
HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

(Stock Code: 820)

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IMPORTANT

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HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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

**ANNOUNCEMENT
AMENDMENTS TO REFLECT THE REQUIREMENTS
UNDER THE REVISED CODE ON UNIT TRUSTS AND MUTUAL FUNDS**

HSBC Global Asset Management (Hong Kong) Limited, as the Manager of the Fund, hereby announces that with effect from 30 December 2019 (the "**Effective Date**"), the trust deed of the Fund (the "**Trust Deed**") has been amended by way of a fifth supplemental trust deed (the "**Supplemental Deed**"). The purpose of the Supplemental Deed is to incorporate changes into the Trust Deed to comply with the requirements of the Securities and Futures Commission's (the "**SFC**") revised Code on Unit Trusts and Mutual Funds (the "**Revised UT Code**"). The Revised UT Code came into effect on 1 January 2019 with a 12-month transition period for existing schemes (i.e. funds previously authorised by the SFC, including the Fund).

Unless otherwise defined in this announcement, terms and expressions used in this announcement shall have the same meanings ascribed to them under the Trust Deed.

Amendments to the Trust Deed

The main changes to the Trust Deed relate to the following, without limitation:

- (i) the valuation and pricing policy of the Fund;
- (ii) the dealing arrangements of the Fund;
- (iii) the soft dollar policies and practices of the Fund;
- (iv) the requirements for entering into securities financing transactions by the Fund;
- (v) the criteria of collateral received from counterparties;
- (vi) the investment and borrowing restrictions applicable to the Fund to reflect the updated investment and borrowing restrictions under Chapter 7 of the Revised UT Code. Investors can also refer to the section titled "Investment and Borrowing Restrictions" in the offering circular of the Fund (the "**Offering Circular**") for the revised disclosures relating to the investment and borrowing restrictions;
- (vii) enhanced obligations of the Trustee and the Manager respectively; and

- (viii) other modifications for compliance with regulatory requirements.

Pursuant to Clause 30.1 of the Trust Deed, the Trustee has certified that in its opinion the modification, alteration and addition contemplated under the Supplemental Deed:

- (a) do not materially prejudice the interests of the Holders;
- (b) do not operate to release to any material extent the Trustee or the Manager or any other person from any responsibility to the Holders;
- (c) will not result in any increase in the amount of costs and charges payable from the Trust Fund (other than the costs, charges, fees and expenses incurred in connection with the Supplemental Deed); or
- (d) is necessary in order to make possible compliance with any fiscal, statutory or official requirement (whether or not having the force of law).

Accordingly, such modification, alteration or addition does not require the sanction of an extraordinary resolution of the Holders.

Offering Documents

The Offering Circular and the product key facts statement of the Fund (the "**KFS**") are also amended on the Effective Date to reflect the requirements of the Revised UT Code.

In addition, the following key updates will be made to the Offering Circular and KFS (where applicable), without limitation:

- i. the Fund's net derivative exposure may be up to 50% of the Fund's net asset value;
- ii. the Manager may in their absolute discretion terminate the Fund without any approval of the unitholders of the Fund by giving at least three months' prior written notice if the net asset value of the Fund falls below HK\$400 million;
- iii. disclosures relating to risks associated with the QFII custodian and PRC brokers will be included;
- iv. disclosures on measures to address prolonged significant discount of the secondary trading price of the Fund on the Hong Kong Stock Exchange and on the calculation of the redemption price will be enhanced;
- v. disclosures relating to compliance with the latest regulatory requirements imposed on the Manager and the Fund under the automatic exchange of information legislation, the US Foreign Account Tax Compliance Act and the common reporting standard rules will be updated;
- vi. disclosures on the arrangement in handling unclaimed proceeds of unitholders of the Fund in the event of termination of the Fund will be updated; and
- vii. the removal or retirement of the Manager must be approved by the unitholders of the Fund.

A copy of the Offering Circular and KFS dated December 2019 is available on the Fund's website and for inspection, free of charge, during normal business hours at the registered office of the Manager from the Effective Date.

Save as disclosed in this announcement, there will be no change in the operation and/or manner in which the Fund is being managed, there will be no change in the fee structure in managing the Fund and the changes will not result in any material change to the investment objective and overall risk profile of the Fund. The expenses arising as a result of the above changes will be borne by the Fund.

The Manager accepts responsibility for the accuracy of the information contained in this announcement.

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

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
30 December 2019

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 and Mr. MARTIN, Kevin Ross.

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HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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

(Stock Code: 820)

Announcement

PROPOSED RECURRING REDEMPTION OFFER

This announcement is made pursuant to Chapter 11.1B of the Code and the disclosure obligation under the listing agreement for collective investment schemes as set out in Part G of Appendix 7 to the Rules Governing the Listing of Securities on the Stock Exchange.

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

1. the Fund has been trading at a discount of its net asset value of 20.17% (daily average) from 1 August 2019 to 31 October 2019, 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 2019, 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 24 July 2018;
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 20.17% (daily average) from 1 August 2019 to 31 October 2019, 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 2019, 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 24 July 2018;
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, 68,751,443 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 21 February 2020.

