
HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

(Stock Code: 820)

Other Documents

TABLE OF CONTENTS

| | |
|--|------------|
| Voluntary Announcement – Fund Performance | 19/12/2018 |
| Letter to Existing Unitholders – Election of Means of Receipt and Language of Corporate Communications | 30/11/2018 |
| Change Request Form | 30/11/2018 |
| 2018 Interim Results Announcement | 27/11/2018 |
| Voluntary Announcement – Fund Performance | 19/11/2018 |
| Voluntary Announcement – Fund Performance | 22/10/2018 |
| Voluntary Announcement – Fund Performance | 19/09/2018 |
| Voluntary Announcement – Fund Performance | 16/08/2018 |
| 2018 Annual Results Announcement | 27/07/2018 |
| Announcement– Result of The Redemption Made Under The Recurring Redemption Offer | 25/07/2018 |
| Voluntary Announcement – Fund Performance | 23/07/2018 |
| Voluntary Announcement – Fund Performance | 20/06/2018 |
| Circular to Unitholders in relation to Recurring Redemption Offer | 12/06/2018 |
| Announcement – Despatch of Circular to Unitholders in relation to the Recurring Redemption Offer | 12/06/2018 |
| Letter to Existing Unitholders – Election of Means of Receipt and Language of Corporate Communications | 12/06/2018 |
| Redemption Form | 12/06/2018 |
| Change Request Form | 12/06/2018 |
| Announcement– Proposed Recurring Redemption Offer | 23/05/2018 |
| Voluntary Announcement – Fund Performance | 21/05/2018 |
| Voluntary Announcement – Fund Performance | 19/04/2018 |
| Voluntary Announcement – Fund Performance | 16/03/2018 |
| Voluntary Announcement – Fund Performance | 22/02/2018 |
| Voluntary Announcement – Fund Performance | 18/01/2018 |
| Announcement– The Final Payment of Proceeds With Respect to the Recurring Redemption Offer | 10/01/2018 |

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 table demonstrates the gross performance of the Fund. 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 index are quoted for indicative comparison purpose only and the index is not the benchmark of the Fund.

As at 30 November 2018:

| | Calendar year performance ⁽²⁾ | | | | | | Cumulative performance ⁽³⁾ | |
|--|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------------------------|---------|
| | 2018 year-to-date | 2017 full year | 2016 full year | 2015 full year | 2014 full year | 2013 full year | 6 months | 1 year |
| Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾ | -25.04% | 28.16% | -12.60% | 12.64% | 32.32% | 1.25% | -25.80% | -23.62% |
| MSCI China A | -30.24% | 21.47% | -18.94% | 7.15% | 46.91% | 1.02% | -23.99% | -29.17% |

The following table demonstrates the net of fees performance of the Fund calculated according to the net asset value per unit of the Fund.

As at 30 November 2018:

| | Calendar year performance ⁽²⁾ | | | | | | Cumulative performance ⁽³⁾ | |
|--|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------------------------|---------|
| | 2018 year-to-date | 2017 full year | 2016 full year | 2015 full year | 2014 full year | 2013 full year | 6 months | 1 year |
| Net asset value of the Fund (net of fees) ⁽¹⁾ | -26.08% | 25.77% | -13.04% | 9.85% | 30.49% | -0.47% | -26.63% | -24.96% |

As at 30 November 2018:

| | |
|---|-----------------|
| Net asset value per unit of the Fund: | HK\$9.92 |
| Closing price of the Fund on the Stock Exchange of Hong Kong: | HK\$8.21 |
| Discount / Premium to net asset value: | 17.24% discount |

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 November 2018. 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: 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. Cumulative performance is the gain or loss of the Fund over certain period of time up to the relevant date.

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

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

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
19 December 2018

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

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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

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

(Stock Code 股份代號 : 820)

30 November 2018

Dear Unitholders,

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

The 2018 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」)2018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

2018年11月30日

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

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

Change Request Form 變更申請表格

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

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

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

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

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

☐
☐
☐

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

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

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

☐
☐
☐
☐

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

Name(s) of Unitholders[#]

基金單位持有人姓名[#]

Date

日期

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

Address[#]

地址[#]

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

Contact telephone number

聯絡電話號碼

Signature(s)

簽名

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

Notes/附註：

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

閣下寄回此變更申請表格時，請將郵寄標籤剪貼於信封上。

如在本港投寄毋須貼上郵票。

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

No postage stamp necessary if posted in Hong Kong.

郵寄標籤 MAILING LABEL

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

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)

Managed by
HSBC Global Asset Management (Hong Kong) Limited

2018 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 2018 to 30 September 2018.

The interim results of the Fund for the period from 1 April 2018 to 30 September 2018 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 2018 to 30 September 2018.

Manager's report

Market review

For the reported period, the Fund delivered negative returns and underperformed the benchmark MSCI China A index. Onshore Chinese equities corrected sharply during the 6-month period ended 30 September 2018.

Equity market was highly volatile in Q2 as uncertainties around the US-China trade deal remained which continued to weigh on market sentiment. In mid-June, US announced the final list of tariffs on \$50 billion worth of Chinese imports. China posted its retaliation measures nearly immediately, steering market sentiment lower. Elsewhere, rising debt default rate in China's bond market intensified market concerns and explained part the weak market performance. MSCI inclusion of A-share was effective in June. The inclusion has stimulated more fund flows into the onshore equities market but did not help with market performance. In terms of policies, PBOC announced in April the RRR for Yuan deposit will be cut by 1%. However, the positive impact to the market was short-lived. The long-awaited new asset management regulation was finalized also in April, removing some overhang in the market.

US-China trade tension remained the key overhang to equity market in Q3 this year. On July 6, US's \$34bn worth of tariffs against China took effect. On July 11, US unveiled another US\$200bn Chinese imports that are subject to 10% tariff that could take effect in September to October. The heightened trade tension has also led to increased concerns on China's economic growth outlook, which in turn has depressed RMB. CNYUSD depreciated by 3.5% in Q3, after depreciating 5% in Q2. August is the peak earnings season in Hong Kong stock market. MSCI China registered an earnings growth of 21% in 1H18, accelerated from 2017's 19%. Despite the solid growth, market did not react positively as the previous over-tightening measures has led to rising financial costs and weaker demand, which dampened the growth outlook for 2H18. In light of rising external uncertainties, government policies have turned more pro-growth during the quarter to support the economy. Intensive easing and stimulus policies/guidelines have been announced in recent months (to boost infrastructure investment, to cut tax for households and corporates, to stimulate consumer spending, to cut import tariffs, etc.) to mitigate trade war impact.

Despite the pro-growth policies, macro data remained lackluster during the period as it is expected to take several months until the positive effects from the favourable policies to kick into the real economy and reflect in macro data. During the 6 months ended 30 September 2018, PPI continued to expand, but growth in profits of industrial enterprise slowed, especially in Q3 to below 20%. FAI growth continued to moderate as well, mainly dragged by infrastructure FAI.

Outlook

The lingering concerns on US-China trade war continue to depress equity market performance. CSI 300 has declined by more than 25% from January peak (up to mid-October), and is trading on 10x 1-yr forward PE, below its long-term historical average of about 12.5x. We believe the market is biased towards and has reflected a further escalation in trade war. In our view, the current valuation looks highly appealing. With policies turned more pro-growth since July, we are not too concerned on the domestic side for the coming quarters. Intensive easing and stimulus policies/guidelines such as the boost of infrastructure investment, tax cut for households and corporates, and import tariffs cut were announced in recent months to mitigate trade war impact and accelerate reforms. We continue to expect policy makers to flexibly adjust policies as needed and maintain an easing bias in general, to avoid any sharp slowdown in growth. Ongoing supply-side and SOE reforms, in addition to a further opening up of capital/financial markets is helping to support the Chinese economy and equity market as well. On the liquidity front, as CPI remains reasonably low globally, liquidity should be quite supportive to the equity market. Lifting of A-share inclusion factor in 2019 shall also support fund flows in the A-share market. We believe given the underlying strength of the economy, the availability of policy options for the government to stimulate growth, and the attractive valuation after the corrections, the onshore Chinese equity market warrants a recovery in the remaining of 2018.

Interim statement of assets and liabilities (unaudited)

As at 30 September 2018

| | Note | 30 September 2018 (Unaudited) HK\$ | 31 March 2018 (Audited) HK\$ |
|--|-----------------|---|---------------------------------------|
| Assets | | | |
| Investments at fair value through profit or loss | 7, 12 | 740,016,037 | 1,137,231,379 |
| Other receivables | 8(c) | 1,286,580 | 986,820 |
| Cash and cash equivalents | 8(d) | 18,073,876 | 40,759,200 |
| Total assets | | <u>759,376,493</u> | <u>1,178,977,399</u> |
| Liabilities | | | |
| Accrued expenses and other payables | 8(a), (b) & (c) | <u>3,871,565</u> | <u>3,662,948</u> |
| Total liabilities | | <u>3,871,565</u> | <u>3,662,948</u> |
| Net assets attributable to unitholders | | <u>755,504,928</u> | <u>1,175,314,451</u> |
| Representing: | | | |
| Total equity | | <u>755,504,928</u> | <u>1,175,314,451</u> |
| Number of units in issue | 10 | <u>68,751,443</u> | <u>85,939,223</u> |
| Net asset value per unit | | <u>10.99</u> | <u>13.68</u> |

Interim statement of comprehensive income (unaudited)

For the six months ended 30 September 2018

| | | Six months ended | |
|--|-------------|---|---|
| | Note | 30 September 2018 (Unaudited) HK\$ | 30 September 2017 (Unaudited) HK\$ |
| Dividend income | | 23,846,666 | 23,051,287 |
| Interest income on deposits | 4, 8(d) | 103,770 | 43,679 |
| Net (losses)/gains from investments | 5 | (221,151,257) | 152,320,716 |
| Net foreign exchange (loss)/gain | | (2,988,526) | 455,265 |
| Other income | 8(b), 14 | 343,756 | 1,672,720 |
| Net investment (loss)/income | | <u>(199,845,591)</u> | <u>177,543,667</u> |
| Management fees | 8(a) | (7,427,174) | (9,769,256) |
| Transaction costs | | (1,366,706) | (1,323,289) |
| Trustee's fees | 8(b) | (443,137) | (637,131) |
| Custodian fees | 8(c) | (579,696) | (520,809) |
| Auditor's remuneration | | (156,189) | (49,863) |
| Legal and professional fees | | (1,405,796) | (781,222) |
| Other operating expenses | | <u>(1,194,181)</u> | <u>(254,480)</u> |
| Operating expenses | | <u>(12,572,879)</u> | <u>(13,336,050)</u> |
| (Loss)/profit before taxation | | (212,418,470) | 164,207,617 |
| Taxation | 6 | <u>(2,340,838)</u> | <u>(2,243,466)</u> |
| (Decrease)/increase in net assets attributable to unitholders and total comprehensive income for the period | | <u>(214,759,308)</u> | <u>161,964,151</u> |

Interim statement of changes in equity (unaudited)

For the six months ended 30 September 2018

| | | Six months ended | |
|---|-------------|---|---|
| | Note | 30 September 2018 (Unaudited) HK\$ | 30 September 2017 (Unaudited) HK\$ |
| Balance at the beginning of the period | | 1,175,314,451 | 1,231,509,619 |
| (Decrease)/increase in net assets attributable to unitholders and total comprehensive income for the period | | (214,759,308) | 161,964,151 |
| Redemption of units during the period | 14 | <u>(205,050,215)</u> | <u>—</u> |
| Balance at the end of the period | | <u>755,504,928</u> | <u>1,393,473,770</u> |

Interim cash flow statement (unaudited)

For the six months ended 30 September 2018

| | Six months ended | |
|---|-------------------------|----------------------|
| | 30 September | 30 September |
| | 2018 | 2017 |
| | (Unaudited) | (Unaudited) |
| | HK\$ | HK\$ |
| Operating activities | | |
| Interest income received | 103,766 | 45,335 |
| Dividend income received | 23,431,700 | 23,051,287 |
| Management fees paid | (8,031,066) | (9,830,040) |
| Trustee's fees paid | (472,929) | (672,110) |
| Transaction cost paid | (1,366,706) | (1,323,289) |
| Tax paid | (2,340,838) | (2,243,466) |
| Proceeds from sales of investments | 476,725,160 | 375,958,395 |
| Payments for purchases of investments | (300,661,075) | (387,149,726) |
| Other operating expenses paid | (3,944,526) | (1,093,429) |
| Net cash generated from/(used in) operating activities | 183,443,486 | (3,257,043) |
| Financing activity | | |
| Payments on redemption of units | (205,050,215) | (264,799,578) |
| Net cash used in financing activity | (205,050,215) | (264,799,578) |
| Net decrease in cash and cash equivalents | (21,606,729) | (268,056,621) |
| Cash and cash equivalents at the beginning of the period | 40,759,200 | 302,578,533 |
| Effect of foreign exchange rates changes | (1,078,595) | 309,463 |
| Cash and cash equivalents at the end of the period | 18,073,876 | 34,831,375 |

Notes to the unaudited interim financial report

For the six months ended 30 September 2018

1 Background

HSBC China Dragon Fund (“the Fund”) is a closed-ended unit trust governed by its Trust Deed dated 20 June 2007 (“the Trust Deed”), as amended. The Fund is authorised by the Hong Kong Securities and Futures Commission (“the SFC”) under Section 104(1) of the Hong Kong Securities and Futures Ordinance (“HKSF”). The Fund is also listed on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) (a subsidiary of the Hong Kong Exchanges and Clearing Limited). The period fixed for the duration of the Fund is eighty years after the date of inception.

