to the relevant rules 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 29 March 2017.**

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 24 January 2017 by the Manager in relation to the Recurring Redemption Offer
“First Recurring Redemption Offer”	the Recurring Redemption Offer dated 27 July 2016
“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”	10 February 2017, being the latest practicable date prior to the despatch of this circular for ascertaining certain information contained herein
“Lodgement Date”	14 March 2017, 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 23 January 2017 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

DEFINITIONS

“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
“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 24 July 2016, 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

DEFINITIONS

“Unit(s)”	unit(s) of the Fund
“Unitholder(s)”	holder(s) of Units
“Value Day”	the Redemption Day, being the date on which the relevant market closing price of the underlying investments of the Fund, and the Fund’s applicable operating expenses accrued or incurred to date shall be used to calculate the net asset value of the Fund to be adopted as the redemption price for the purpose of the Recurring Redemption Offer

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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

(Stock Code: 820)

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

Directors of the Manager:

EXECUTIVE DIRECTORS:

BERRY, Stuart Glenn
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

14 February 2017

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 9 February 2017 are HK\$1,489,633,744 and HK\$1,215,233,257, respectively, representing a discount of 18.42%.

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 21.13% (daily average) from 1 August 2016 to 31 October 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 not yet made any Recurring Redemption Offer in 2017, this met the condition of the Fund not having made more than three redemption offers in a calendar year; the last Recurring Redemption Offer was made on 27 July 2016;

LETTER FROM THE MANAGER

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, 134,279,918 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 5:00 p.m. on 16 March 2017.

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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\$1,400,000, approximately 0.09% of the net asset value of the Fund as at 9 February 2017. 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 15 May 2017). However, distribution of redemption proceeds payable out of the Fund's assets in the PRC will be subject to the relevant rules 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 29 March 2017. 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 9 February 2017, A Shares invested directly through QFII and other net assets in the PRC account for approximately 94.81% of the net asset value of the Fund, for reference, the redemption proceeds payable out of the assets in the PRC as of 9 February 2017 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.

(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 15 May 2017 (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 relevant rules 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 29 March 2017. 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. SAFE may also implement ad hoc control on repatriation, which the Manager does not have control over and 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

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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 (“**VAT**”)

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 VAT replaced business tax to cover all sectors that used to fall under the PRC business tax. Gains

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derived by QFIIs from securities trading carried out through domestic entrusted companies (i.e., the PRC brokers) and those derived from the trading of China A-shares listed on the Shanghai Stock Exchange are exempted from VAT.

In addition, pursuant to the “Circular on the Taxation Policy of the Pilot Programme for the Mutual Stock Market Access between Shenzhen and Hong Kong Stock Markets” Caishui [2016] No.127 promulgated by the MoF, the SAT and the China Securities Regulatory Commission on 1 December 2016, under the business tax to VAT transformation pilot program, gains from the trading of China A-shares listed on the Shenzhen Stock Exchange will also be exempted from VAT.

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 redeemed an aggregate of 33,569,920 Units at HK\$10.72 per Unit on 27 July 2016 pursuant to the First Recurring 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.

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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 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	133,818,029	99.66%	107,054,424	99.66%
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	461,889	0.34%	369,511	0.34%

(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.

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(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.

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 21.13% to its net asset value over the past three months since 1 August 2016 to 31 October 2016 (for reference, as at 9 February 2017, the Fund has been trading at a discount of 18.42% 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.

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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 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.