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 0.10% of the net asset value of the Fund as at 23 December 2019. Such cost will primarily include legal fees and costs, and fees and costs incurred by and payable to the Registrar with respect to the Recurring Redemption Offer and will be borne by the Fund, that is, indirectly by all the Unitholders before the redemption day with respect to Recurring Redemption Offer. Redemption Levy, which is up to 2% of the net asset value of the Units being redeemed (i.e. the redemption price), will be borne by the redeeming Unitholders pursuant to the Recurring Redemption Offer.

(iii) Procedures with respect to the Recurring Redemption Offer

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

Due to the legal and regulatory requirements in PRC, redemption proceeds payable to Unitholders out of the Fund's assets in the PRC may be paid to the Unitholders in more than one month from the Redemption Day. The Manager shall use its best endeavours to repatriate and distribute such proceeds to the Unitholders within two months after the Redemption Day (i.e. on or before 20 April 2020). However, distribution of redemption proceeds payable out of the Fund's

assets in the PRC will be subject to the relevant rules of SAFE and may be delayed beyond the control of the Manager. There is no assurance that redemption proceeds payable out of the Fund's assets in the PRC will be distributed within two months. Investors should refer to the risk factor headed under "Uncertainty on the payment date of the redemption proceeds" below. The Fund will also use its assets outside PRC if any and appropriate to settle part of the redemption proceeds and that part of the redemption proceeds payable out of the assets of the Fund outside the PRC will be payable by 5 March 2020. As such, the Fund may need to pay the redemption proceeds to Unitholders by instalments and the Fund will pay all the redemption proceeds to the Unitholders as soon as possible after receipt of the proceeds by the Fund. Further announcement will be made by the Manager as soon as practicable if there is a need to pay by instalment and the corresponding date(s) of payment. As of 23 December 2019, A Shares invested directly through QFII and other net assets in the PRC account for approximately 96.13% of the net asset value of the Fund. For reference, the redemption proceeds payable out of the assets in the PRC as of 23 December 2019 are approximately 85% of the total redemption proceeds (assuming that 20% of the total outstanding Units are being redeemed).

(iv) Limits on the Recurring Redemption Offer

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

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

The Fund will dispose of its investments in an orderly manner in order to effect the Recurring Redemption Offer. In the event that the aggregate number of Units for which applications to redeem are made under the Recurring Redemption Offer exceeds 20% of the outstanding number of Units as at the Lodgement Date, the Manager shall, subject to the redemption requests complying with the requirements of the Trust Deed, (i) limit the number of Units to be redeemed under the Recurring Redemption Offer to 20% of the outstanding number of Units as at the Lodgement Date and (ii) realise its investments and apply all or part of such realisation proceeds to satisfy the redemption requests of Unitholders wishing to redeem their Units on a pro rata basis based on the number of Units the Unitholders have validly applied to redeem, rounded down to the nearest whole Unit. Any request for the Recurring Redemption Offer **which is not satisfied** shall be void and certificates representing such Units shall be returned to Unitholders within 10 Business Days after the Redemption Day.

If the aggregate of the actual applications for redemption by the Unitholders made under the Recurring Redemption Offer is less than or equal to the aggregate maximum limit of 20% of the total outstanding number of Units as at the Lodgement Date, all Units applied to be redeemed will be redeemed. The balance between the Units actually redeemed and 20% of the total outstanding number of Units as at the Lodgement Date will neither be carried forward nor be available for any subsequent redemption by any Unitholder on any subsequent trading day of the Fund. The Manager shall, subject to the redemption requests complying with the requirements of the Trust Deed (including, amongst others, any request for the Recurring Redemption Offer must be given in writing signed by the Unitholder or any one of joint Unitholders and must specify the number of Units that are to be realised, and the name or names of the

Unitholder or Unitholders together with the relevant certificate(s) and/or transfer receipt(s) and/or any other document(s) of the title (and/or any satisfactory indemnity or indemnities required in respect thereof), the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the Manager or its agent or, if relevant, the Trustee), (i) satisfy all such redemption requests and (ii) realise its investments and apply all or part of such realisation proceeds to satisfy such redemption requests under the Recurring Redemption Offer.

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

The Recurring Redemption Offer will be subject to certain condition referred to in the section headed "Condition to the Recurring Redemption Offer" below and the full terms and details of the Recurring Redemption Offer will be described more fully in a circular to Unitholders.

All redeemed Units will be cancelled.

(v) Indicative Timetable

The expected timetable for the Recurring Redemption Offer set out below is indicative only and is subject to change. Any changes to the expected timetable will be announced separately by the Fund. All references to time are Hong Kong dates.