The investment objective of the Fund 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) Shenzhen-Hong Kong Stock Connect and any other similar stock connect programme between another city of the PRC and Hong Kong (“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 all 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 2018, except for the accounting policy changes that are expected to be reflected in the financial statements for the year ending 31 March 2019. 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 2018 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 2018 in their report dated 27 July 2018.

(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

(A) Policy applicable from 1 January 2018

Investments other than equity investments

Non-equity investments held by the Fund are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest (SPPI). Interest income from the investment is calculated using the effective interest method.
- fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise SPPI and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- fair value through profit or loss (FVTPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristic of the financial assets. All investments are managed on a fair value basis in accordance with a documented investment strategy and are acquired principally for the purposes of selling in the short term. Accordingly, the Fund classifies all its investments, including equities and equity-linked instruments, into financial assets at FVTPL category. Financial assets and financial liabilities measured at amortised cost include other receivables and accrued expenses and other payables. They meet the SPPI criterion and are held in a held-to-collect business model. Accordingly, they continue to be measured at amortised cost under HKFRS 9.

(B) Policy applicable prior to 1 January 2018

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

Financial assets that were classified as receivables included other receivables.

Financial liabilities that were not at FVTPL included 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 FVTPL are expensed immediately, while on other financial instruments they are amortised.

Subsequent to initial recognition, all instruments classified at FVTPL 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

(A) Policy applicable from 1 January 2018

HKFRS 9 replaced the “incurred loss” model in HKAS 39 with a forward-looking “expected credit loss” (ECL) model. This requires considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The ECL model applies to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments.

Loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

(B) Policy applicable prior to 1 January 2018

Financial assets that were stated at cost or amortised cost were reviewed at each date of the statement of assets and liabilities to determine whether there was objective evidence of impairment. If any such indication existed, an impairment loss would be 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 decreased and the decrease could be linked objectively to an event occurring after the write-down, the write-down was 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 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 FVTPL are recognised together with other changes in the fair value. Included in the statement of comprehensive income line item, “Net foreign exchange (loss)/gain” is net foreign exchange gains and losses on monetary financial assets and financial liabilities other than those classified at fair value through profit or loss.

(j) Units in issue

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

The Fund has one class of units in issue. 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 new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Fund. Of these, the following development is relevant to the Fund’s financial statements:

- HKFRS 9, *Financial instruments*

The Fund has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 15).

HKFRS 9, Financial instruments

The Fund adopted HKFRS 9 *Financial Instruments* on its effective date of 1 April 2018. HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new ECL model for calculating impairment on financial assets and hedge accounting. For an explanation of how the Fund classifies and measures financial assets and accounts for credit losses, see note 2(c)(i) and (v). Details of the impact are discussed below.

(i) Classification of financial assets and financial liabilities

HKFRS 9 categorizes financial assets into three principal classification categories: measured at amortised cost, at FVOCI and at FVTPL. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The Fund has assessed the classification of financial instruments as at the date of initial application and has applied such classification retrospectively. Based on that assessment:

- Financial instruments previously classified as at FVTPL continue to be measured at FVTPL.
- Financial assets previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing SPPI. Therefore, such instruments continue to be measured at amortised cost under HKFRS 9.

(ii) Impairment of financial assets

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with a forward-looking ECL model. It requires the Fund to record ECLs on financial assets measured at amortised cost or FVOCI, except for investments in equity instruments. Under HKFRS 9, loss allowances are measured either on a 12-month or lifetime basis. Given the limited exposure of the Fund to credit risk, this amendment has not had a material impact on the financial statements. The Fund only holds account receivables with no financing component and which have maturities of less than 12 months at amortised cost and of high credit quality. Therefore the Fund has adopted an approach similar to the simplified approach to ECLs, and accordingly the ECLs on such assets are determined to be small.

(iii) Hedge accounting

The Fund does not apply hedge accounting; therefore, HKFRS 9 hedge accounting-related changes did not have an impact on the financial statements of the Fund.

(iv) Comparative figures

Comparative figures for the year ended 31 March 2018 have not been restated. Therefore, financial instruments in the comparative period are still accounted for in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement*.

4 Interest income on deposits

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

5 Net (losses)/gains from investments

| | Six months ended | |
|---------------------------|---|---|
| | 30 September 2018 (unaudited) HK\$ | 30 September 2017 (unaudited) HK\$ |
| Realised gains/(losses) | 28,889,957 | (11,159,555) |
| Unrealised (losses)/gains | <u>(250,041,214)</u> | <u>163,480,271</u> |
| | <u>(221,151,257)</u> | <u>152,320,716</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.

Before 17 November 2014, 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.

Taxation in the interim statement of comprehensive income represents:

| | Six months ended | |
|--|---|---|
| | 30 September 2018 (unaudited) HK\$ | 30 September 2017 (unaudited) HK\$ |
| PRC dividend and interest income withholding tax | <u>2,340,838</u> | <u>2,243,466</u> |

7 Investments at fair value through profit or loss

| | 30 September 2018 (unaudited) HK\$ | 31 March 2018 (audited) HK\$ |
|---------------------------|---|---|
| Listed equities | | |
| – outside Hong Kong | 728,526,536 | 1,092,574,068 |
| Equity-linked instruments | | |
| – warrants | 5,488,838 | 28,505,615 |
| – participation note | <u>6,000,663</u> | <u>16,151,696</u> |
| | <u>740,016,037</u> | <u>1,137,231,379</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 \$ 7,427,174 (for the period from 1 April 2017 to 30 September 2017: \$9,769,256) and \$ 838,938 (as at 31 March 2018: \$1,422,830) 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

Until 30 June 2017, 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. From 1 July 2017, the fee payable to the Trustee is calculated at the rate of 0.07% per annum on the net asset value of the Fund. The trustee fee charged to the Fund in respect of the period and payable at the end of the period amounted to \$ 443,137 (for the period from 1 April 2017 to 30 September 2017: \$637,131) and \$ 54,018 (as at 31 March 2018: \$ 83,810) respectively.

During the period from 1 April 2018 to 30 September 2018, no rebate was made with regards to trustee fee paid to the Trustee. During the period from 1 April 2017 to 30 September 2017, the Fund received a one-off rebate on trustee fees from the Trustee amounting to \$1,672,720.

(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 \$ 579,696 (for the period from 1 April 2017 to 30 September 2017: \$520,809) and \$ 13,983 (as at 31 March 2018: \$22,495) respectively.

A minimum clearing reserve is required to be held with the QFII custodian. As at 30 September 2018, the Fund had \$ 871,596 (as at 31 March 2018: \$986,805) 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 Communication Co Ltd, the QFII custodian of the Fund. The bank balances held as at 30 September 2018 amounted to \$8,312,835 and \$9,761,041 respectively (as at 31 March 2018: \$13,133,590 and \$27,625,610 respectively). During the period, interest earned from HSBC Hong Kong and Bank of Communications Co. Ltd. amounted to \$68,534 and \$35,236 respectively (for the period from 1 April 2017 to 30 September 2017: \$2,295 and \$41,384 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:

| | Six months ended | |
|---|---|---|
| | 30 September 2018 (unaudited) HK\$ | 30 September 2017 (unaudited) HK\$ |
| The Hong Kong and Shanghai Banking Corporation Limited | | |
| Commission paid for the period | 13,175 | 19,301 |
| Average rate of commission | <u>0.05%</u> | <u>0.08%</u> |
| Total aggregate value of such transactions for the period | 24,998,255 | 24,125,796 |
| Percentage of such transactions in value to total transactions for the period | <u>3.32%</u> | <u>3.07%</u> |

The figures for commission paid do not include any trading margin which may be reflected in the market price of transactions with this entity on any transactions by the Fund during the period.

- (f) As at 30 September 2018, The Hongkong and Shanghai Banking Corporation Limited held 42,493 units (as at 31 March 2018: 42,493 units) of the Fund. As at 31 March 2018 and 30 September 2018, HSBC International Trustee Limited held units of the Fund for its clients on a discretionary basis, part of the units were redeemed during the 6 months ended 30 September 2018 (for the period from 1 April 2017 to 30 September 2017: Nil). Both entities are members of the HSBC Group.

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 2018 (unaudited) | 30 September 2017 (unaudited) |
| Number of units in issue brought forward | 85,939,223 | 107,423,977 |
| Units redeemed during the period | <u>(17,187,780)</u> | <u>—</u> |
| Number of units in issue carried forward | <u>68,751,443</u> | <u>107,423,977</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 period from 1 April 2018 to 30 September 2018 and the year ended 31 March 2018.

11 Financial instruments and associated risks

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

The investment objective of the Fund is to achieve long-term capital growth by investing primarily in 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 2018 are summarized below. Details of such investments held as at 30 September 2018 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 2018: 15%) increase in value of the investments as at 30 September 2018, 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 2018 (unaudited) | | | 31 March 2018 (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 | 96.43 | 15 | 109,278,980 | 92.96 | 15 | 163,886,110 |
| Equity-linked instruments: | | | | | | |
| – warrants | 0.73 | 15 | 823,326 | 2.43 | 15 | 4,275,842 |
| – participation note | 0.79 | 15 | 900,099 | 1.37 | 15 | 2,422,754 |
| | <u>97.95</u> | | <u>111,002,405</u> | <u>96.76</u> | | <u>170,584,706</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 2018 and 31 March 2018, therefore the Manager considers the Fund is not subject to significant interest rate risk. No sensitivity analysis is performed for 30 September 2018 and 31 March 2018.

(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 exposure (in HKD equivalent):

| | Assets HK\$ | Liabilities HK\$ | Net exposure HK\$ |
|--------------------------------------|------------------------|-----------------------------|------------------------------|
| 30 September 2018 (unaudited) | | | |
| Renminbi | <u>740,488,450</u> | <u>—</u> | <u>740,488,450</u> |
| 31 March 2018 (audited) | | | |
| Renminbi | <u>1,121,363,564</u> | <u>—</u> | <u>1,121,363,564</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 2018, the HKD strengthened in relation to the Renminbi by approximately 9% (as at 31 March 2018: strengthened by approximately 11%). At 30 September 2018, had the HKD further strengthen in relation to the Renminbi by 9% (as at 31 March 2018: strengthened by 11%), with all other variables held constant, net assets attributable to unitholders would have decreased by the amounts shown in the following table.

HK\$

30 September 2018 (unaudited)

| | |
|----------|---------------------|
| Renminbi | <u>(66,643,960)</u> |
|----------|---------------------|

31 March 2018 (audited)

| | |
|----------|----------------------|
| Renminbi | <u>(123,349,992)</u> |
|----------|----------------------|

A 9% weakening of the HKD (as at 31 March 2018: weakened by 11%) 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 2018.

(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 2018, 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 2018 and 31 March 2018.

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 2018 and 31 March 2018, 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.

As at 30 September 2018 and 31 March 2018, the Fund's listed equity and equity-linked instruments investment are considered to be readily realizable under normal market conditions as they are all listed on stock exchange in Hong Kong or the PRC.

The Fund has one class of units in issue which is not redeemable by the unitholders excepted as per permitted under the Trust Deed. All financial liabilities have contractual maturities of less than three months at both 30 September 2018 and 31 March 2018, there were no significant exposures to liquidity risk for the Fund.

(d) Capital management

At 30 September 2018, the Fund had \$ 755,504,928 (as at 31 March 2018: \$1,175,314,451) 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 other receivables and 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.

| | 30 September 2018 (unaudited) | | | |
|---------------------------|--------------------------------------|-------------------------|-------------------------|-----------------------|
| | Level 1 HK\$ | Level 2 HK\$ | Level 3 HK\$ | Total HK\$ |
| Listed equities | 728,526,536 | – | – | 728,526,536 |
| Equity-linked instruments | – | 11,489,501 | – | 11,489,501 |
| | <u>728,526,536</u> | <u>11,489,501</u> | <u>–</u> | <u>740,016,037</u> |

| | 31 March 2018 (audited) | | | |
|---------------------------|-------------------------|-------------------|-----------------|----------------------|
| | Level 1 HK\$ | Level 2 HK\$ | Level 3 HK\$ | Total HK\$ |
| Listed equities | 1,092,574,068 | – | – | 1,092,574,068 |
| Equity-linked instruments | – | 44,657,311 | – | 44,657,311 |
| | <u>1,092,574,068</u> | <u>44,657,311</u> | <u>–</u> | <u>1,137,231,379</u> |

For all other financial instruments, their carrying amounts approximate fair value due to the intermediate or short-term nature of these financial instruments.