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(I) Net Asset Value

Based on the net asset value of the Fund as at 9 February 2017 (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 9 February 2017 (<i>note 1</i>)	1,489,633,744	1,489,633,744
Less: Redemption proceeds payable to Unitholders under the Recurring Redemption Offer (<i>Note 2</i>)	—	(291,968,214)
Less: Estimated costs and expenses with respect to the realisation of the assets of the Fund	—	(5,958,534)
	1,489,633,744	1,191,706,996
Number of Units in issue	134,279,918	107,423,935
Unaudited adjusted net asset value per Unit	HK\$11.10	HK\$11.10

Note 1: being the unaudited consolidated equity attributable to Unitholders as at 9 February 2017 as published by the Fund on 10 February 2017 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\$297,926,748
Less: Redemption levy retained by the Fund	(HK\$5,958,534)
	HK\$291,968,214

According to the above example, the Recurring Redemption Offer involves the payment of HK\$297,926,748 (before deduction of Redemption Levy) to the Unitholders and incurs estimated costs and expenses with respect to the realisation

LETTER FROM THE MANAGER

of the assets of the Fund of approximately HK\$5,958,534, 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\$5,958,534. The Recurring Redemption Offer will therefore reduce the unaudited adjusted net asset value and hence the working capital from HK\$1,489,633,744 to HK\$1,191,706,996 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\$11.10 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.

(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.

LETTER FROM THE MANAGER

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.

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.

LETTER FROM THE MANAGER

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

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 14 February 2017 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 134,279,918 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 28 February 2017. Any certificate(s) of Units received prior to 28 February 2017 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 p.m. on 16 March 2017.
- 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 14 February 2017 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 21.13% to its net asset value over the past three months since 1 August 2016 to 31 October 2016 (for reference, as at 9 February 2017, the Fund has been trading at a discount of 18.42% 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 15 May 2017 (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 relevant rules 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 29 March 2017. 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. SAFE may also implement ad hoc control on repatriation, which the Manager does not have control over and 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

During the 12-month period immediately preceding the date of this circular, the Fund redeemed an aggregate of 33,569,920 Units at HK\$10.72 per Unit on 27 July 2016 pursuant to the First Recurring 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.

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, having made all reasonable enquiries, the Manager cannot ascertain the identity of the person (if any) who holds 10% ("**10% holder**") or more of the Units in issue of the Fund and cannot determine the intention of such person (if any) as regards the acceptance of the Recurring Redemption Offer. By way of background, subsequent to the issuance of the last Circular in relation to the First Recurring Redemption Offer, the Manager has looked at the "Disclosure of Interests" forms ("**DI Forms**") on the website of the Hong Kong Exchange and Clearing Limited, and it appeared that the figures presented therein may not be up-to-date. In particular, the Manager notes that the figures of the preceding redemption exercise. The Manager has therefore considered and further took all reasonable and exhaustive steps in order to determine the 10% holder, such steps include having attempted to obtain the relevant information from the register of the Fund maintained by the Registrar and the list of holders from HKSCC Nominees Limited. However, given that holders of a non-corporate entity (including the Fund) are not statutorily mandated to make disclosures of their holdings, the Manager cannot ascertain with full certainty the identity of the person (if any) who holds 10% or more of the Units in issue of the Fund from the above-mentioned sources or whether the substantial holder information available to the Manager is up to date. Such limitation also applies should the Manager contact any of the filing parties of the DI Forms for confirmation. Accordingly, while the Manager has taken all reasonable and exhaustive steps discussed above, the Manager is unable to ascertain the identity of the 10% holder and the intention of such person as regards the acceptance of Recurring Redemption Offer.

For the same reasons, the Manager cannot determine with full certainty the effect which the Recurring Redemption Offer will have on the percentage voting rights of the person (if any) holding 10% or more of the Units in issue assuming the Recurring Redemption Offer is successful.

The Manager shall continue to conduct reasonable steps to ascertain if such information is available, and that where such information is available, the Manager will disclose it to the Unitholders as required pursuant to the Takeovers Code and any other applicable rules and regulations.