Posting of the circular to Unitholders in relation to the Recurring Redemption Offer on the Fund's website and/or by post to Unitholders	14 January 2020
Commencement date for lodging the redemption request with the Registrar	29 January 2020
Lodgement Date of the Recurring Redemption Offer (i.e. last date for lodgment of Recurring Redemption Offer request)	19 February 2020
Redemption Day of the Recurring Redemption Offer	20 February 2020
Date of announcement of the net asset value of the Fund as of the Value Day	21 February 2020
Registrar to dispatch the balanced certificates to the Unitholders and return of certificates representing request that do not satisfy Recurring Redemption Offer (by ordinary post)	5 March 2020
Target payment date of the Recurring Redemption Offer	The Manager shall use its best endeavours to pay all the redemption proceeds, less the Redemption Levy, to

Unitholders on or before 20 April 2020 (i.e. within 2 months after the Redemption Day). However, distribution of redemption proceeds payable out of the Fund's assets in the PRC will be subject to the relevant rules of SAFE and may be delayed beyond the control of the Manager. There is no assurance that redemption proceeds payable out of the Fund's assets in the PRC will be distributed within two months. (see Key Risk Factors (b)(i) below)

(b) Key Risk Factors

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

- (i) ***Uncertainty on the payment date of the redemption proceeds:*** the Manager shall use its best endeavours to pay all the redemption proceeds, less the Redemption Levy, to Unitholders on or before 20 April 2020 (i.e. within 2 months after the Redemption Day). However, distribution of redemption proceeds payable out of the Fund's assets in the PRC will be subject to the relevant rules of SAFE and may be delayed beyond the control of the Manager. There is no assurance that redemption proceeds payable out of the Fund's assets in the PRC will be distributed within two months. The Fund will also use its assets outside PRC to settle part of the redemption proceeds and that part of the redemption proceeds payable out of the assets of the Fund outside the PRC will be payable by 5 March 2020. Accordingly, subject to the relevant rules of SAFE and in the PRC, 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 time required by the Fund and the documentation required by the PRC custodian to repatriate funds from the PRC, subject to the applicable PRC repatriation rules and the regulatory and tax clearance approval process.

SAFE may implement *ad hoc* control on repatriation, which the Manager does not have control over and may 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. 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 0.08% (i.e. from 2.09% for the financial year ended 31 March 2019 to approximately 2.17% 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 higher of the consideration paid or the market value 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 by Hong Kong market investors from the trading of China A-shares listed on the Shanghai Stock Exchange through the Shanghai-Hong Kong Stock Connect 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 by Hong Kong market investors from the trading of China A-shares listed on the Shenzhen Stock Exchange through the Shenzhen-Hong Kong Stock Connect will also be exempted from VAT.

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

(d) Condition to the Recurring Redemption Offer

The Recurring Redemption Offer will be conditional upon the SFC's approval. As previously approved at the General Meeting and set out in the Circular, the Recurring Redemption Offer will not be subject to any further approval of the Unitholders nor the advice of the independent financial advisor. As stated in the Circular, the right of Unitholders to redeem may be suspended by the Manager in the event of that: (A) when either the China or the Hong Kong market is closed; (B) when dealings in the China or the Hong Kong market is restricted or suspended; and/or (C) during the existence of any state of affairs as a result of which disposal or valuation of some or all investments or other property for the time being comprised in the Fund cannot, in the opinion of the Manager, be effected normally or without seriously prejudicing the interests of Unitholders.

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

(e) Overseas Unitholders

Based on the register of Unitholders as at 23 December 2019, 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	0.06%
HSBC International Trustee Limited	64,168	0.09%

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 as soon as practicable prior to the Business Day following the date of transaction. The Manager will then submit such dealing information to the SFC no later than 12 noon on the Business Day following the date of transaction 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	68,644,782	99.84%	54,915,826	99.84%
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	106,661	0.16%	85,329	0.16%

(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 20.17% to its net asset value over the past three months since 1 August 2019 to 31 October 2019, 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 2.09% for the financial year ended 31 March 2019 to approximately 2.17% 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 20.17% to its net asset value over the past three months since 1 August 2019 to 31 October 2019, 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 20 August 2019 and includes any amendments and supplements thereto
"Overseas Unitholder(s)"	Unitholder(s) whose addresses, as shown in the register of Unitholders, are outside Hong Kong as of the Lodgement Date or the lodgement date with respect to each Recurring Redemption Offer
"PRC" or "China"	the People's Republic of China, but for the purposes of this announcement and the Fund's investment objective and investment approach only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"QFII"	qualified foreign institutional investor approved by the China Securities Regulatory Commission pursuant to the "Measures for the Administration of Investment in Domestic Securities by Qualified Foreign Institutional Investors" (《合格境外機構投資者境內證券投資管理辦法》) promulgated by China Securities Regulatory Commission, People's Bank of China and State Administration of Foreign Exchange on 24 August, 2006 and came into effect on 1 September, 2006, as may be amended from time to time

"Recurring Redemption Offer"	an offer by the Manager to all Unitholders to redeem part or all of their holdings in the Fund (subject to a Redemption Levy) as the Manager determines at its discretion taking into account the best interests of the Unitholders, subject to certain conditions as described in the Circular and the Offering Circular
"Redemption Day"	the Business Day immediately following the Lodgement Date
"Redemption Levy"	the redemption fee of up to 2% of the redemption price, payable in relation to the redemption of Units by a redeeming Unitholder pursuant to the Recurring Redemption Offer as described in this announcement
"Registrar"	Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
"SFC"	the Securities and Futures Commission of Hong Kong
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Trust Deed"	the trust deed dated 20 June 2007 between the Trustee and the Manager and includes any amendments and supplements thereto
"Trustee"	HSBC Institutional Trust Services (Asia) Limited
"Unit(s)"	unit(s) of the Fund
"Unitholder(s)"	unitholder(s) of Units
"Value Day"	the Redemption Day, being the date on which the relevant market closing price of the underlying investments of the Fund, and the Fund's applicable operating expenses accrued or incurred to date shall be used to calculate the net asset value of the Fund to be adopted as the redemption price for the purpose of the Recurring Redemption Offer

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
24 December 2019

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 and Mr. MARTIN, Kevin Ross.