As at 30 September 2018 and 31 March 2018, the Fund did not hold any level 3 financial instruments.

During the period/year ended 30 September 2018 and 31 March 2018, there were no transfers between levels.

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

For the six months ended 30 September 2018, 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 24 July 2018, 17,187,780 units, representing 20% of the total outstanding number of units as at 23 July 2018, were redeemed at a total amount of \$205,050,215. A redemption levy of \$0.02 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 six months ended 30 September 2017.

15 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 September 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the period ended 30 September 2018 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**

HK (IFRIC) 23, *Uncertainty over income tax treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle

1 January 2019
1 January 2019

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

Investment portfolio (unaudited) As at 30 September 2018

| <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 | 7,033,356 | 31,034,649 | 4.11 |
| Agricultural Bank of China Ltd | 891,500 | 3,936,714 | 0.52 |
| Angel Yeast Co Ltd | 432,833 | 14,511,101 | 1.92 |
| Anhui Conch Cement Co Ltd – A Share | 949,044 | 39,696,350 | 5.25 |
| Anzheng Fashion Group Co Ltd | 794,879 | 11,136,898 | 1.47 |
| Bank of China Ltd – A Share | 7,485,300 | 31,581,709 | 4.18 |
| Bank of Nanjing Co Ltd – A Share | 2,032,310 | 17,657,769 | 2.34 |
| Bank of Ningbo Co Ltd – A Share | 391,503 | 7,902,890 | 1.05 |
| China Fortune Land Development Co Ltd – A Share | 513,700 | 14,791,962 | 1.96 |
| China Gezhouba Group Co Ltd – A Share | 2,216,900 | 18,353,969 | 2.43 |
| China International Travel Service Corp Ltd – A Share | 457,558 | 35,389,256 | 4.68 |
| China Merchants Bank | 142,400 | 4,972,172 | 0.66 |
| China Merchants Bank Company Limited A Shares | 197,900 | 6,904,841 | 0.91 |
| China Merchants Shekou Industrial Zone Holdings Co Ltd – A Share | 1,370,964 | 29,124,296 | 3.86 |
| China Petroleum & Chemical Corp – A Share | 3,186,742 | 25,803,547 | 3.42 |
| China Railway Construction Corp – A Share | 1,309,352 | 16,588,003 | 2.20 |
| China Yangtze Power Company Limited – A Shares | 808,835 | 15,066,985 | 1.99 |
| Foshan Nationstar Optoelectronics Co Ltd | 1,117,875 | 15,522,491 | 2.05 |
| Guangdong Provincial Expressway Development Co Ltd – A Share | 2,315,840 | 20,331,918 | 2.69 |
| Guangxi Liugong Machinery Co Ltd – A Share | 590,200 | 7,329,500 | 0.97 |
| Guotai Junan Securities Co Ltd – A Share | 1,018,700 | 17,354,441 | 2.30 |
| Hand Enterprise Solutions – A Share | 939,100 | 11,811,892 | 1.56 |
| Hangzhou Hikvision Digital Technology Co Ltd – A Share | 170,371 | 5,572,669 | 0.74 |
| HDGF | 946,400 | 6,942,037 | 0.92 |
| Huatai Securities Co Ltd | 162,200 | 2,905,604 | 0.38 |
| Huatai Securities Co Ltd – A Share | 1,491,706 | 26,701,796 | 3.53 |
| HUAYU Automotive Systems Co Ltd | 233,294 | 5,971,368 | 0.79 |
| HUAYU Automotive Systems Co Ltd – A Share | 392,185 | 10,030,739 | 1.33 |
| Hubei Hongcheng General Machinery Co Ltd – A Share | 711,756 | 31,867,578 | 4.22 |
| Jiangsu Hengrui Medicine C – A Share | 563,836 | 40,710,894 | 5.39 |
| Jiangsu Hengshun Vinegar I – A Share | 1,149,990 | 15,026,803 | 1.99 |
| Kweichow Moutai Co Ltd – A Share | 47,865 | 39,736,850 | 5.26 |
| Luxshare Precision Industry Co Ltd – A Share | 371,789 | 6,515,559 | 0.86 |
| O-Film Tech Co Ltd – A Share | 548,400 | 8,406,977 | 1.11 |

| HSBC China Dragon Fund | | | |
|---|-----------------|------------------------------|--|
| | <i>Holdings</i> | <i>Market value HK\$</i> | <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> | | | |
| Ping An Bank Co Ltd – A Share | 2,078,645 | 26,121,320 | 3.46 |
| Ping An Insurance Group Co of Ltd – A Share | 553,700 | 43,127,491 | 5.71 |
| Qingdao Haier Co Ltd – A Share | 925,810 | 17,382,869 | 2.30 |
| SAIC Motor Corp Ltd – A Share | 110,300 | 4,174,566 | 0.55 |
| Shan Dong Sun Paper Industry Joint Stock Co Ltd – A Share | 3,283,714 | 28,530,619 | 3.78 |
| Shandong Minhe Animal Husbandry Co – A Share | 479,000 | 6,694,835 | 0.89 |
| Zhejiang Jingsheng Mechani – A Shares | 415,200 | 5,302,609 | 0.70 |
| Equities (Total) | | <u>728,526,536</u> | <u>96.43</u> |
| Equity-linked instruments | | | |
| <i>Listed investments</i> | | | |
| CICC (Hangzhou Hikvision) WTS 12 September 2019 | 167,935 | <u>5,488,838</u> | <u>0.73</u> |
| | | <u>5,488,838</u> | <u>0.73</u> |
| <i>Unlisted but quoted investment</i> | | | |
| CICC Financial Trading (SC MTR LTD) PN 15 December 2018 | 158,549 | <u>6,000,663</u> | <u>0.79</u> |
| | | <u>6,000,663</u> | <u>0.79</u> |
| Equity-linked instruments (Total) | | <u>11,489,501</u> | <u>1.52</u> |
| Total investments (Total cost of investments: \$721,356,324) | | <u>740,016,037</u> | <u>97.95</u> |
| Other net assets | | <u>15,488,891</u> | <u>2.05</u> |
| Total net assets attributable to unitholders | | <u>755,504,928</u> | <u>100.00</u> |

Statement of movements in portfolio holdings (unaudited)
For the period ended 30 September 2018

| | <i>% of total net assets attributable to unitholders</i> | |
|---|--|--------------------------|
| | 30 September 2018 | 31 March 2018 |
| <i>Listed investments</i> | | |
| Equities | 96.43 | 92.96 |
| Equity-linked instruments | <u>1.52</u> | <u>3.80</u> |
| | <u>97.95</u> | <u>96.76</u> |
| Total investments | 97.95 | 96.76 |
| Other net assets | <u>2.05</u> | <u>3.24</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 2018

(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 |
| 31 March 2018 | HK\$1,175,314,451 |
| 30 September 2018 | HK\$755,504,928 |

(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 |
| 31 March 2018 | HK\$13.68 |
| 30 September 2018 | HK\$10.99 |

(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 |
| 1 April 2017 to 31 March 2018 | 11.08 | 15.22 |
| 1 April 2018 to 30 September 2018 | 10.13 | 13.97 |

Issuance of Results

The unaudited interim report of the Fund for the period from 1 April 2018 to 30 September 2018 will be despatched to Unitholders on or about 30 November 2018.

Hong Kong, 27 November 2018

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

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

IMPORTANT

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 table demonstrates the gross performance of the Fund. 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 index are quoted for indicative comparison purpose only and the index is not the benchmark of the Fund.

As at 31 October 2018:

| | Calendar year performance ⁽²⁾ | | | | | | Cumulative performance ⁽³⁾ | |
|--|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------------------------|---------|
| | 2018 year-to-date | 2017 full year | 2016 full year | 2015 full year | 2014 full year | 2013 full year | 6 months | 1 year |
| Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾ | -24.55% | 28.16% | -12.60% | 12.64% | 32.32% | 1.25% | -23.28% | -24.43% |
| MSCI China A | -31.52% | 21.47% | -18.94% | 7.15% | 46.91% | 1.02% | -26.45% | -32.29% |

The following table demonstrates the net of fees performance of the Fund calculated according to the net asset value per unit of the Fund.

As at 31 October 2018:

| | Calendar year performance ⁽²⁾ | | | | | | Cumulative performance ⁽³⁾ | |
|--|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------------------------|---------|
| | 2018 year-to-date | 2017 full year | 2016 full year | 2015 full year | 2014 full year | 2013 full year | 6 months | 1 year |
| Net asset value of the Fund (net of fees) ⁽¹⁾ | -25.48% | 25.77% | -13.04% | 9.85% | 30.49% | -0.47% | -24.18% | -25.71% |

As at 31 October 2018:

| | |
|---|-----------------|
| Net asset value per unit of the Fund: | HK\$10.00 |
| Closing price of the Fund on the Stock Exchange of Hong Kong: | HK\$8.35 |
| Discount / Premium to net asset value: | 16.50% discount |

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 October 2018. 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: 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. Cumulative performance is the gain or loss of the Fund over certain period of time up to the relevant date.

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

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

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
19 November 2018

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 table demonstrates the gross performance of the Fund. 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 index are quoted for indicative comparison purpose only and the index is not the benchmark of the Fund.

As at 28 September 2018:

| | Calendar year performance ⁽²⁾ | | | | | | Cumulative performance ⁽³⁾ | |
|--|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------------------------|---------|
| | 2018 year-to-date | 2017 full year | 2016 full year | 2015 full year | 2014 full year | 2013 full year | 6 months | 1 year |
| Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾ | -17.19% | 28.16% | -12.60% | 12.64% | 32.32% | 1.25% | -19.16% | -13.91% |
| MSCI China A | -23.94% | 21.47% | -18.94% | 7.15% | 46.91% | 1.02% | -22.85% | -22.69% |

The following table demonstrates the net of fees performance of the Fund calculated according to the net asset value per unit of the Fund.

As at 28 September 2018:

| | Calendar year performance ⁽²⁾ | | | | | | Cumulative performance ⁽³⁾ | |
|--|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------------------------|---------|
| | 2018 year-to-date | 2017 full year | 2016 full year | 2015 full year | 2014 full year | 2013 full year | 6 months | 1 year |
| Net asset value of the Fund (net of fees) ⁽¹⁾ | -18.11% | 25.77% | -13.04% | 9.85% | 30.49% | -0.47% | -19.55% | -15.33% |

As at 28 September 2018:

| | |
|---|-----------------|
| Net asset value per unit of the Fund: | HK\$10.99 |
| Closing price of the Fund on the Stock Exchange of Hong Kong: | HK\$8.72 |
| Discount / Premium to net asset value: | 20.66% discount |

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 28 September 2018. 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: 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. Cumulative performance is the gain or loss of the Fund over certain period of time up to the relevant date.

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

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

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
22 October 2018

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 table demonstrates the gross performance of the Fund. 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 index are quoted for indicative comparison purpose only and the index is not the benchmark of the Fund.

As at 31 August 2018:

| | Calendar year performance ⁽²⁾ | | | | | | Cumulative performance ⁽³⁾ | |
|--|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------------------------|---------|
| | 2018 year-to-date | 2017 full year | 2016 full year | 2015 full year | 2014 full year | 2013 full year | 6 months | 1 year |
| Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾ | -18.13% | 28.16% | -12.60% | 12.64% | 32.32% | 1.25% | -22.31% | -14.92% |
| MSCI China A | -25.11% | 21.47% | -18.94% | 7.15% | 46.91% | 1.02% | -25.39% | -23.68% |

The following table demonstrates the net of fees performance of the Fund calculated according to the net asset value per unit of the Fund.

As at 31 August 2018:

| | Calendar year performance ⁽²⁾ | | | | | | Cumulative performance ⁽³⁾ | |
|--|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------------------------|---------|
| | 2018 year-to-date | 2017 full year | 2016 full year | 2015 full year | 2014 full year | 2013 full year | 6 months | 1 year |
| Net asset value of the Fund (net of fees) ⁽¹⁾ | -18.93% | 25.77% | -13.04% | 9.85% | 30.49% | -0.47% | -23.27% | -16.50% |

As at 31 August 2018:

| | |
|---|-----------------|
| Net asset value per unit of the Fund: | HK\$10.88 |
| Closing price of the Fund on the Stock Exchange of Hong Kong: | HK\$8.87 |
| Discount / Premium to net asset value: | 18.47% discount |

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 August 2018. 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: 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. 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 September 2018

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 table demonstrates the gross performance of the Fund. 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 index are quoted for indicative comparison purpose only and the index is not the benchmark of the Fund.