(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	116,503	0.09%
HSBC International Trustee Limited	345,386	0.26%

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, 134,279,918 Units are in issue. Assuming that the Recurring Redemption Offer is fully exercised by Unitholders, there will be approximately 107,423,935 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 reorganization 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\$)
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
June 2016	8.40	7.80	10.38	9.99
July 2016	9.03	8.37	10.93	10.54
August 2016	8.89	8.30	11.41	10.78
September 2016	9.00	8.71	11.26	10.86
October 2016	8.90	8.50	11.22	10.93
November 2016	9.00	8.60	11.39	11.01
December 2016	9.04	8.14	11.36	10.62
January 2017	8.86	8.35	11.07	10.75
9 February 2017, being the last trading date before the Latest Practicable Date	9.10	9.00	11.10	11.03

The following table shows the closing prices of the Unit on the Stock Exchange and the net asset value per Unit on 9 February 2017 (the last trading date before the Latest Practicable Date), 23 January 2017 (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\$)
29 July 2016	8.55	10.82
31 August 2016	8.88	11.15
30 September 2016	8.85	11.00
31 October 2016	8.90	11.07
30 November 2016	8.95	11.29
30 December 2016	8.45	10.67
27 January 2017	8.86	11.02
23 January 2017, the last trading date before the date of the Firm Intention Announcement	8.45	10.98
9 February 2017, being the last trading date before the Latest Practicable Date	9.05	11.10

The highest and lowest closing price per Unit as quoted on the Stock Exchange during the Relevant Period were HK\$9.10 on 10 February 2017 and HK\$8.32 on 5 August 2016 respectively.

6. UNITS 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 31 March 2016 and for the period from 1 April 2016 to 30 September 2016 as extracted from the Fund's relevant annual reports and interim report 2016 respectively.

	Period from			
	1 April 2016 to			
	30 September			
	2016			
	(Unaudited)	2016	2015	2014
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Net investment income/(loss)	<u>69,624,984</u>	<u>(725,262,875)</u>	<u>1,272,742,147</u>	<u>(76,026,351)</u>
Profit/(loss) before taxation	51,648,660	(781,917,463)	1,228,032,081	(112,612,273)
Taxation	<u>(2,355,923)</u>	<u>118,361,704</u>	<u>(958,267)</u>	<u>(10,745,406)</u>
Increase/(decrease) in net assets attributable to unitholders and total comprehensive income for the year/period	<u>49,292,737</u>	<u>(663,555,759)</u>	<u>1,227,073,814</u>	<u>(123,357,679)</u>

Notes:

- (1) There were no extraordinary items, exceptional items and minority interests during each of the three years ended 31 March 2016 and for the period from 1 April 2016 to 30 September 2016.
- (2) The reports of the auditor of the Fund for the three years ended 31 March, 2016 do not contain any qualifications. The auditor of the Fund for all three years ended 31 March 2014, 31 March 2015 and 31 March 2016 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 2016 and for the period from 1 April 2016 to 30 September 2016.

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 2016 extracted from the annual report of the Fund for the year ended 31 March 2016.

STATEMENT OF ASSETS AND LIABILITIES

as at 31 March 2016

	<i>Note</i>	2016 <i>HK\$</i>	2015 <i>HK\$</i>
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

	<i>Note</i>	2016 <i>HK\$</i>	2015 <i>HK\$</i>
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

	<i>Note</i>	2016 <i>HK\$</i>	2015 <i>HK\$</i>
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
	<i>HK\$</i>	<i>HK\$</i>
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
	<i>HK\$</i>	<i>HK\$</i>
Realised gains	47,751,282	573,974,454
Unrealised (losses)/gains	<u>(812,566,210)</u>	<u>660,741,349</u>
	<u><u>(764,814,928)</u></u>	<u><u>1,234,715,803</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, 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
	<i>HK\$</i>	<i>HK\$</i>
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
	<i>HK\$</i>	<i>HK\$</i>
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
	<i>HK\$</i>	<i>HK\$</i>
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 <i>HK\$</i>	2015 <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	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 (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 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		
	<i>% of</i>	<i>Change</i>	<i>Effect on</i>	<i>% of</i>	<i>Change</i>	<i>Effect on</i>
	<i>total net</i>	<i>in price</i>	<i>net assets</i>	<i>total net</i>	<i>in price</i>	<i>net assets</i>
	<i>assets</i>	<i>%</i>	<i>to the</i>	<i>assets</i>	<i>%</i>	<i>to the</i>
			<i>unitholders</i>			<i>unitholders</i>
			<i>HK\$</i>			<i>HK\$</i>
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 <i>HK\$</i>	Liabilities <i>HK\$</i>	Net exposure <i>HK\$</i>
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