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 November 2019:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2019 year-to-date	2018 full year	2017 full year	2016 full year	2015 full year	2014 full year	6 months	1 year
Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾	24.25%	-26.85%	28.16%	-12.60%	12.64%	32.32%	8.51%	21.25%
<i>MSCI China A</i>	27.10%	-32.75%	21.47%	-18.94%	7.15%	46.91%	4.50%	22.54%

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 November 2019:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2019 year-to-date	2018 full year	2017 full year	2016 full year	2015 full year	2014 full year	6 months	1 year
Net asset value of the Fund (net of fees) ⁽¹⁾	22.54%	-27.94%	25.77%	-13.04%	9.85%	30.49%	7.63%	19.46%

As at 29 November 2019:

Net asset value per unit of the Fund:	HK\$11.85
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$9.53
Discount / Premium to net asset value:	19.58% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 29 November 2019. 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
18 December 2019

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 and Mr. MARTIN, Kevin Ross.

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格，請必須填上有關資料。

Notes/附註：

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

Mailing Label 郵寄標籤

Computershare Hong Kong Investor Services Limited
香港中央證券登記有限公司

Freepost No. 簡便回郵號碼：37
Hong Kong 香港

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

No postage is necessary if posted in Hong Kong.

當閣下寄回本變更申請表格時，請將郵寄標籤剪貼於信封上。
如在本港投寄，閣下無需支付郵費或貼上郵票。

Get in touch with us 與我們聯繫

Send us an enquiry 垂詢
Rate our service 評價
Lodge a complaint 投訴



Contact Us 聯繫我們

www.computershare.com/hk/contact

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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

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

(Stock Code 股份代號：820)

29 November 2019

Dear Unitholders,

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

The 2019 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」）2019 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

2019年11月29日

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

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

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

2019 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 2019 to 30 September 2019.

The interim results of the Fund for the period from 1 April 2019 to 30 September 2019 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 2019 to 30 September 2019.

Manager's report

Market review

For the reported period, the fund delivered positive returns and outperformed the benchmark MSCI China A index. Onshore Chinese equities was down over 6% during the 6-month period ended 30 September 2019.

Equity market was highly volatile in Q2 where US-China trade tension renewed after US President Trump raised tariffs on \$200 billion Chinese goods from 10% to 25% and banned Chinese tech giant Huawei. However, market sentiment recovered in June driven by a series of positive factors, including easing of US-China trade dispute, favourable policy support on auto consumption and dovish shift of the Fed. Domestic data of April and May came in mixed, suggesting growth has not fully bottomed out yet. China retail sales rose 8.6% yoy in May, which was better than market expectation. Total social financing was stable, with bank loans rising 13.4% and non-loan segment moderating due to contraction of shadow credit and the slowdown in issuance of corporate bonds. Fixed asset investment growth came in lower than expected, mainly dragged by the deceleration of real estate and infrastructure investment. Inflation was relatively stable in May with CPI rising 2.7% mainly driven by surging pork prices.

US-China trade tension remained the key overhang to equity market in Q3 this year. July also marks the worst monthly depreciation of the Yuan. On the domestic front, despite the strong uptick in June, economic activities slowed down in July with retail sales, fixed asset investment growth and total social financing moderating. Market picked up towards the end of the quarter as China announced a few measures to stimulate economic growth: the People's Bank of China (PBOC) introduced reform measures for the loan prime rate (LPR) in order to lower borrowing cost; required reserved ratio (RRR) was cut by 50bps, and an additional 100bp cut targeted for city commercial banks; QFII and RQFII quotas were scrapped. All these measures propped up performance till August activity data announced which was weak again in industrial production and exports in particular.

Outlook

US-China trade tensions, economic growth and deleveraging remain the key risks for the Chinese market, and any easing in US-China trade tension could bode well for investors' risk appetite and trigger short term market sentiment recovery.

In long term, however, domestic growth and policy support will play a more important role. We expect the ongoing cyclical recovery to continue as the accommodative policy stance and effects of macro policy support continue to feed through. Nevertheless, pressure on trade talks, economic growth and deleveraging remain key risks to the market.

MSCI A share inclusion factor was raised from 10% to 15% in August, and will be further increased to 20% and add China A Mid Cap shares in November 2019. This along with other opening up capital market reform measures shows China's efforts to attract foreign investments into A shares.

Looking ahead, as the market is entering the earnings season very soon, we expect investors to shift the focus back to corporate earnings. Companies with strong fundamentals and growth are expected to outperform. Short term uncertainties on trade tension could introduce more volatility to the market but this could also create more mispricing opportunities for disciplined investors to capture.