As at 31 July 2018:

| | Calendar year performance ⁽²⁾ | | | | | | Cumulative performance ⁽³⁾ | |
|--|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------------------------|---------|
| | 2018 year-to-date | 2017 full year | 2016 full year | 2015 full year | 2014 full year | 2013 full year | 6 months | 1 year |
| Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾ | -12.96% | 28.16% | -12.60% | 12.64% | 32.32% | 1.25% | -22.39% | -6.02% |
| MSCI China A | -20.00% | 21.47% | -18.94% | 7.15% | 46.91% | 1.02% | -25.50% | -14.78% |

The following table demonstrates the net of fees performance of the Fund calculated according to the net asset value per unit of the Fund.

As at 31 July 2018:

| | Calendar year performance ⁽²⁾ | | | | | | Cumulative performance ⁽³⁾ | |
|--|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------------------------|--------|
| | 2018 year-to-date | 2017 full year | 2016 full year | 2015 full year | 2014 full year | 2013 full year | 6 months | 1 year |
| Net asset value of the Fund (net of fees) ⁽¹⁾ | -13.64% | 25.77% | -13.04% | 9.85% | 30.49% | -0.47% | -22.73% | -7.58% |

As at 31 July 2018:

| | |
|---|-----------------|
| Net asset value per unit of the Fund: | HK\$11.59 |
| Closing price of the Fund on the Stock Exchange of Hong Kong: | HK\$10.08 |
| Discount / Premium to net asset value: | 13.03% discount |

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 July 2018. 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: 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. 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 August 2018

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

2018 ANNUAL RESULTS ANNOUNCEMENT

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

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

The board of directors of the Manager is pleased to announce the annual results of the Fund for the period from 1 April 2017 to 31 March 2018.

The annual results of the Fund for the period from 1 April 2017 to 31 March 2018 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 2017 to 31 March 2018.

Manager's report

Market Review

Onshore Chinese equity market had a fruitful year in 2017, driven by strong upward earnings revision and a meaningful valuation expansion from a reasonably low base. While Moody's downgraded China's sovereign rating by one notch in 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 which 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. Despite some turbulences such as rising geopolitical tensions between North Korea and the U.S., downgrade of China's credit rating by S&P, and the new tightening measures in the property market imposed by the government in late September, onshore Chinese equities market ended Q3 in a strong note, driven by generally robust macro data and upward earnings revisions. Upbeat market sentiment continued into the last quarter of 2017 where the broader onshore market recorded more than 5% gain as major economic readings such as industrial profit, PPI and consumption related data all remain resilient.

In the first quarter of 2018, overall market sentiment weakened as robust job data in the U.S. triggered concerns on faster rate hike by the Fed. More importantly, the US-China trade war tension escalated since March and continued to weigh on market sentiment. Nonetheless, economic data was still supportive as 2017 real GDP growth came in at 6.9%, compared to 6.7% yoy in 2016, marking the first uptick from previous year since 2010. Industrial profit for the first quarter grew 11.6% yoy while PPI continued to expand.

Outlook

Rising concerns on US-China trade war and the change in global monetary policies have led to increased volatility in equity market since 2018. That said, we do not believe such headwinds are altering the strong economic fundamentals of China and other major economies in the world. Looking ahead, we think both the macro and liquidity backdrop remain favorable for Chinese equities. On the macro side, deepening of supply-side and SOE reforms is expected to improve operating efficiency in old economy industries and SOEs. Financial deleveraging and policy tightening are unlikely to derail growth. For new economy industries, they will continue to benefit from the long-term economic rebalancing in China. On the back of the sound economic environment, we remain positive on corporate earnings growth in 2018.

On the liquidity front, as CPI remains reasonably low, we see little pressure for China to hike rate in the near future. A-share inclusion into MSCI is also helping to attract more fund flows into the onshore market.

We believe the recent market weakness is more of a periodic setback while our positive view on fundamentals and the market outlook remain unchanged. Valuations also continue to look reasonable when compared to long term averages.

Statement of assets and liabilities

As at 31 March 2018

| | Note | 2018 HK\$ | 2017 HK\$ |
|--|-----------------|----------------------|----------------------|
| Assets | | | |
| Investments at fair value through profit or loss | 7, 12 | 1,137,231,379 | 1,195,585,628 |
| Other receivables | 8(c) | 986,820 | 1,684,964 |
| Cash and cash equivalents | 8(d) | <u>40,759,200</u> | <u>302,578,533</u> |
| Total assets | | <u>1,178,977,399</u> | <u>1,499,849,125</u> |
| Liabilities | | | |
| Redemption payable | | – | 264,799,578 |
| Accrued expenses and other payables | 8(a), (b) & (c) | <u>3,662,948</u> | <u>3,539,928</u> |
| Total liabilities | | <u>3,662,948</u> | <u>268,339,506</u> |
| Net assets attributable to unitholders | | <u>1,175,314,451</u> | <u>1,231,509,619</u> |
| Representing: | | | |
| Total equity | | <u>1,175,314,451</u> | <u>1,231,509,619</u> |
| Number of units in issue | 10 | <u>85,939,223</u> | <u>107,423,977</u> |
| Net asset value per unit | | <u>13.68</u> | <u>11.46</u> |

Statement of comprehensive income

For the year ended 31 March 2018

| | Note | 2018 HK\$ | 2017 HK\$ |
|---|---------|---------------------|---------------------|
| Dividend income | | 23,051,286 | 30,673,741 |
| Interest income on deposits | 4, 8(d) | 81,073 | 172,813 |
| Net gains from investments | 5 | 228,311,154 | 117,299,307 |
| Net foreign exchange gain/(loss) | | 2,673,620 | (3,221,286) |
| Other income | 8(b) | <u>2,532,111</u> | <u>—</u> |
| Net investment income | | <u>256,649,244</u> | <u>144,924,575</u> |
| Management fees | 8(a) | (19,537,011) | (23,395,359) |
| Transaction costs | 8(e) | (3,038,089) | (6,504,742) |
| Trustee's fees | 8(b) | (1,188,530) | (1,715,223) |
| Custodian fees | 8(c) | (1,739,147) | (1,505,220) |
| Auditor's remuneration | | (734,961) | (251,978) |
| Legal and professional fees | | (286,702) | (679,444) |
| Other operating expenses | | <u>(907,447)</u> | <u>(2,046,280)</u> |
| Operating expenses | | <u>(27,431,887)</u> | <u>(36,098,246)</u> |
| Profit before taxation | | 229,217,357 | 108,826,329 |
| Taxation | 6 | <u>(2,243,467)</u> | <u>(1,013,311)</u> |
| Increase in net assets attributable to unitholders and total comprehensive income for the year | | <u>226,973,890</u> | <u>107,813,018</u> |

Statement of changes in equity

For the year ended 31 March 2018

| | Note | 2018 HK\$ | 2017 HK\$ |
|--|------|----------------------|----------------------|
| Balance at the beginning of the year | | 1,231,509,619 | 1,787,843,955 |
| Increase in net assets attributable to unitholders and total comprehensive income for the year | | 226,973,890 | 107,813,018 |
| Redemption of units during the year | 14 | <u>(283,169,058)</u> | <u>(664,147,354)</u> |
| Balance at the end of the year | | <u>1,175,314,451</u> | <u>1,231,509,619</u> |

Cash flow statement

For the year ended 31 March 2018

| | 2018 HK\$ | 2017 HK\$ |
|---|----------------------|----------------------|
| Operating activities | | |
| Interest income received | 82,723 | 171,149 |
| Dividend income received | 23,051,286 | 30,673,741 |
| Management fees paid | (19,831,917) | (23,859,874) |
| Trustee's fees paid | (1,234,232) | (1,849,176) |
| Transaction costs paid | (3,038,089) | (6,504,742) |
| Tax paid | (2,243,467) | (2,465,299) |
| Proceeds from sales of investments | 1,021,161,020 | 2,061,890,467 |
| Payments for purchases of investments | (734,495,617) | (1,374,889,189) |
| Other operating expenses paid | (807,715) | (8,096,958) |
| Net cash generated from operating activities | <u>282,643,992</u> | <u>675,070,119</u> |
| Financing activity | | |
| Payments on redemption of units | <u>(547,109,246)</u> | <u>(399,347,776)</u> |
| Net cash used in financing activity | <u>(547,109,246)</u> | <u>(399,347,776)</u> |
| Net (decrease)/increase in cash and cash equivalents | (264,465,254) | 275,722,343 |
| Cash and cash equivalents at the beginning of the year | 302,578,533 | 28,362,084 |
| Effect of foreign exchange rates changes | <u>2,645,921</u> | <u>(1,505,894)</u> |
| Cash and cash equivalents at the end of the year | <u>40,759,200</u> | <u>302,578,533</u> |

Notes to the financial statements

For the year ended 31 March 2018

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 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 (“HKD”) 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 redemption payable and 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 HKD at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into HKD 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)" 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 excepted as permitted under 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. 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

| | 2018 HK\$ | 2017 HK\$ |
|-------------------------|----------------------------|----------------------------|
| Realised gains/(losses) | 35,519,912 | (18,552,483) |
| Unrealised gains | <u>192,791,242</u> | <u>135,851,790</u> |
| | <u><u>228,311,154</u></u> | <u><u>117,299,307</u></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.

Taxation in the statement of comprehensive income represents:

| | 2018 HK\$ | 2017 HK\$ |
|--|----------------------------|----------------------------|
| PRC dividend and interest income withholding tax | 2,243,467 | 1,511,199 |
| PRC capital gains tax – current | <u>–</u> | <u>(497,888)</u> |
| | <u>2,243,467</u> | <u>1,013,311</u> |

7 Investments at fair value through profit or loss

| | 2018 HK\$ | 2017 HK\$ |
|---------------------------|----------------------------|----------------------------|
| Listed equities | | |
| – outside Hong Kong | 1,092,574,068 | 1,139,825,048 |
| Equity-linked instruments | | |
| – warrants | 28,505,615 | 31,256,336 |
| – participation note | <u>16,151,696</u> | <u>24,504,244</u> |
| | <u>1,137,231,379</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 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 \$19,537,011 (2017: \$23,395,359) and \$1,422,830 (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

Until 30 June 2017, 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. From 1 July 2017, the fee payable to the Trustee is calculated at the rate of 0.07% per annum of the net a value of the Fund. The trustee fee charged to the Fund in respect of the year and payable at the end of the year amounted to \$1,188,530 (2017: \$1,715,223) and \$ 67,332 (2017: \$129,512) respectively.

During the year, the Trustee rebated trustee's fee to the Fund of \$1,672,720.

(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 \$1,739,147 (2017: \$1,505,220) and \$22,495 (2017: \$2,052) respectively.

A minimum clearing reserve is required to be held with the QFII custodian. As at 31 March 2018, the Fund had \$986,805 (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 Bank of Communications Co Ltd, the QFII custodian of the Fund. The bank balances held as at 31 March 2018 amounted to \$13,133,590 and \$27,625,610 respectively (2017: \$277,877,705 and \$24,700,828 respectively). During the year, interest earned from HSBC Hong Kong and Bank of Communications Co Ltd amounted to \$6,742 and \$74,331 respectively (2017: \$3,496 and \$169,317 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:

| | 2018 | 2017 |
|---|--------------|--------------|
| | HK\$ | HK\$ |
| The Hong Kong and Shanghai Banking Corporation Limited | | |
| Commission paid for the year | 53,000 | 24,535 |
| Average rate of commission | <u>0.05%</u> | <u>0.11%</u> |
| Total aggregate value of such transactions for the year | 106,705,357 | 22,121,771 |
| Percentage of such transactions in value to total transactions for the year | <u>6.08%</u> | <u>0.67%</u> |

- (f) The Hongkong and Shanghai Banking Corporation Limited, which is a member of the HSBC Group, has redeemed 27,591 units of the Fund during the year ended 31 March 2018 (2017: 116,504). As at 31 March 2018, The Hongkong and Shanghai Banking Corporation Limited held 42,493 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

| | 2018 | 2017 |
|--|---------------------|---------------------|
| Number of units in issue brought forward | 107,423,977 | 167,849,838 |
| Units redeemed during the year | <u>(21,484,754)</u> | <u>(60,425,861)</u> |
| Number of units in issue carried forward | <u>85,939,223</u> | <u>107,423,977</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 2018 and 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) 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 2018 are summarised below. Details of such investments held as at 31 March 2018 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 Fund 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% (2017: 15%) increase in value of the investments as at 31 March 2018, 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.

| | 2018 | | | 2017 | | |
|----------------------------|-----------------------------|-------------------------|--|-----------------------------|-------------------------|--|
| | % 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 | 92.96 | 15 | 163,886,110 | 91.68 | 15 | 169,360,067 |
| Equity-linked instruments: | | | | | | |
| – warrants | 2.43 | 15 | 4,275,842 | 2.54 | 15 | 4,688,450 |
| – participation note | 1.37 | 15 | 2,422,754 | 1.99 | 15 | 3,675,637 |
| | <u>96.76</u> | | <u>170,584,706</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 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 2018 and 31 March 2017, therefore the Manager considers the Fund is not subject to significant interest rate risk. No sensitivity analysis is performed for 2018 and 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 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 2018 | | | |
| Renminbi | <u>1,121,363,564</u> | <u>—</u> | <u>1,121,363,564</u> |
| | <u>1,121,363,564</u> | <u>—</u> | <u>1,121,363,564</u> |
| 31 March 2017 | | | |
| Renminbi | <u>1,166,209,176</u> | <u>—</u> | <u>1,166,209,176</u> |
| | <u>1,166,209,176</u> | <u>—</u> | <u>1,166,209,176</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 2018, the HKD strengthened in relation to the Renminbi by approximately 11% (2017: weakened by less than 6%). At 31 March 2018, had the HKD further strengthened in relation to the Renminbi by 11% (2017: weakened by 6%), 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 2018 | |
| Renminbi | <u>(123,349,992)</u> |
| 31 March 2017 | |
| Renminbi | <u>69,972,551</u> |

A 11% weakening of the HKD (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 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 31 March 2018, 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 2018 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 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 2018 and 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.