	<i>HK\$</i>
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 <i>HK\$</i>	Level 2 <i>HK\$</i>	Level 3 <i>HK\$</i>	Total <i>HK\$</i>
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 <i>HK\$</i>	Level 2 <i>HK\$</i>	Level 3 <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>—</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 <i>HK\$</i>	Net losses included in the statement of comprehensive income <i>HK\$</i>	Purchase <i>HK\$</i>	Transfer in of Level 3 <i>HK\$</i>	As at 31 March 2016 <i>HK\$</i>	*Unrealised losses <i>HK\$</i>
Equities	—	—	13,865,787	89,872,987	103,738,774	—

* 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.

- B. Set out below is the full text of the unaudited interim financial statements of the Fund for the period ended 30 September 2016 extracted from the interim report of the fund for the period ended 30 September 2016.

INTERIM STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)

as at 30 September 2016

		30 September 2016 (Unaudited) HK\$	31 March 2016 (Audited) HK\$
	<i>Note</i>		
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

		Period from 1 April 2016 to 30 September 2016 (Unaudited) HK\$	Period from 1 April 2015 to 30 September 2015 (Unaudited) HK\$
	<i>Note</i>		
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

		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><u>1,475,924,353</u></u>	<u><u>2,197,233,482</u></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	<u>(6,994,745)</u>	<u>(5,628,248)</u>
Net cash generated from operating activities	<u>369,908,718</u>	<u>61,289,271</u>
Financing activities		
Payments on redemptions of units	<u>(361,212,339)</u>	<u>—</u>
	<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 pages 4 and 5.

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 Hong Kong 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) HK\$	Period from 1 April 2015 to 30 September 2015 (unaudited) HK\$
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	84.08	5	62,051,184	86.59	15	232,208,963
— outside Hong Kong						
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 as 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 <i>HK\$</i>	Liabilities <i>HK\$</i>	Net exposure <i>HK\$</i>
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.

	<i>HK\$</i>
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	Purchase	Sales	Transfer in of Level 3	Transfer out of Level 3	As at	*Unrealised gains/losses
	1 April 2016					30 September 2016	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	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 instrument	<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 <i>HK\$</i>
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, <i>Financial instruments</i>	1 January 2018

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

III. INDEBTEDNESS STATEMENT

At the close of business on 10 February 2017, 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 2016, being the date to which the latest audited financial statements of the Fund were prepared, up to and including the Latest Practicable Date.

Onshore Chinese equities managed to gain ground over the 10-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. Over this period, the net asset value per unit of the Fund moved from HK\$10.44 as of 29 April 2016 to HK\$11.10 as of 9 February 2017, outpacing gains in the market on the back of strong performance from our stock picks in IT, autos, healthcare and real estate.

Markets embraced a more stable start to the second quarter of the year versus 1Q 2016, as 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, the market retreated after the State Media People’s Daily published an interview with an ‘authoritative person’ (widely believed to be a senior government official), expressing the view that while China’s economic performance so far during the year had 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-or U-shaped trajectory. The article also suggested that it is neither necessary nor feasible to support growth by increasing leverage in the economy. Markets recorded a gain over the month of June but remained jittery. 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 improvement in the accessibility of the onshore market. Results 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 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 — including industrial production, retail sales and credit growth — exhibited modest improvement. The recovery in the property market continued as 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 of China's domestic equity markets. Another prominent market driver during the quarter was the announcement by the China Insurance Regulatory Commission (CIRC) on 8 September that Chinese insurers may invest directly into the Hong Kong equity markets through the Shanghai-Hong Kong Stock Connect programme.