Interim statement of assets and liabilities (unaudited)
As at 30 September 2019

	Note	30 September 2019 (Unaudited) HK\$	31 March 2019 (Audited) HK\$
Assets			
Investments at fair value through profit or loss	7, 12	796,798,424	843,047,517
Other receivables	8(c)	832,655	895,157
Amounts receivable on sales of investments		4,097,016	33,212,939
Cash and cash equivalents	8(d)	<u>1,155,241</u>	<u>6,166,960</u>
Total assets		<u>802,883,336</u>	<u>883,322,573</u>
Liabilities			
Amounts payable on purchases of investments		–	25,320,184
Accrued expenses and other payables	8(a), (b) & (c)	<u>3,658,195</u>	<u>3,143,666</u>
Total liabilities		<u>3,658,195</u>	<u>28,463,850</u>
Net assets attributable to unitholders		<u>799,225,141</u>	<u>854,858,723</u>
Representing:			
Total equity		<u>799,225,141</u>	<u>854,858,723</u>
Number of units in issue	10	<u>68,751,443</u>	<u>68,751,443</u>
Net asset value per unit		<u>11.62</u>	<u>12.43</u>

Interim statement of comprehensive income (unaudited) For the six months ended 30 September 2019

	Note	Six months ended	
		30 September 2019 (Unaudited) HK\$	30 September 2018 (Unaudited) HK\$
Dividend income		18,551,892	23,846,666
Interest income on deposits	4, 8(d)	14,276	103,770
Net losses from investments	5	(61,093,046)	(221,151,257)
Net foreign exchange loss		(257,825)	(2,988,526)
Other income	8(b), 14	1,600	343,756
Net investment loss		<u>(42,783,103)</u>	<u>(199,845,591)</u>
Management fees	8(a)	(6,131,903)	(7,427,174)
Transaction costs	8(e)	(2,570,035)	(1,366,706)
Trustee's fees	8(b)	(286,155)	(443,137)
Custodian fees	8(c)	(918,314)	(579,696)
Auditor's remuneration		(157,896)	(156,189)
Legal and professional fees		(781,213)	(1,405,796)
Other operating expenses		(170,254)	(1,194,181)
Operating expenses		<u>(11,015,770)</u>	<u>(12,572,879)</u>
Loss before taxation		(53,798,873)	(212,418,470)
Taxation	6	(1,834,709)	(2,340,838)
Decrease in net assets attributable to unitholders and total comprehensive income for the period		<u>(55,633,582)</u>	<u>(214,759,308)</u>

Interim statement of changes in equity (unaudited) For the six months ended 30 September 2019

	Note	Six months ended	
		30 September 2019 (Unaudited) HK\$	30 September 2018 (Unaudited) HK\$
Balance at the beginning of the period		854,858,723	1,175,314,451
Decrease in net assets attributable to unitholders and total comprehensive income for the period		(55,633,582)	(214,759,308)
Redemption of units during the period	14	—	(205,050,215)
Balance at the end of the period		<u>799,225,141</u>	<u>755,504,928</u>

Interim cash flow statement (unaudited)
For the six months ended 30 September 2019

	Six months ended	
	30 September	30 September
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Operating activities		
Interest income received	14,503	103,766
Dividend income received	18,551,892	23,431,700
Management fees paid	(6,080,799)	(8,031,066)
Trustee's fees paid	(292,013)	(472,929)
Transaction cost paid	(2,570,035)	(1,366,706)
Tax paid	(1,834,709)	(2,340,838)
Proceeds from sales of investments	749,604,835	476,725,160
Payments for purchases of investments	(760,653,049)	(300,661,075)
Other operating expenses paid	(1,679,169)	(3,944,526)
Net cash (used in)/generated from operating activities	(4,938,544)	183,443,486
Financing activity		
Payments on redemption of units	—	(205,050,215)
Net cash used in financing activity	—	(205,050,215)
Net decrease in cash and cash equivalents	(4,938,544)	(21,606,729)
Cash and cash equivalents at the beginning of the period	6,166,960	40,759,200
Effect of foreign exchange rates changes	(73,175)	(1,078,595)
Cash and cash equivalents at the end of the period	1,155,241	18,073,876

Notes to the unaudited interim financial report

For the six months ended 30 September 2019

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) 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.

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 2019, except for the accounting policy changes that are expected to be reflected in the financial statements for the year ending 31 March 2020. 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 2019 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 2019 in their report dated 31 July 2019.

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

The functional and presentation currency of the Fund is the Hong Kong dollar (“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 Hong Kong Financial Reporting Standards (“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

On initial recognition, the Fund classifies financial assets as measured at amortised cost or fair value through profit or loss (“FVTPL”).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (“SPPI”).

All other financial assets of the Fund are measured at FVTPL.

Business model assessment

In making an assessment of the objective of the business model in which a financial asset is held, the Fund considers all of the relevant information about how the business is managed, including:

- the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how the investment manager is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Fund's continuing recognition of the assets.

The Fund has determined that it has two business models.

- Held-to-collect business model: this includes amounts receivable on sales of investment, other receivable and cash and cash equivalents. These financial assets are held to collect contractual cash flow.
- Other business model: this includes equity and equity-linked instruments. These financial assets are managed and their performance is evaluated, on a fair value basis, with frequent sales taking place.

Assessment whether contractual cash flows are SPPI

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Fund considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse features); and
- features that modify consideration for of the time value of money (e.g. periodical reset of interest rates).