As at 31 March 2018, the Fund's listed 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.

As at 31 March 2017, the Fund, however, also invested in a listed equity investment suspended for trading and unlisted equity linked-instruments, which were 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.

The Fund has one class of units in issue which is not redeemable by the unitholders excepted as permitted under the Trust Deed. All financial liabilities have contractual maturities of less than three months. At both 31 March 2018 and 2017, there were no significant exposures to liquidity risk for the Fund.

(d) Capital management

At 31 March 2018, the Fund had \$1,175,314,451 (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 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.

| | 2018 | | | |
|---------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| | Level 1 HK\$ | Level 2 HK\$ | Level 3 HK\$ | Total HK\$ |
| Listed equities | 1,092,574,068 | – | – | 1,092,574,068 |
| Equity-linked instruments | – | 44,657,311 | – | 44,657,311 |
| | <u>1,092,574,068</u> | <u>44,657,311</u> | <u>–</u> | <u>1,137,231,379</u> |
| | | | | |
| | 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> |

For all other financial instruments, their carrying amounts approximate fair value due to the intermediate or short-term nature of these financial instruments.

As at 31 March 2018, the Fund did not hold any level 3 financial instruments. As at 31 March 2017, 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.

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.

| Equities | As at 1 April HK\$ | Net losses included in statement of comprehensive income HK\$ | Sales HK\$ | Purchase HK\$ | As at 31 March HK\$ | *Unrealized gains/(losses) HK\$ |
|----------|--------------------------|--|---------------------|-------------------|---------------------------|---------------------------------------|
| 2018 | 10,757,935 | (3,008,326) | (7,749,609) | – | – | 4,254,662 |
| 2017 | <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 2018, there were no transfers between levels. During the year ended 31 March 2017, equity securities amounting to \$10,757,935 had been transferred from Level 1 to Level 3 because quoted market price for these instrument was 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 years ended 31 March 2018 and 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 18 December 2017, 21,484,754 units, representing 20% of the total outstanding number of units as at 18 December 2017, were redeemed at a total amount of \$283,169,058. 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.

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.

15 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2018 and which have not been adopted in these financial statements.

Of these developments, the following may be relevant to the Fund's operations and financial statements:

| | Effective for accounting years beginning on or after |
|--|--|
| HKFRS 9, <i>Financial instruments</i> | 1 January 2018 |
| HK(IFRIC) 22, <i>Foreign currency transactions and advance consideration</i> | 1 January 2018 |
| HK(IFRIC) 23, <i>Uncertainty over income tax treatments</i> | 1 January 2019 |

The Fund is in the process of making an assessment of what the impact of these amendments, new standard and interpretations is expected to be in the year of initial application. So far the Fund has identified some aspects of the new standards which may have an impact on the financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9, the actual impacts upon the initial adoption of the standard may differ as the assessment completed to date is based on the information currently available to the Fund, and further impacts may be identified before the standard is initially applied in the Fund's financial statements for the year ending 31 March 2019. The Fund may also change its accounting policy elections, including the transition options, until the standards are initially applied in the financial statements.

HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments and a new expected credit loss model for calculating impairment on financial assets. It also carries forward the guidance on recognition and derecognition of financial instruments from HKAS 39.

Classification of financial assets and financial liabilities

HKFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

The standard includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). It eliminates the existing HKAS 39 categories of held to maturity, loans and receivables and available for sale.

HKFRS 9 largely retains the existing requirements in HKAS 39 for the classification of financial liabilities. However, under HKAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, under HKFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

Based on the Fund's assessment, this standard is not expected to have a material impact on the classification of financial assets and financial liabilities of the Fund. This is because:

- financial instruments currently classified as FVTPL under HKAS 39 are designated into this category because they are managed on a fair value basis in accordance with a documented investment strategy. Accordingly, these financial instruments will be mandatorily measured at FVTPL under HKFRS 9; and
- financial instruments currently measured at amortised cost are: other receivable, redemption payable and accrued expenses and other payables. These instruments meet the solely payments of principal and interest (SPPI) criterion and are held in a held-to-collect business model. Accordingly, they will continue to be measured at amortised cost under HKFRS 9.

Impairment of financial assets

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with a forward-looking “expected credit loss” (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments.

Under HKFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Based on the Fund's assessment, changes to the impairment model are not expected to have a material impact on the financial assets of the Fund. This is because:

- the majority of the financial assets are measured at FVTPL and the impairment requirements do not apply to such instruments; and
- the financial assets at amortised cost are short-term (i.e. no longer than 12 months) and of high credit quality. Accordingly, the ECLs on such assets are expected to be small.

Hedge accounting

The Fund does not apply hedge accounting; therefore, HKFRS 9 hedge accounting-related changes do not have an impact on the financial statements of the Fund.

Disclosures

HKFRS 9 will require extensive new disclosures, in particular about credit risk and ECLs. The Fund has completed an analysis to identify data gaps against current processes and is designing the system and controls changes that they believe will be necessary to capture the required data.

Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 will generally be applied retrospectively, except as described below.

- The Fund will take advantage of the exemption allowing them not to restate comparative information for prior years with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 will be adjusted to net assets attributable to unitholders as at 1 April 2018.
- The following assessments have to be made by the Fund on the basis of the facts and circumstances that exist at the date of initial application.
- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

Investment portfolio (Unaudited)

As at 31 March 2018

| | HSBC China Dragon Fund | | |
|--|------------------------|----------------------|--|
| | Holdings | Market value HK\$ | % of total net assets attributable to unitholders |
| Equities | | | |
| <i>Listed investments</i> | | | |
| <i>The People's Republic of China</i> | | | |
| Agricultural Bank of China Ltd | 2,568,400 | 12,681,820 | 1.08 |
| Agricultural Bank of China Ltd – A Share | 5,820,356 | 28,684,647 | 2.44 |
| Air China Ltd – A Share | 2,533,900 | 35,882,955 | 3.05 |
| Angel Yeast Co Ltd | 534,033 | 21,248,363 | 1.81 |
| Anhui Conch Cement Co Ltd – A Share | 668,100 | 26,716,058 | 2.27 |
| Bank of China Ltd – A Share | 7,814,000 | 38,899,961 | 3.31 |
| Bank of Nanjing Co Ltd – A Share | 2,507,210 | 25,745,031 | 2.19 |
| Beijing Enlight Media Co Ltd – A Share | 1,584,300 | 24,254,083 | 2.06 |
| Beijing New Building Materials Plc – A Share | 1,270,730 | 39,573,160 | 3.37 |
| China Fortune Land Development Co Ltd – A Share | 633,700 | 26,550,167 | 2.26 |
| China International Travel Service Corp Ltd – A Share | 564,458 | 37,804,805 | 3.22 |
| China Merchants Shekou Industrial Zone Holdings Co Ltd – A Share | 1,691,364 | 46,700,482 | 3.97 |
| China Petroleum & Chemical Corp – A Share | 3,931,442 | 32,472,276 | 2.76 |
| China Southern Airlines Co Ltd – A Share | 1,260,200 | 15,896,207 | 1.35 |
| Foshan Nationstar Optoelectronics Co Ltd | 1,060,827 | 22,606,602 | 1.92 |
| Guangdong Provincial Expressway Development Co Ltd – A Share | 2,856,940 | 28,516,352 | 2.43 |
| Guotai Junan Securities Co Ltd – A Share | 1,256,700 | 26,780,726 | 2.28 |
| Hangzhou Hikvision Digital Technology Co Ltd – A Share | 364,071 | 18,882,146 | 1.61 |
| Hangzhou Robam Appliances Co Ltd – A Share | 685,750 | 31,657,047 | 2.69 |
| Hongfa Technology Co Ltd – A Share | 913,208 | 48,036,701 | 4.09 |
| Hua Xia Bank Co Ltd – A Share | 1,714,139 | 19,141,322 | 1.63 |
| Huatai Securities Co Ltd | 511,600 | 10,954,933 | 0.93 |
| Huatai Securities Co Ltd – A Share | 718,706 | 15,360,717 | 1.31 |
| HUAYU Automotive Systems Co Ltd | 379,494 | 11,214,353 | 0.95 |
| HUAYU Automotive Systems Co Ltd – A Share | 392,185 | 11,567,548 | 0.98 |
| Hubei Hongcheng General Machinery Co Ltd – A Share | 878,056 | 47,414,626 | 4.04 |
| Jiangsu Hengrui Medicine C – A Share | 535,028 | 55,252,551 | 4.70 |
| Kweichow Moutai Co Ltd – A Share | 59,065 | 50,775,276 | 4.32 |
| Luzhou Laojiao Co Ltd – A Share | 414,336 | 29,306,368 | 2.49 |
| O-film Tech Co Ltd – A Share | 676,600 | 16,968,010 | 1.44 |
| Ping An Bank Co Ltd – A Share | 1,519,645 | 20,932,162 | 1.78 |
| Ping An Insurance Group Co of China Ltd – A Share | 620,600 | 51,398,670 | 4.37 |
| Qingdao Haier Co Ltd – A Share | 1,909,610 | 42,576,710 | 3.62 |
| SAIC Motor Corp Ltd – A Share | 110,300 | 4,534,546 | 0.39 |

| | HSBC China Dragon Fund | | |
|---|------------------------|----------------------|--|
| | Holdings | Market value HK\$ | % of total net assets attributable to unitholders |
| SDIC Power Holdings Co Ltd – A Share | 1,824,091 | 16,044,954 | 1.37 |
| Shan Dong Sun Paper Industry Joint Stock Co Ltd – A Share | 3,132,714 | 42,955,750 | 3.66 |
| Shandong Chenming Paper Holdings Ltd – A Share | 2,045,105 | 44,372,925 | 3.78 |
| Wuhan Department Store Group Co Ltd – A Share | 642,298 | 12,213,058 | 1.04 |
| Equities (Total) | | 1,092,574,068 | 92.96 |
| Equity-linked instruments | | | |
| Listed investments | | | |
| CICC Financial Trading Warrants 6 May 2018 | 551,370 | 28,505,615 | 2.43 |
| CICC Financial Trading (SC MTR LTD) PN 15 Dec 2018 | 221,380 | 9,089,452 | 0.77 |
| Credit Suisse AG (Bank of China) PN 4 January 2022 | 1,420,449 | 7,062,244 | 0.60 |
| Equity-linked instruments (Total) | | 44,657,311 | 3.80 |
| Total investments | | | |
| (Total cost of investments: \$868,530,452) | | 1,137,231,379 | 96.76 |
| Other net assets | | 38,083,072 | 3.24 |
| Total net assets attributable to unitholders | | 1,175,314,451 | 100.00 |

Statement of movements in portfolio holdings (Unaudited)

For the year ended 31 March 2018

| | <i>% of total net asset attributable to unitholders</i> | |
|---|---|---------------|
| | 2018 | 2017 |
| Listed investments | | |
| Equities | 92.96 | 92.55 |
| Equity-linked instruments | <u>3.80</u> | <u>3.50</u> |
| | <u>96.76</u> | <u>96.05</u> |
| Unlisted but quoted investments | | |
| Equity-linked instruments | <u>—</u> | <u>1.03</u> |
| | <u>—</u> | <u>1.03</u> |
| Total investments | 96.76 | 97.08 |
| Other net assets | <u>3.24</u> | <u>2.92</u> |
| Net assets attributable to unitholders | <u>100.00</u> | <u>100.00</u> |

Performance table (Unaudited)

For the year ended 31 March 2018

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

Year/period end

| | |
|---------------|-------------------|
| 31 March 2018 | HK\$1,175,314,451 |
| 31 March 2017 | HK\$1,231,509,619 |
| 31 March 2016 | HK\$1,787,843,955 |
| 31 March 2015 | HK\$2,855,917,483 |

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

Year/period end

| | |
|---------------|-----------|
| 31 March 2018 | HK\$13.68 |
| 31 March 2017 | HK\$11.46 |
| 31 March 2016 | HK\$10.65 |
| 31 March 2015 | HK\$13.61 |

(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\$ |
| 2018 | 11.08 | 15.22 |
| 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 |

(d) Total expense ratio

| | 2018 |
|-------------------------|-------------------|
| Average net asset value | HK\$1,312,874,718 |
| Total expenses | HK\$24,392,747 |
| Total expense ratio | 1.86% |

Issuance of Results

The audited annual report of the Fund for the period from 1 April 2017 to 31 March 2018 will be despatched to Unitholders on or about 31 July 2018.