Markets ended the last quarter of the year roughly flat, as the Chinese government intensified measures to cool the property market while interbank liquidity began to tighten. China's 3Q16 GDP growth came in stable at 6.7% year-on-year, which was in line with expectations. The Central Economic Work Conference held on 14–16 December addressed some of the key tasks and policies in 2017. China's leadership reiterated its view of 'pursuing progress while maintaining stability' as the overarching principle, with supply-side structural reform to remain in the limelight. Economic work should be focused on growth stabilisation, progress on reform, economic restructuring, social welfare improvement and risk prevention. On the data front, China's November economic activity came in stronger than expected, as industrial production, retail sales and fixed asset investment all recorded positive growth.

The onshore market has started the year with a small gain (+1.0%) in January. While we saw a rally in the offshore Chinese equity market, A-shares were unable to keep pace as small caps and Chinext names hit new lows on concerns about further tightening measures in Tier 1 cities and accelerating IPOs. Despite headlines of a RRR cut by 1% at big 5 banks to ease seasonal liquidity pressure, market reaction was somewhat muted towards the end of the month as investors packed up for the Chinese New Year.

V. FINANCIAL AND TRADING PROSPECTS

The economy ended 2016 on a solid footing, supported by resilient consumer spending, a recovery in 'old economy' sectors and a near term bounce in exports and manufacturing. We saw restocking on the back of rising commodity prices and PPI deflation. Given a relatively stable near term growth outlook and lower real borrowing costs, the Manager remain positive on the near term outlook for Chinese equities. A broadly expansionary fiscal policy stance, alongside implementation of supply side and SOE reforms and a further opening up of capital/financial markets, should provide support to the Chinese equity

market. At the same time, the Manager believe the earnings outlook for a number of different sectors is turning more positive, as margins and profitability start to improve on the back of the rebound in PPI inflation (improved pricing power).

Longer term, the Manager expect the ongoing 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.

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 14 February 2017.

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 (i) the announcement dated 24 January 2017 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 14 February 2017 (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 despatched to the Unitholders on 14 February 2017.

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
14 February 2017

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)

14 February 2017

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

2017年2月14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 14 February 2017 (“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2017年2月14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 _____, 2017 由單位持有人於2017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 14 March 2017 (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 24 January 2017 (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 14 March 2017. 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2017年3月14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

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

- (a) 本人／吾等按單位持有人通函及本表格所述代價並在條款及條件的規限下，就本贖回表格所註明的單位數目，不可撤回地接納由滙豐環球投資管理(香港)有限公司(作為本基金經理人)提出、載於單位持有人通函的經常性贖回要約；
- (b) 本人／吾等不可撤回地指示及授權滙豐環球投資管理(香港)有限公司及／或本基金、收款代理及／或彼等各自的代理人，(i)就本人／吾等根據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名列首位者(如屬聯名登記單位持有人，郵誤風險概由本人／吾等承擔，並且(ii)就本人／吾等根據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名列首位者(如屬聯名登記單位持有人，郵誤風險概由本人／吾等承擔；(倘收取支票(各支票)的人士並非登記單位持有人或名列首位的聯名登記單位持有人，則請於下欄填上該名人士的姓名及地址。)

姓名：(請用正楷填寫)

地址：(請用正楷填寫)