The Fund classifies its investments based on the business model and contractual cash flows assessment. Accordingly, the Fund classifies all its investments, including equities and equity-linked instruments, into financial assets at FVTPL category. Financial assets measured at amortised cost include amounts receivable on sales of investments, other receivables and cash and cash equivalents. Financial liabilities that are not at fair value through profit or loss include amounts payable on purchases of investments and accrued expenses and other payables.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition unless the Fund were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

(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 HKFRS 9.

(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 measured at amortised cost 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

The Fund recognises loss allowances for expected credit losses (“ECLs”) on financial assets measured at amortised cost.

The Fund measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund’s historical experience and informed credit assessment and including forward-looking information.

The Fund assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Fund considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Fund considers a financial asset to have low credit risk when the credit rating of the counterparty is equivalent to the globally understood definition of ‘investment grade’. The Fund considers this to be Baa3 or higher per Moody’s or BBB- or higher per Standard & Poor’s.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Fund is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Fund assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECLs in the statement of assets and liabilities

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(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.

Financial assets 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

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 under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to gross carrying amount of the financial asset. 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 HKD 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 new standards and 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 losses from investments

	Six months ended	
	30 September 2019 (unaudited) HK\$	30 September 2018 (unaudited) HK\$
Realised (losses)/gains	(4,971,018)	28,889,957
Unrealised losses	<u>(56,122,028)</u>	<u>(250,041,214)</u>
	<u><u>(61,093,046)</u></u>	<u><u>(221,151,257)</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.

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	30 September
	2019	2018
	(unaudited)	(unaudited)
	HK\$	HK\$
PRC dividend and interest income withholding tax	1,834,709	2,340,838

7 Investments at fair value through profit or loss

	30 September 2019 (unaudited) HK\$	31 March 2019 (audited) HK\$
Listed equities		
– outside Hong Kong	796,798,424	838,221,124
Equity-linked instruments		
– warrants	<u>–</u>	<u>4,826,393</u>
	<u>796,798,424</u>	<u>843,047,517</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 \$6,131,903 (for the period from 1 April 2018 to 30 September 2018: \$7,427,174) and \$1,045,058 (as at 31 March 2019: \$993,954) 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 the Trustee is calculated at the rate of 0.07% per annum on the net asset value of the Fund. In addition, the Trustee provides valuation services to the sub-funds in return for a daily fee. Prior to 10 December 2018, the daily valuation service fee was US\$100. Effective from 10 December 2018, the daily valuation service fee is US\$50 for each valuation per share class. The valuation fee is then waived from 1 April 2019. The trustee fee charged to the Fund in respect of the period and payable at the end of the period amounted to \$286,155 (for the period from 1 April 2018 to 30 September 2018: \$443,137) and \$48,769 (as at 31 March 2019: \$54,627) respectively.

No rebate was made with regards to the Trustee's fee charged to the Fund during the period.

(c) Custodian fee and deposit placed with Custodian

The custodian fee paid to the Bank of Communications Co. Ltd (the “QFII Custodian”) 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 \$553,202 (for the period from 1 April 2018 to 30 September 2018: \$576,640) and the corresponding payable at the end of the year is \$550,409 (as at 31 March 2019: Nil).

A minimum clearing reserve is required to be held with the QFII custodian. As at 30 September 2019, the Fund had \$832,655 (as at 31 March 2019: \$894,930) deposit held with the QFII custodian.

The administrative fee charged to the Fund by The Hongkong and Shanghai Banking Corporation Limited on purchases and sales of investments and sub-custody of investments during the year is amounted to \$365,112 (for the period from 1 April 2018 to 30 September 2018: \$3,056) and the corresponding payable at the end of the year is \$37,190 (as at 31 March 2019: \$69,627).

(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 2019 amounted to \$5,659 and \$1,149,582 respectively (as at 31 March 2019: \$474,762 and \$5,692,198 respectively). During the period, interest earned from HSBC Hong Kong and Bank of Communications Co. Ltd. amounted to \$952 and \$13,324 respectively (for the period from 1 April 2018 to 30 September 2018: \$68,534 and \$35,236 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 2019 (unaudited) HK\$	30 September 2018 (unaudited) HK\$
The Hong Kong and Shanghai Banking Corporation Limited		
Commission paid for the period	–	13,175
Average rate of commission	–	0.05%
Total aggregate value of such transactions for the period	–	24,998,255
Percentage of such transactions in value to total transactions for the period	–	3.32%

- (f) As at 30 September 2019, The Hongkong and Shanghai Banking Corporation Limited held 42,493 units (as at 31 March 2019: 42,493 units) of the Fund. The Hongkong and Shanghai Banking Corporation Limited did not subscribe or redeem any units of the Fund during the period ended 30 September 2019 (for the period from 1 April 2018 to 30 September 2018: Nil units). As at 31 March 2019 and 30 September 2019, HSBC International Trustee Limited held units of the Fund for its clients on a discretionary basis and did not subscribe or redeem any units of the Fund during the period ended 30 September 2019 (for the period from 1 April 2018 to 30 September 2018: part of the units were redeemed). 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 2019 (unaudited)	30 September 2018 (unaudited)
Number of units in issue brought forward	68,751,443	85,939,223
Units redeemed during the period	—	(17,187,780)
Number of units in issue carried forward	68,751,443	68,751,443

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 2019 to 30 September 2019 and the year ended 31 March 2019.