Hong Kong, 27 July 2018

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.

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)*

**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 24 July 2018.

The Recurring Redemption Offer closed at 4:30 p.m. (Hong Kong time) on 23 July 2018 (the Lodgement Date). Units were redeemed at the redemption price of HK\$11.91 per Unit, representing the net asset value of HK\$11.93 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 24 July 2018 and made available as of 9:30 a.m. on 25 July 2018 less a Redemption Levy of HK\$0.02 per Unit. The Redemption Levy of HK\$0.02 per Unit represented 0.17% 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 43.648% 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 23 July 2018 were redeemed on 24 July 2018. The total number of Units redeemed under the Recurring Redemption Offer is 17,187,780.

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 7 August 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 25 July 2018 |
| Latest date for return of certificate(s) for Units not redeemed (if applicable) | 7 August 2018 |
| Latest date for despatch of cheques to redeeming Unitholders of Recurring Redemption Offer | HK\$11.91 per Unit will be paid by the Fund to Unitholders on 7 August 2018 |

Reference is made to (i) the Firm Intention Announcement dated 23 May 2018, (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 12 June 2018 (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 23 July 2018 (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 23 July 2018. 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 23 July 2018:

| | |
|--|---|
| (a) The total number of Units in issue | 85,939,223 |
| (b) The maximum number of Units available for redemption under the Recurring Redemption Offer | 17,187,844 (20% of the total outstanding number of Units as at 23 July 2018) |
| (c) The aggregate number of Units for which valid applications were made under the Recurring Redemption Offer | 39,378,347 (45.82% of the total outstanding number of Units as at 23 July 2018) |
| (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 | 113,869 (0.13% of the total outstanding number of Units as at 23 July 2018) |

The Fund has satisfied the redemption requests of the Unitholders on a pro rata basis at around 43.648% 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 23 July 2018 were redeemed on 24 July 2018. The total number of Units redeemed under the Recurring Redemption Offer is 17,187,780.

Redemption of the Units

The Manager wishes to announce that the redemption made under the Recurring Redemption Offer occurred on 24 July 2018.

The total number of Units redeemed under the Recurring Redemption Offer is 17,187,780. Units were redeemed at the redemption price of HK\$11.91 per Unit, representing the net asset value of HK\$11.93 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 24 July 2018 and made available as of 9:30 a.m. on 25 July 2018 less a Redemption Levy of HK\$0.02 per Unit. The Redemption Levy of HK\$0.02 per Unit represented 0.17% 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 23 July 2018. The aggregate number of Units for which applications were made under the Recurring Redemption Offer is 39,378,347 representing 45.82% of the total outstanding number of Units as at 23 July 2018.

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 23 July 2018, 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 Registrar will send HK\$11.91 per Unit as the full amount of redemption proceeds to Unitholders on 7 August 2018.

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 7 August 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 | 85,782,861 | 99.82 | 85,782,861 | 99.82 | 68,644,782 | 99.84 |
| Manager and entities that are the Manager's parent, Manager's subsidiaries, the Manager's fellow subsidiaries, associated companies of any of the foregoing (i) trade in the Units as discretionary fund managers and/or (ii) for proprietary purposes own or control or direct the holding of voting rights and rights over the Units | 156,362 | 0.18 | 156,362 | 0.18 | 106,661 | 0.16 |

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 | 42,493 | 0.05 | 42,493 | 0.05 | 42,493 | 0.06 |
| HSBC International Trustee Limited | 113,869 | 0.13 | 113,869 | 0.13 | 64,168 | 0.09 |

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 on the Lodgement Date and Redemption Date:

| Date | Total net asset value of the Fund (HK\$) | Net asset value per Unit (HK\$) |
|-----------------------------|--|---------------------------------|
| 23 July 2018 ^(a) | 1,019,579,664.84 | 11.87 |
| 24 July 2018 ^(b) | 1,025,254,644.18 | 11.93 |

- ^(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
25 July 2018

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 table demonstrates the gross performance of the Fund. 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 index are quoted for indicative comparison purpose only and the index is not the benchmark of the Fund.

As at 30 June 2018:

| | Calendar year performance ⁽²⁾ | | | | | | Cumulative performance ⁽³⁾ | |
|--|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------------------------|--------|
| | 2018 year-to-date | 2017 full year | 2016 full year | 2015 full year | 2014 full year | 2013 full year | 6 months | 1 year |
| Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾ | -8.73% | 28.16% | -12.60% | 12.64% | 32.32% | 1.25% | -8.73% | 0.98% |
| MSCI China A | -18.04% | 21.47% | -18.94% | 7.15% | 46.91% | 1.02% | -18.04% | -9.58% |

The following table demonstrates the net of fees performance of the Fund calculated according to the net asset value per unit of the Fund.

As at 30 June 2018:

| | Calendar year performance ⁽²⁾ | | | | | | Cumulative performance ⁽³⁾ | |
|--|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------------------------|--------|
| | 2018 year-to-date | 2017 full year | 2016 full year | 2015 full year | 2014 full year | 2013 full year | 6 months | 1 year |
| Net asset value of the Fund (net of fees) ⁽¹⁾ | -9.17% | 25.77% | -13.04% | 9.85% | 30.49% | -0.47% | -9.17% | -0.41% |

As at 30 June 2018:

| | |
|---|-----------------|
| Net asset value per unit of the Fund: | HK\$12.19 |
| Closing price of the Fund on the Stock Exchange of Hong Kong: | HK\$10.50 |
| Discount / Premium to net asset value: | 13.86% discount |

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 June 2018. 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: 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. 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 July 2018

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 table demonstrates the gross performance of the Fund. 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 index are quoted for indicative comparison purpose only and the index is not the benchmark of the Fund.

As at 31 May 2018:

| | Calendar year performance ⁽²⁾ | | | | | | Cumulative performance ⁽³⁾ | |
|--|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------------------------|--------|
| | 2018 year-to-date | 2017 full year | 2016 full year | 2015 full year | 2014 full year | 2013 full year | 6 months | 1 year |
| Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾ | 1.02% | 28.16% | -12.60% | 12.64% | 32.32% | 1.25% | 2.94% | 18.57% |
| MSCI China A | -8.22% | 21.47% | -18.94% | 7.15% | 46.91% | 1.02% | -6.81% | 8.02% |

The following table demonstrates the net of fees performance of the Fund calculated according to the net asset value per unit of the Fund.

As at 31 May 2018:

| | Calendar year performance ⁽²⁾ | | | | | | Cumulative performance ⁽³⁾ | |
|--|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------------------------|--------|
| | 2018 year-to-date | 2017 full year | 2016 full year | 2015 full year | 2014 full year | 2013 full year | 6 months | 1 year |
| Net asset value of the Fund (net of fees) ⁽¹⁾ | 0.75% | 25.77% | -13.04% | 9.85% | 30.49% | -0.47% | 2.27% | 17.06% |

As at 31 May 2018:

| | |
|---|-----------------|
| Net asset value per unit of the Fund: | HK\$13.52 |
| Closing price of the Fund on the Stock Exchange of Hong Kong: | HK\$11.54 |
| Discount / Premium to net asset value: | 14.64% discount |

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 May 2018. 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: 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. 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 June 2018

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**

12 June 2018

CONTENT

| | <i>Page</i> |
|---|-------------|
| CORPORATE INFORMATION | 1 |
| EXPECTED TIMETABLE | 2 |
| DEFINITIONS | 4 |
| LETTER FROM THE MANAGER | 8 |
| APPENDIX 1 — EXPLANATORY STATEMENT | 28 |
| APPENDIX 2 — FINANCIAL INFORMATION | 44 |

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 12 June 2018

Commencement date for lodging the redemption
request with the Registrar 3 July 2018

Lodgement Date of the Recurring Redemption Offer
(i.e. last date for lodgement of Recurring
Redemption Offer request) 4:30 p.m. on 23 July 2018

Redemption Day of the Recurring Redemption Offer
(note 1) 24 July 2018

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. 25 July 2018)

Announcement of the net asset value of the Fund as of
the Value Day. by 5:00 p.m. on 25 July 2018

Latest date for return of certificate(s) for Units not
redeemed (if applicable) 7 August 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 24 September 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 24 September 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 7 August 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 23 May 2018 by the Manager in relation to the Recurring Redemption Offer |
| “Fund” | HSBC China Dragon Fund |
| “General Meeting” | the general meeting of Unitholders held on 7 January 2016 at which the extraordinary resolutions in relation to (a) the Change of Investment Objective, (b) the One-off Redemption Offer; (c) the Recurring Redemption Offer and (d) the changes to the Trust Deed to effect the Recurring Redemption Offer were approved |
| “Handbook” | the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products |
| “HKSCC” | Hong Kong Securities Clearing Company Limited |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Unitholder(s)” | Unitholders other than any Unitholder that has a material interest in the Recurring Redemption Offer which is different from the interests of all other Unitholders |
| “Latest Practicable Date” | 8 June 2018, being the latest practicable date prior to the despatch of this circular for ascertaining certain information contained herein |
| “Lodgement Date” | 23 July 2018, 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 |
| “PRC” or “China” | the People’s Republic of China, but for the purposes of this circular and the Fund’s investment objective and investment approach only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan |

DEFINITIONS

| | |
|------------------------------------|--|
| “QFII” | qualified foreign institutional investor approved by the CSRC pursuant to the “Measures for the Administration of Investment in Domestic Securities by Qualified Foreign Institutional Investors” (《合格境外機構投資者境內證券投資管理辦法》) promulgated by CSRC, People’s Bank of China and SAFE on 24 August, 2006 and came into effect on 1 September, 2006, as may be amended from time to time |
| “Recurring Redemption Offer” | an offer by the Manager to all Unitholders to redeem part or all of their holdings in the Fund (subject to a Redemption Levy) as the Manager determines at its discretion taking into account the best interests of the Unitholders, subject to certain conditions as described in the Circular and the Offering Circular, pursuant to the Firm Intention Announcement and this circular |
| “Redemption Day” | the Business Day immediately following the Lodgement Date |
| “Redemption Levy” | the redemption fee of up to 2% of the redemption price, payable in relation to the redemption of Units by a redeeming Unitholder pursuant to the Recurring Redemption Offer as described in this circular |
| “Registrar” | Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong |
| “Relevant Period” | the period from 23 November 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 |
| “Third Recurring Redemption Offer” | the Recurring Redemption Offer dated 19 December 2017 |
| “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 |

DEFINITIONS

| | |
|-----------------|--|
| “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

12 June 2018

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 7 June 2018 are HK\$1,177,188,484 and HK\$1,008,926,478, respectively, representing a discount of 14.29%.

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 20.10% (daily average) from 2 January 2018 to 29 March 2018, 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 2018, 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 19 December 2017;

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, 85,939,223 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 25 July 2018.

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 0.08% of the net asset value of the Fund as at 7 June 2018. 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 24 September 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 7 August 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 7 June 2018, A Shares invested directly through QFII and other net assets in the PRC account for approximately 95.84% of the net asset value of the Fund, the redemption proceeds payable out of the assets in the PRC as of 7 June 2018 is approximately 80% 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

LETTER FROM THE MANAGER

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.

LETTER FROM THE MANAGER

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 24 September 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 7 August 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

LETTER FROM THE MANAGER

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 0.01%(i.e. from 1.90% for the financial year ended 31 March 2017 to approximately 1.91% 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

LETTER FROM THE MANAGER

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.

LETTER FROM THE MANAGER

- 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.

- Corporate income 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 corporate 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 (“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

LETTER FROM THE MANAGER

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 21,484,754 Units at HK\$13.14 per Unit on 19 December 2017 pursuant to the Third 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 2018, being the date of the end of the last financial year of the Fund.