- (c) 本人／吾等不可撤回地指示及授權滙豐環球投資管理(香港)有限公司及／或本基金或彼等可能指定的有關人士，代表本人／吾等填妥、修訂及簽立任何文件，包括但不限於在本贖回表格填上日期，或(如本人／吾等或任何其他人士已在本贖回表格填上日期)刪去該日期然後填上另一日期，以及作出任何其他可能必需或權宜的行動，以將本人／吾等接納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；
 - (d) 本人／吾等承諾於必需或合宜時簽立其他有關文件及以進一步保證的方式作出有關行動及事宜，以贖回本人／吾等根據接納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2017年1月24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；
 - (e) 本人／吾等同意追認滙豐環球投資管理(香港)有限公司及／或本基金或彼等各自的代理人或彼／彼等可能指定的有關人士於行使本表格所載任何權限時可能作出或進行的各種行動或事宜；
 - (f) 本人／吾等不可撤回地指示及授權滙豐環球投資管理(香港)有限公司及／或本基金或彼等各自的代理人，在交回隨附經本人／吾等正式簽署的其他所有權文件(如有)(及／或任何就此所需並令人滿意的彌償保證)後，憑此代表本人／吾等向滙豐環球投資管理(香港)有限公司或本基金或收款代理領取本人／吾等就單位應獲發的證書，並將有關證書送交收款代理，且授權及指示收款代理在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
 - (g) 本人／吾等委任滙豐環球投資管理(香港)有限公司及／或本基金為本人／吾等就本贖回表格所涉全部單位的受權人，該授權書於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。
2. 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：
- (i)本贖回表格所註明的單位數目，將在不附帶任何性質的一切第三方權利、留置權、押記、衡平權、不利權益及產權負擔，並連同於公告日期附於、或將於其後附於該等單位的一切權利的情況下贖回；及(ii)倘本人／吾等的註冊地址位於香港境外的司法管轄區，本人／吾等已全面遵守所有有關司法管轄區的法例，取得所有所需的政府、外匯管制或其他同意，符合所有必要的監管手續或法律規定，及已支付任何人士應付的任何轉讓稅或其他稅項，本人／吾等並無採取或不採取任何行動而將引致或可能引致滙豐環球投資管理(香港)有限公司及／或本基金或任何其他人士違反與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。
3. 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名列首位者(如為聯名登記單位持有人)以交還本人／吾等，郵誤風險概由本人／吾等承擔。
4. 本人／吾等茲附上將由你們按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。
5. 本人／吾等保證，本人／吾等為本贖回表格所列數目的單位的登記持有人，且本人／吾等有十足權利、權力及授權，可以接納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。
6. 本人／吾等向滙豐環球投資管理(香港)有限公司及本基金保證，本人／吾等已遵守於單位持有人名冊所列本人／吾等地址的所在司法管轄區關於本人／吾等接納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。
7. 本人／吾等向滙豐環球投資管理(香港)有限公司及本基金保證，本人／吾等將全面負責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。
8. 本人／吾等確認，除單位持有人通函及本贖回表格明文規定外，據此作出的所有接納、指示、授權及承諾均不可撤回及為無條件。
9. 本人／吾等確認，本人／吾等根據經常性贖回要約贖回的單位將於贖回後註銷。
10. 本人／吾等向及對滙豐環球投資管理(香港)有限公司及本基金不可撤回地承諾、聲明、保證及同意(本人／吾等的繼承人及承讓人亦受此約束)，就根據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。
11. 本基金保留將任何並不完全恰當或無隨附有關單位證書及／或其他所有權文件(及／或任何就此所需並令人滿意的彌償保證)的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2017年3月14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)有限公司的及/或本基金的顧問及/或代理人，如財務顧問、法律顧問及收款代理；
- 為滙豐環球投資管理(香港)有限公司及/或本基金及/或收款代理的業務經營提供行政、電訊、電腦、付款或其他服務的任何代理人、承包商或第三方服務供應商；
- 聯交所、證監會及任何其他監管或政府機構；
- 與閣下進行或擬進行交易的任何其他人士或機構，如閣下的銀行、律師、會計師、持牌證券交易商或註冊證券機構；及
- 滙豐環球投資管理(香港)有限公司及/或本基金及/或收款代理認為於有關情況下必要或合宜的任何其他人士或機構。

4. 查閱及更正個人資料

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

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

閣下一經簽署本贖回表格，即表示同意上述所有內容

Change Request Form 變更申請表格

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

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

閣下寄回此變更申請表格時, 請將郵寄標籤剪貼於信封上。

如在本港投寄毋須貼上郵票。

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

No postage stamp necessary if posted in Hong Kong.