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 2019 are summarized below. Details of such investments held as at 30 September 2019 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 2019: 15%) increase in value of the investments as at 30 September 2019, 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 2019 (unaudited)			31 March 2019 (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	99.70	15	119,519,764	98.05	15	125,733,169
Equity-linked instruments:						
– warrants	–	–	–	0.57	15	723,959
	<u>99.70</u>		<u>119,519,764</u>	<u>98.62</u>		<u>126,457,128</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 2019 and 31 March 2019, therefore the Manager considers the Fund is not subject to significant interest rate risk. No sensitivity analysis is performed for 30 September 2019 and 31 March 2019.

(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\$
30 September 2019 (unaudited)			
Renminbi	<u>802,877,754</u>	<u>–</u>	<u>802,877,754</u>
31 March 2019 (audited)			
Renminbi	<u>878,109,922</u>	<u>16,855,609</u>	<u>861,254,313</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 2019, the HKD strengthened in relation to the Renminbi by approximately 6% (as at 31 March 2019: strengthened by approximately 7%). At 30 September 2019, had the HKD further strengthened in relation to the Renminbi by 6% (as at 31 March 2019: strengthened by 7%), 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 2019 (unaudited)	
Renminbi	<u>(48,172,665)</u>
31 March 2019 (audited)	
Renminbi	<u>(60,287,802)</u>

A 6% weakening of the HKD (as at 31 March 2019: weakened by 7%) 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 2019.

(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 2019, 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 2019 and 31 March 2019.

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 2019 and 31 March 2019, 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.

Amounts arising from ECL

Impairment on amounts receivable on sales of investments, other receivables and cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Fund considers that these exposures have low credit risk based on the external credit ratings and/ or review result of the counterparties.

The Fund monitors changes in credit risk on these exposures by tracking published external credit ratings of the counterparties and/ or performed ongoing review of the counterparties.

The Manager considers the probability of default to be minimal as the counterparties have a strong capacity to meet their contractual obligations in the near term. There is no impairment allowance recognised on amounts receivable on sales of investments, other receivables and cash and cash equivalents. The amount of the loss allowance did not change during the year ended 31 March 2019.

(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 2019 and 31 March 2019, 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 2019 and 31 March 2019, there were no significant exposures to liquidity risk for the Fund.

(d) Capital management

At 30 September 2019, the Fund had \$799,775,551 (as at 31 March 2019: \$854,858,723) 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 2019 (unaudited)			
	Level 1	Level 2	Level 3	Total
	HK\$	HK\$	HK\$	HK\$
Listed equities	796,798,424	–	–	796,798,424
	796,798,424	–	–	796,798,424
	31 March 2019 (audited)			
	Level 1	Level 2	Level 3	Total
	HK\$	HK\$	HK\$	HK\$
Listed equities	838,221,124	–	–	838,221,124
Equity-linked instruments	–	4,826,393	–	4,826,393
	838,221,124	4,826,393	–	843,047,517

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 2019 and 31 March 2019, the Fund did not hold any level 3 financial instruments.

During the period/year ended 30 September 2019 and 31 March 2019, 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 2019, the Manager did not propose a recurring redemption offer to the unitholders of the Fund.

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. 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.

Redemption levy retained by the Fund were recognised as Other Income in the statement of comprehensive income.

15 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 September 2019

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 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Fund.

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

Amendments to HKAS 1 and HKAS 8, Definition of material

1 January 2020

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 2019

<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>			
Aier Eye Hospital Group Co Ltd – A Share	386,547	15,052,993	1.88
Anhui Kouzi Distillery Co Ltd	127,200	7,791,973	0.98
Beijing Orient National Co Ltd	114,300	1,609,847	0.20
Beijing Orient National Co Ltd – A Share	1,077,448	15,181,155	1.90
BTG Hotels Group Co Ltd	511,200	9,420,298	1.18
China Animal Husbandry Industry Co Ltd	926,408	14,477,349	1.81
China Cyts Tours Holdings Co Ltd	252,813	3,352,572	0.42
China Jushi Co Ltd – A Share	1,281,920	11,417,305	1.43
China Merchants Bank Co Ltd	142,400	5,430,647	0.68
China Merchants Bank Co Ltd – A Share	407,400	15,542,922	1.94
China Pacific Insurance Group Co Ltd	83,600	3,199,230	0.40
China Pacific Insurance Group Co Ltd – A Share	712,364	27,271,635	3.41
CITIC Securities Co Ltd – A Share	1,536,600	37,934,902	4.75
DHC Software Co Ltd – A Share	942,300	6,964,438	0.87
Foshan Nationstar Optoelectronics Co Ltd	1,036,100	12,664,227	1.58
Gansu Qilianshan Cement Group Co Ltd – A Share	1,747,100	18,131,403	2.27
Gree Electric Appliances Co Ltd – A Share	45,600	2,859,333	0.36
Gree Electric Appliances Inc – A Share	379,522	23,807,127	2.98
Guangxi Liuzhou Pharmaceut Co Ltd – A Share	794,040	31,000,152	3.88
Guangzhou Kingmed Diagnostics Co Ltd – A Share	203,100	12,479,347	1.56
Guotai Junan Securities Co Ltd – A Share	1,018,700	19,645,028	2.46
Haitong Securities Co Ltd	217,300	3,408,817	0.43
Haitong Securities Co Ltd – A Share	514,600	8,075,768	1.01
Hangzhou Hikvision Digital Technology Co Ltd – A Share	515,900	460,811	0.06
Hangzhou Hikvision Digital Technology Co Ltd	13,000	18,294,284	2.29
Hisense Home Appliances Group Co Ltd	789,700	9,409,655	1.18
Hisense Home Appliances Group Co Ltd – A Share	339,195	4,040,089	0.51
Hoshine Silicon Industry Co Ltd	336,900	11,968,980	1.50
Huatai Securities Co Ltd – A Share	1,055,606	22,118,825	2.77
HUAYU Automotive Systems Co Ltd	73,394	1,893,390	0.24
HUAYU Automotive Systems Co Ltd – A Share	774,100	19,977,759	2.50
Jiangsu Changbao Steeltube Co Ltd	1,159,300	7,409,700	0.93
Jiangsu Hengrui Medicine C – A Share	261,036	23,125,669	2.89
Jinyu Bio-Technology Co Ltd	635,000	13,159,139	1.65