LETTER FROM THE MANAGER

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 | 85,782,861 | 99.82% | 68,626,289 | 99.82% |
| 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 | 156,362 | 0.18% | 125,090 | 0.18% |

(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.

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 20.10% to its net asset value over the past three months since 2 January 2018 to 29 March 2018, 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.

LETTER FROM THE MANAGER

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 1.90% for the financial year ended 31 March 2017 to approximately 1.91% 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.

LETTER FROM THE MANAGER

(I) Net Asset Value

Based on the net asset value of the Fund as at 7 June 2018 (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 7 June 2018 (<i>Note 1</i>) | 1,177,188,484 | 1,177,188,484 |
| Less: Redemption proceeds payable to Unitholders under the Recurring Redemption Offer (<i>Note 2</i>) | — | (230,728,942) |
| Less: Estimated costs and expenses with respect to the realisation of the assets of the Fund | — | (4,708,754) |
| | 1,177,188,484 | 941,750,788 |
| Number of Units in issue | 85,939,223 | 68,751,379 |
| Unaudited adjusted net asset value per Unit | HK\$13.70 | HK\$13.70 |

Note 1: being the unaudited consolidated equity attributable to Unitholders as at 7 June 2018 as published by the Fund on 8 June 2018 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\$235,437,696 |
| Less: Redemption levy retained by the Fund | (HK\$4,708,754) |
| | HK\$230,728,942 |

LETTER FROM THE MANAGER

According to the above example, the Recurring Redemption Offer involves the payment of HK\$235,437,696 (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\$4,708,754, 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\$4,708,754. The Recurring Redemption Offer will therefore reduce the unaudited adjusted net asset value and hence the working capital from HK\$1,177,188,484 to HK\$941,750,788 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\$13.70 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.

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 12 June 2018 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 85,939,223 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 3 July 2018. Any certificate(s) of Units received prior to 3 July 2018 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 25 July 2018.
- 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 12 June 2018 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 20.10% to its net asset value over the past three months since 2 January 2018 to 29 March 2018, 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 24 September 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 7 August 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 0.01% (i.e. from 1.90% for the financial year ended 31 March 2017 to approximately 1.91% 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 21,484,754 Units at HK\$13.14 per Unit on 19 December 2017 pursuant to the Third 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 2018, 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 | Units | Approx. % |
|---|---------|-----------|
| The Hongkong and Shanghai Banking Corporation Limited | 42,493 | 0.05% |
| HSBC International Trustee Limited | 113,869 | 0.13% |

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, 85,939,223 Units are in issue. Assuming that the Recurring Redemption Offer is fully exercised by Unitholders, there will be approximately 68,751,379 Units in issue upon completion of the Recurring Redemption Offer. There is only one class of Units in issue and all the Units rank *pari passu*. There has been no payment of dividend during the two-year period preceding the Latest Practicable Date. Other than the buy-back of Units set out in clause 2 above, there has been no re-organization of capital during two financial years preceding date of Firm Intention Announcement.

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

5. TRADING PRICES AND NET ASSET VALUES

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

| Date | Highest price (HK\$) | Lowest price (HK\$) | Highest net asset value (HK\$) | Lowest net asset value (HK\$) |
|---|---------------------------------|--------------------------------|---|--|
| June 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 | 10.36 | 13.48 | 12.91 |
| November 2017 | 11.88 | 10.94 | 13.78 | 13.22 |
| December 2017 | 11.50 | 10.58 | 13.43 | 12.99 |
| January 2018 | 12.06 | 10.80 | 15.19 | 13.68 |
| February 2018 | 12.12 | 10.90 | 15.22 | 13.38 |
| March 2018 | 11.48 | 10.72 | 14.44 | 13.50 |
| April 2018 | 11.12 | 10.58 | 13.96 | 13.18 |
| May 2018 | 11.64 | 10.66 | 13.97 | 13.16 |
| 7 June 2018, being the last trading date before the Latest Practicable Date | 11.76 | 11.42 | 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 7 June 2018 (the last trading date before the Latest Practicable Date), 21 May 2018 (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\$) |
|---|---------------------------------|-----------------------------------|
| 30 November 2017 | 11.38 | 13.22 |
| 29 December 2017 | 10.82 | 13.42 |
| 31 January 2018 | 11.96 | 15.00 |
| 28 February 2018 | 11.42 | 14.18 |
| 29 March 2018 | 10.96 | 13.66 |
| 30 April 2018 | 10.72 | 13.19 |
| 31 May 2018 | 11.54 | 13.52 |
| 21 May 2018, the last trading date before the date of the Firm Intention Announcement | 11.28 | 13.85 |
| 7 June 2018, being the last trading date before the Latest Practicable Date | 11.74 | 13.70 |

The highest and lowest closing price per Unit as quoted on the Stock Exchange during the Relevant Period were HK\$12.06 on 1 February 2018; and HK\$10.58 on 20 December 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 31 March 2017 and for the period from 1 April 2017 to 30 September 2017 as extracted from the Fund's relevant annual reports and interim report 2017 respectively.

| | Period from 1 April 2017 to 30 September 2017 (Unaudited) HK\$ | 2017 HK\$ | 2016 HK\$ | 2015 HK\$ |
|---|---|--------------------|----------------------|----------------------|
| Net investment income/(loss) | <u>177,543,667</u> | <u>144,924,575</u> | <u>(725,262,875)</u> | <u>1,272,742,147</u> |
| Profit/(loss) before taxation | 164,207,617 | 108,826,329 | (781,917,463) | 1,228,032,081 |
| Taxation | <u>(2,243,466)</u> | <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>161,964,151</u> | <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 and for the period from 1 April 2017 to 30 September 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 and for the period from 1 April 2017 to 30 September 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 49 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 49 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 | <i>14</i> | <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 49 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><u>302,578,533</u></u> | <u><u>28,362,084</u></u> |

The notes on pages 49 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><u>117,299,307</u></u> | <u><u>(764,814,928)</u></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 HK\$ | 2016 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><u>1,221,970,880</u></u> | <u><u>(111,506)</u></u> | <u><u>1,221,859,374</u></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><u>1,796,179,063</u></u> | <u><u>(1,509,187)</u></u> | <u><u>1,794,669,876</u></u> |

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

Currency sensitivity

As the HKD is pegged to the United States dollar ("USD"), the Fund does not expect any significant movements in USD/HKD exchange rate. During the year ended 31 March 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><u>69,972,551</u></u> |
| 31 March 2016 | |
| Renminbi | <u><u>67,221,288</u></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 |
|---|---|
| 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.

B. SET OUT BELOW IS THE FULL TEXT OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS OF THE FUND FOR THE PERIOD ENDED 30 SEPTEMBER 2017.

INTERIM STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)

As at 30 September 2017

| | | 30 September 2017 (Unaudited) HK\$ | 31 March 2017 (Audited) HK\$ |
|--|-----------------|---|---|
| | <i>Note</i> | | |
| 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> |

The notes on pages 71 to 87 form part of these financial statements.

INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 September 2017

| | | Six months ended | |
|---|---------|---------------------|---------------------|
| | | 30 September | 30 September |
| | | 2017 | 2016 |
| | | (Unaudited) | (Unaudited) |
| | Note | HK\$ | 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) | <u>1,672,720</u> | <u>—</u> |
| 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 | | <u>(254,480)</u> | <u>(594,894)</u> |
| Operating expenses | | <u>(13,336,050)</u> | <u>(17,976,324)</u> |
| Profit before taxation | | 164,207,617 | 51,648,660 |
| Taxation | 6 | <u>(2,243,466)</u> | <u>(2,355,923)</u> |
| Increase in net assets attributable to unitholders and total comprehensive income for the period | | <u>161,964,151</u> | <u>49,292,737</u> |

The notes on pages 71 to 87 form part of these financial statements.

INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2017

| | | Six months ended | |
|---|------|----------------------|----------------------|
| | | 30 September | 30 September |
| | | 2017 | 2016 |
| | | (Unaudited) | (Unaudited) |
| | Note | HK\$ | 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> |

The notes on pages 71 to 87 form part of these financial statements.

INTERIM CASH FLOW STATEMENT (UNAUDITED)*For the six months ended 30 September 2017*

| | Six months ended | |
|---|---------------------------|---------------------------|
| | 30 September | 30 September |
| | 2017 | 2016 |
| | (Unaudited) | (Unaudited) |
| | <i>HK\$</i> | <i>HK\$</i> |
| 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 | <u>(1,093,429)</u> | <u>(6,994,745)</u> |
| Net cash (used in)/generated from operating activities | <u>.....(3,257,043)</u> | <u>.....369,908,718</u> |
| Financing activity | | |
| Payments on redemption of units | <u>(264,799,578)</u> | <u>(361,212,339)</u> |
| Net cash used in financing activity | <u>.....(264,799,578)</u> | <u>.....(361,212,339)</u> |
| Net (decrease)/increase in cash and cash equivalents | <u>(268,056,621)</u> | <u>8,696,379</u> |
| Cash and cash equivalents at the beginning of the period | <u>302,578,533</u> | <u>28,362,084</u> |
| 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> |

The notes on pages 71 to 87 form part of these financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT*For the year 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 | 0.08% | — |
| Total aggregate value of such transactions for the period | 24,125,796 | — |
| Percentage of such transactions in value to total transactions for the period | 3.07% | 0.00% |

- (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 | <u>10,757,935</u> | <u>(3,008,326)</u> | <u>(7,749,609)</u> | <u>—</u> | <u>—</u> | <u>—</u> |

* 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, <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 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.

III. INDEBTEDNESS STATEMENT

At the close of business on 8 June 2018, 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 strong earnings growth as economic momentum improved, onshore Chinese equities managed to extend its gain from Q1 2017 to mid May 2018. Over this period, the net asset value per unit of the Fund moved from HK\$11.47 as of end March 2017 to HK\$13.97 as of 15 May 2018, outpacing gains in the market on the back of successful stock picking in healthcare, materials and consumer discretionary.

In 2Q 2017, 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 strong earnings results among the heavyweights. The continued stabilization of the RMB has also been supportive of equity market. While Moody’s downgraded China’s sovereign rating by one notch in 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 August 2018. The MSCI inclusion of A-shares gave relevant stocks a lift in June.

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 in the property sector.

Driven by generally robust macro data and upwards earnings revision, Chinese equity market rose higher in Q4 2017. China Q3 GDP coming in at 6.8%. Other major economic readings such as industrial profit, PPI and consumption related data all remain resilient. On the other hand, property sales moderated in Q4 as the government stepped up tightening measures in September. Also in September, PBOC announced a RRR cut of 50bps to 150bps will be available in 2018 for banks

which meets some lending requirements for targeted sector. The move was the first time in the past 18 months and has added fuel to the stock market. Federal Reserve raised benchmark rate in December. China followed by lifting the open market operations and medium-term lending facility rates by 5bps. The market was surprised by PBoC's move but given the increase is small, it did not bring significant impact to the market.

Entering into 2018, the equity market has been highly volatile. The Chinese market started the quarter off positively but, trend reversed in February with global equities, including Chinese equities, undergoing a sharp pullback as US job data for January was stronger than expected, triggering concerns on faster inflation and consequently faster rate hike by Federal Reserve. Market sentiment did not improve in March as trade tension between U.S. and China escalated. Nonetheless, economic data was still very positive as full-year 2017 real GDP growth came in at 6.9%, compared to 6.7% in 2016, marking the first time since 2010 that the annual GDP growth rate ticks up from the previous year.

V. FINANCIAL AND TRADING PROSPECTS

While the latest trade tension as well as fears over potential faster rate hike in the U.S. have increased market volatility and triggered widespread selloff of equities across the globe, we do not think they will alter the solid economic fundamentals of China nor the current situation of synchronized global growth. The manager remain positive on the near term outlook for Chinese equities. Major economic data in China such as GDP, industrial profit, import and export are still holding up fairly well. Also, deepening of supply-side and SOE reforms is expected to further improve operating efficiency in old economy industries as well as SOEs. Financial deleveraging efforts and policy tightening are unlikely to derail growth. For new economy sectors, they shall continue to benefit from the long-term economic rebalancing in China. On the back of the sound economic environment, we remain positive on corporate earnings growth in 2018. On the liquidity front, as CPI remains reasonably low, we see little pressure for China to hike rate in the near future. Furthermore, we think international investors, who are still underweight China, could potentially neutralize their positions in 2018 in light of improving macro environment and corporate earnings, and more importantly, the MSCI inclusion of A-share starting from 1 June this year.

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 12 June 2018.

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 23 May 2018 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 12 June 2018 (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 12 June 2018.