郵寄標籤 MAILING LABEL

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

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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 21.13% (daily average) from 1 August 2016 to 31 October 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 not yet made any Recurring Redemption Offer in 2017, this met the condition of the Fund not having made more than three redemption offers in a calendar year; the last Recurring Redemption Offer was made on 27 July 2016;
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 relevant rules 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 21.13% (daily average) from 1 August 2016 to 31 October 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 not yet made any Recurring Redemption Offer in 2017, this met the condition of the Fund not having made more than three redemption offers in a calendar year; the last Recurring Redemption Offer was made on 27 July 2016;
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, 134,279,918 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 5:00p.m. on 16 March 2017.

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\$1,400,000, approximately 0.095% of the net asset value of the Fund as at 23 January 2017. 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 15 May 2017). However, distribution of redemption proceeds payable out of the Fund's

assets in the PRC will be subject to the relevant rules 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 29 March 2017. 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 23 January 2017, 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 23 January 2017 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	14 February 2017
Commencement date for lodging the redemption request with the Registrar	28 February 2017
Lodgement Date of the Recurring Redemption Offer (i.e. last date for lodgment of Recurring Redemption Offer request)	14 March 2017
Redemption Day of the Recurring Redemption Offer	15 March 2017
Date of announcement of the net asset value of the Fund as of the Value Day	16 March 2017
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)	29 March 2017
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 15 May 2017 (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 relevant rules 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 15 May 2017 (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 relevant rules 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 29 March 2017. 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. SAFE may also implement *ad hoc* control on repatriation, which the Manager does not have control over and 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 ("**VAT**")

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 VAT 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) and those derived from the trading of China A-shares listed on the Shanghai Stock Exchange are exempted from VAT.

In addition, pursuant to the "*Circular on the Taxation Policy of the Pilot Programme for the Mutual Stock Market Access between Shenzhen and Hong Kong Stock Markets*" Caishui [2016] No.127 promulgated by the MoF, the SAT and the China Securities Regulatory Commission on 1 December 2016, under the business tax to VAT transformation pilot program, gains from the trading of China A-shares listed on the Shenzhen Stock Exchange will also be exempted from VAT.

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 23 January 2017, 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	116,503	0.09%
HSBC International Trustee Limited	345,386	0.26%

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	133,688,073	99.56%	106,950,459	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	591,798	0.44%	473,439	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 21.13% to its net asset value over the past three months since 1 August 2016 to 31 October 2016 (for reference, as at 23 January 2017, the Fund has been trading at a discount of 29.94% 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 21.13% to its net asset value over the past three months since 1 August 2016 to 31 October 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 23 January 2017 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
24 January 2017

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)

UPDATED OFFERING CIRCULAR IN RELATION TO (1) INVESTMENT VIA SHENZHEN-HONG KONG STOCK CONNECT;(2) RELEASE OF PRC TAX PROVISION OF THE FUND, AND (3) OTHER GENERAL INFORMATION

The Offering Circular of the HSBC China Dragon Fund (the "Fund") has been updated on 23 January 2017 to reflect, among others, (1) investment via Shenzhen-Hong Kong Stock Connect,(2) the release of PRC tax provision of the Fund and (3) other general information.

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

1. Investment via Shenzhen-Hong Kong Stock Connect

The investment objectives and policies of the Fund already contains provisions to invest in A Shares through Stock Connect programmes as and when they are available (up to an aggregate limit of 30% of the Fund's net asset value). Therefore, no material change is required. In December 2016 the Shenzhen-Hong Kong Stock Connect programme officially launched and, with effect from and including 5 December 2016, the Fund has been able to invest in A Shares through it alongside investments through Shanghai-Hong Kong Stock Connect. However, an update is being made to reflect the launch of the Shenzhen-Hong Kong Stock Connect.