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
12 June 2018

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)

12 June 2018

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

2018年6月12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 12 June 2018 (“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2018年6月12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 _____, 2018 由單位持有人於2018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 23 July 2018 (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 23 May 2018 (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 23 July 2018. 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2018年7月23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2018年5月23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2018年7月23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／或彼等各目的代理人(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、自或與任何及所以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.
如屬聯名基金單位持有人，則本變更申請表格須由該名於基金單位持有人名冊上就聯名持有基金單位其姓名位列首位的基金單位持有人簽署，方為有效。
- The above instruction will apply to all future Corporate Communications to be sent to Unitholders of the Fund until you notify otherwise by reasonable notice in writing to the Fund's Registrar, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or by email to hsbcchinadragon.com@computershare.com.hk.
上述指示適用於將來寄發予本基金單位持有人之所有公司通訊，直至閣下發出合理書面通知予本基金之過戶登記處香港中央證券登記有限公司地址為香港灣仔皇后大道東183號合和中心17M樓或以電郵方式發送通知 hsbcchinadragon.com@computershare.com.hk 另作選擇為止。
- All Future Corporate Communications in both printed English and Chinese versions will be available for inspection from the Fund's Registrar upon request.
本基金之過戶登記處將備有所有公司通訊之英、中文印刷本以供索閱。
- The unitholders are entitled to change the choice of means of receipt or language of the Fund's Corporate Communications at any time by reasonable notice in writing to the Fund's Registrar.
基金單位持有人有權隨時發出合理書面通知本基金之過戶登記處，要求更改收取公司通訊之語言版本及方式。
- Any form with more than one box marked (X), with no box marked (X), with no signature or otherwise incorrectly completed will be void.
如在本表格作出超過一項選擇、或未有作出選擇、或未有簽署、或在其他方面填寫不正確，則本表格將會作廢。
- For the avoidance of doubt, we do not accept any special instructions written on this Request Form.
為免存疑，任何在本申請表格上的額外手寫指示，本公司將不予處理。

閣下寄回此變更申請表格時，請將郵寄標籤剪貼於信封上。

如在本港投寄毋須貼上郵票。

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

No postage stamp necessary if posted in Hong Kong.

郵寄標籤 MAILING LABEL

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

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

*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 20.10% (daily average) from 2 January 2018 to 29 March 2018, 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 2018, 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 19 December 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 20.10% (daily average) from 2 January 2018 to 29 March 2018, 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 2018, 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 19 December 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, 85,939,223 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 25 July 2018.

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 0.08% of the net asset value of the Fund as at 21 May 2018. 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 24 September 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 7 August 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 21 May 2018, A Shares invested directly through QFII and other net assets in the PRC account for approximately 95.74% of the net asset value of the Fund, for reference, the redemption proceeds payable out of the assets in the PRC as of 21 May 2018 is approximately 80% 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 | 12 June 2018 |
| Commencement date for lodging the redemption request with the Registrar | 3 July 2018 |
| Lodgement Date of the Recurring Redemption Offer (i.e. last date for lodgment of Recurring Redemption Offer request) | 23 July 2018 |
| Redemption Day of the Recurring Redemption Offer | 24 July 2018 |
| Date of announcement of the net asset value of the Fund as of the Value Day | 25 July 2018 |
| 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) | 7 August 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 24 September 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 24 September 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 7 August 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 QFII's, 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 0.01% (i.e. from 1.90% for the financial year ended 31 March 2017 to approximately 1.91% 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.

- **Corporate income 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 corporate 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 21 May 2018, 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 | 42,493 | 0.05% |
| HSBC International Trustee Limited | 113,869 | 0.13% |

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 | 85,782,861 | 99.82% | 68,626,289 | 99.82% |
| 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 | 156,362 | 0.18% | 125,090 | 0.18% |

(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 20.10% to its net asset value over the past three months since 2 January 2018 to 29 March 2018, 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 1.91% 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 20.1% to its net asset value over the past three months since 2 January 2018 to 29 March 2018, 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
23 May 2018

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 table demonstrates the gross performance of the Fund. 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 index are quoted for indicative comparison purpose only and the index is not the benchmark of the Fund.

As at 30 April 2018:

| | Calendar year performance ⁽²⁾ | | | | | | Cumulative performance ⁽³⁾ | |
|--|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------------------------|--------|
| | 2018 year-to-date | 2017 full year | 2016 full year | 2015 full year | 2014 full year | 2013 full year | 6 months | 1 year |
| Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾ | -1.66% | 28.16% | -12.60% | 12.64% | 32.32% | 1.25% | -1.51% | 15.58% |
| MSCI China A | -6.89% | 21.47% | -18.94% | 7.15% | 46.91% | 1.02% | -7.93% | 9.89% |

The following table demonstrates the net of fees performance of the Fund calculated according to the net asset value per unit of the Fund.

As at 30 April 2018:

| | Calendar year performance ⁽²⁾ | | | | | | Cumulative performance ⁽³⁾ | |
|--|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------------------------|--------|
| | 2018 year-to-date | 2017 full year | 2016 full year | 2015 full year | 2014 full year | 2013 full year | 6 months | 1 year |
| Net asset value of the Fund (net of fees) ⁽¹⁾ | -1.71% | 25.77% | -13.04% | 9.85% | 30.49% | -0.47% | -2.01% | 14.00% |

As at 30 April 2018:

| | |
|---|-----------------|
| Net asset value per unit of the Fund: | HK\$13.19 |
| Closing price of the Fund on the Stock Exchange of Hong Kong: | HK\$10.72 |
| Discount / Premium to net asset value: | 18.73% discount |

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 April 2018. 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: 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. Cumulative performance is the gain or loss of the Fund over certain period of time up to the relevant date.

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

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

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
21 May 2018

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 table demonstrates the gross performance of the Fund. 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 index are quoted for indicative comparison purpose only and the index is not the benchmark of the Fund.

As at 29 March 2018:

| | Calendar year performance ⁽²⁾ | | | | | | Cumulative performance ⁽³⁾ | |
|--|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------------------------|--------|
| | 2018 year-to-date | 2017 full year | 2016 full year | 2015 full year | 2014 full year | 2013 full year | 6 months | 1 year |
| Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾ | 2.43% | 28.16% | -12.60% | 12.64% | 32.32% | 1.25% | 6.50% | 21.72% |
| MSCI China A | -1.41% | 21.47% | -18.94% | 7.15% | 46.91% | 1.02% | 0.20% | 14.60% |

The following table demonstrates the net of fees performance of the Fund calculated according to the net asset value per unit of the Fund.

As at 29 March 2018:

| | Calendar year performance ⁽²⁾ | | | | | | Cumulative performance ⁽³⁾ | |
|--|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------------------------|--------|
| | 2018 year-to-date | 2017 full year | 2016 full year | 2015 full year | 2014 full year | 2013 full year | 6 months | 1 year |
| Net asset value of the Fund (net of fees) ⁽¹⁾ | 1.79% | 25.77% | -13.04% | 9.85% | 30.49% | -0.47% | 5.24% | 19.09% |

As at 29 March 2018:

| | |
|---|-----------------|
| Net asset value per unit of the Fund: | HK\$13.66 |
| Closing price of the Fund on the Stock Exchange of Hong Kong: | HK\$10.96 |
| Discount / Premium to net asset value: | 19.77% discount |

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 29 March 2018. 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: 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. 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 April 2018

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 table demonstrates the gross performance of the Fund. 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 index are quoted for indicative comparison purpose only and the index is not the benchmark of the Fund.

As at 28 February 2018:

| | Calendar year performance ⁽²⁾ | | | | | | Cumulative performance ⁽³⁾ | |
|--|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------------------------|--------|
| | 2018 year-to-date | 2017 full year | 2016 full year | 2015 full year | 2014 full year | 2013 full year | 6 months | 1 year |
| Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾ | 5.39% | 28.16% | -12.60% | 12.64% | 32.32% | 1.25% | 9.52% | 27.66% |
| MSCI China A | 0.37% | 21.47% | -18.94% | 7.15% | 46.91% | 1.02% | 2.29% | 16.00% |

The following table demonstrates the net of fees performance of the Fund calculated according to the net asset value per unit of the Fund.

As at 28 February 2018:

| | Calendar year performance ⁽²⁾ | | | | | | Cumulative performance ⁽³⁾ | |
|--|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------------------------|--------|
| | 2018 year-to-date | 2017 full year | 2016 full year | 2015 full year | 2014 full year | 2013 full year | 6 months | 1 year |
| Net asset value of the Fund (net of fees) ⁽¹⁾ | 5.66% | 25.77% | -13.04% | 9.85% | 30.49% | -0.47% | 8.83% | 25.82% |

As at 28 February 2018:

| | |
|---|-----------------|
| Net asset value per unit of the Fund: | HK\$14.18 |
| Closing price of the Fund on the Stock Exchange of Hong Kong: | HK\$11.42 |
| Discount / Premium to net asset value: | 19.46% discount |

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 28 February 2018. 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: 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. 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 March 2018

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 table demonstrates the gross performance of the Fund. 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 index are quoted for indicative comparison purpose only and the index is not the benchmark of the Fund.

As at 31 January 2018:

| | Calendar year performance ⁽²⁾ | | | | | | Cumulative performance ⁽³⁾ | |
|--|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------------------------|--------|
| | 2018 year-to-date | 2017 full year | 2016 full year | 2015 full year | 2014 full year | 2013 full year | 6 months | 1 year |
| Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾ | 12.16% | 28.16% | -12.60% | 12.64% | 32.32% | 1.25% | 21.09% | 39.78% |
| MSCI China A | 7.38% | 21.47% | -18.94% | 7.15% | 46.91% | 1.02% | 14.38% | 27.37% |

The following table demonstrates the net of fees performance of the Fund calculated according to the net asset value per unit of the Fund.

As at 31 January 2018:

| | Calendar year performance ⁽²⁾ | | | | | | Cumulative performance ⁽³⁾ | |
|--|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------------------------|--------|
| | 2018 year-to-date | 2017 full year | 2016 full year | 2015 full year | 2014 full year | 2013 full year | 6 months | 1 year |
| Net asset value of the Fund (net of fees) ⁽¹⁾ | 11.77% | 25.77% | -13.04% | 9.85% | 30.49% | -0.47% | 19.62% | 36.12% |

As at 31 January 2018:

| | |
|---|-----------------|
| Net asset value per unit of the Fund: | HK\$15.00 |
| Closing price of the Fund on the Stock Exchange of Hong Kong: | HK\$11.96 |
| Discount / Premium to net asset value: | 20.27% discount |

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 January 2018. 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: 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. Cumulative performance is the gain or loss of the Fund over certain period of time up to the relevant date.

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

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

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
22 February 2018

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 | 2016 | 2015 | 2014 | 2013 | 2012 | | 2011 | 2010 | 2009 | 2008 | 2007 |
| | Year-to-date ⁽¹⁾ | full year | full year | full year | full year | Year-to-date since 1 January up to 31 December ⁽¹⁾ | Year-to-date since 1 January up to 5 September ⁽¹⁾ | full year | full year | full year | full year | since August 07 ⁽³⁾ |
| The Fund’s A-share and other QFII investments (gross of fees and net of capital gain tax provision) ⁽¹⁾ | 28.16% | -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 | 21.47% | -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 29 December 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⁾ | 10.64% | 28.16% | 48.64% | N.A. |
| <i>MSCI China A</i> | 10.32% | 21.47% | 14.89% | N.A. |
| The Fund's non A-share and non QFII investments (gross of fees) | N.A. | N.A. | N.A. | -16.52% |
| <i>MSCI China</i> | N.A. | N.A. | N.A. | -15.50% |

The following table demonstrates the performance of the Fund as a whole up to 29 December 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 December 2017:

as at 25 December 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⁾ | 25.77% | -13.04% | 9.85% | 30.49% | -0.47% | 13.16% | -23.31% | 4.76% | 75.51% | -57.82% | 29.48% | 9.64% | 25.77% | 35.97% |

As at 29 December 2017:

| | |
|---|-----------------|
| Net asset value per unit of the Fund: | HK\$13.42 |
| Closing price of the Fund on the Stock Exchange of Hong Kong: | HK\$10.82 |
| Discount / Premium to net asset value: | 19.37% discount |

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 29 December 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 January 2018

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.

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)*

**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\$3.00 per Unit in respect to the Recurring Redemption Offer to the redeeming Unitholders on 5 January 2018. **The Fund will pay the final instalment of the redemption proceeds, namely, HK\$10.14 per Unit to the redeeming Unitholders on 12 January 2018.**

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, (iii) the circular published by the Fund dated 21 November 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 20 December 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 19 December 2017.

The Registrar has sent the first payment of HK\$3.00 per Unit in respect of the Recurring Redemption Offer to the redeeming Unitholders on 5 January 2018.

The Fund will pay the final instalment of the redemption proceeds, namely, HK\$10.14 per Unit to the redeeming Unitholders on 12 January 2018 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
10 January 2018

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