Unitholders should note that investments through the Shenzhen-Hong Kong Stock Connect are subject to similar risks as those applicable to the Shanghai-Hong Kong Stock Connect, such as risks in relation to the availability of Stock Connect programme, quota limitations, pre-trade checking, default risk, corporate action, fees and tax etc. Please refer to the updated Offering Circular and product key fact statement of the Fund for further information on the risks involved.

Since there is no increase in the Fund's aggregate investment to A Shares, there is no change to the risk profile of the Fund.

2. Release of PRC Tax Provision of the Fund

The Manager has evaluated and reviewed, upon the receipt of professional tax advice, the tax policies, positions and the provisions of the Fund with respect to the Fund's potential PRC withholding tax liability on stock and cash dividends ("**Dividend Withholding Tax**") for the period from 1 January 2008 to 30 September 2008 ("**Relevant Period**") from the Fund's investment in shares and other equity interest through the QFII investment quota of the Manager. The Fund had made provision for Dividend Withholding Tax at a rate of 10% for the Relevant Period due to uncertainty under relevant PRC tax laws as to whether Dividend Withholding Tax was payable by QFIIs prior to 2009 where the relevant Dividend Withholding Tax was not withheld by the dividend payers. Upon the Fund's evaluation of the relevant statute of limitations for the collection of pre-2009 taxes by the PRC tax authority and consideration of the enforcement position of the Shanghai Municipal Tax Bureau, together with professional advice from its tax advisors, the Fund has released its provision of HK\$1,342,611.80 representing Dividend Withholding Tax accrued for the Relevant Period ("**Tax Provision**"). The aggregate effect of the release of the Tax Provision resulted in an increase of HK\$1,342,611.80 (0.09% or HK\$0.01 per unit of the Fund) on the net asset value of the Fund as of 28 November 2016.

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 any notices, change of practice or clarification by the PRC

tax authority in respect of the application of the applicable PRC tax laws and regulations and their 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. Unitholders may be disadvantaged depending upon the final tax liabilities and when they subscribed and/or redeemed their units in the Fund. Unitholders should seek their own tax advice on their tax position with regard to their investment in the Fund.

Any provision (if made) may be more than or less than the Fund's actual tax liabilities and will be reflected in the net asset value of the Fund at the time of debit or release of such provision and thus will only impact on units which remain in the Fund at the time of debit or release of such provision. Units which are sold/redeemed prior to the time of debit of such provision will not be affected by reason of any insufficiency of the tax provision. Likewise, such units will not benefit from any release of excess tax provisions. Investors should note that no Unitholders who have sold/redeemed their units in the Fund before the release of any excess tax provision shall be entitled to claim in whatsoever form any part of the tax provision or withholding amounts released to the Fund, which amount will be reflected in the net asset value of units of the Fund.

3. General Information

In addition, there are also updates in the disclosures regarding the change in the trading model for Stock Connect, taxation in the PRC and liquidity risk management.

Please refer to the updated Offering Circular and product key fact statement of the Fund, which has been revised to reflect the above changes, for further 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 mainly invests directly and indirectly in 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.

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
23 January 2017

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

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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⁾	-12.60%	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>	-18.94%	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 December 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⁾	3.57%	-12.60%	15.98%	N.A.
<i>MSCI China A</i>	-0.24%	-18.94%	-5.42%	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 December 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 December 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⁾	-13.04%	9.85%	30.49%	-0.47%	13.16%	-23.31%	4.76%	75.51%	-57.82%	29.48%	3.19%	-13.04%	8.11%

As at 30 December 2016:

Net asset value per unit of the Fund:	HK\$10.67
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$8.45
Discount / Premium to net asset value:	20.81% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 December 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 January 2017

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.