HSBC China Dragon Fund			
Holdings	Market value	% of total net assets attributable to unitholders	
	HK\$		
Equity (continued)			
<i>Listed investments (continued)</i>			
<i>The People's Republic of China (continued)</i>			
Juneyao Airlines Co Ltd	1,200,400	18,020,894	2.25
Kweichow Moutai Co Ltd – A Share	28,665	36,201,607	4.53
Longi Green Energy Technology Co Ltd – A Share	485,900	13,986,072	1.75
Luxshare Precision Industry Co Ltd – A Share	677,657	19,914,888	2.49
Midea Group Co Ltd – A Share	533,000	29,910,932	3.74
New China Life Insurance Co Ltd – A Share	224,995	12,023,386	1.50
Perfect World Co Ltd	85,800	2,608,086	0.33
Perfect World Co Ltd – A Share	264,953	8,057,005	1.01
Ping An Bank Co Ltd – A Share	1,147,745	19,637,884	2.46
Ping An Insurance Group Co of China Ltd – A Share	674,800	64,502,388	8.07
Poly Developments and Holdings Group Co Ltd	1,316,300	20,657,081	2.58
Qingdao Hisense Electronics Co Ltd	422,400	3,760,595	0.47
Qingdao Hisense Electronics Co Ltd – A Share	393,100	3,501,110	0.44
Shenzhen Desay Battery Tech Co Ltd – A Share	93,000	4,159,865	0.52
Shenzhen Ellassay Fashion Co Ltd – A Share	562,400	9,672,058	1.21
Shenzhen Topband Co Ltd	750,300	4,589,570	0.57
Sichuan Kelun Pharmaceutical Co Ltd – A Share	262,000	7,437,786	0.93
Soochow Securities Co Ltd – A Share	34	345	0.00
Sunwoda Electronic Co Ltd – A Share	268,800	4,472,226	0.56
Xinjiang Goldwind Science & Technology Co Ltd – A Share	252,000	3,464,868	0.43
Zhejiang Crystal-Optech Co Ltd – A Share	1,222,470	19,681,311	2.46
Zhejiang Dahua Technology Co Ltd – A Share	2,039,300	38,677,224	4.84
Zhejiang Semir Garment Co Ltd	979,480	13,284,474	1.66
Total investments (Total cost of investments: \$770,247,068)		<u>796,798,424</u>	<u>99.70</u>
Other net assets		<u>2,426,717</u>	<u>0.30</u>
Total net assets attributable to unitholders		<u>799,225,141</u>	<u>100.00</u>

Statement of movements in portfolio holdings (unaudited)
For the period ended 30 September 2019

	<i>% of total net assets attributable to unitholders</i>	
	30 September 2019	31 March 2019
<i>Listed investments</i>		
Equities	99.70	98.05
Equity-linked instruments	<u>—</u>	<u>—</u>
	<u>99.70</u>	<u>98.05</u>
<i>Unlisted but quoted investment</i>		
Equity-linked instrument	<u>—</u>	<u>0.57</u>
	<u>—</u>	<u>0.57</u>
Total investments	99.70	98.62
Other net assets	<u>0.30</u>	<u>1.38</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 2019

(a) Total net asset value

Year/period end

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
31 March 2019	HK\$854,858,723
30 September 2019	<u>HK\$799,225,141</u>

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

Year/period end

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
31 March 2019	HK\$12.43
30 September 2019	<u>HK\$11.62</u>

(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\$
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
1 April 2018 to 31 March 2019	9.42	13.97
1 April 2019 to 30 September 2019	<u>10.71</u>	<u>13.15</u>

Issuance of Results

The unaudited interim report of the Fund for the period from 1 April 2019 to 30 September 2019 will be despatched to Unitholders on or about 30 November 2019.

Hong Kong, 27 November 2019

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 and Mr. MARTIN, Kevin Ross.

IMPORTANT

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HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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

(Stock Code: 820)

Voluntary Announcement – Fund Performance

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

The following 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 2019:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2019 year-to-date	2018 full year	2017 full year	2016 full year	2015 full year	2014 full year	6 months	1 year
Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾	25.19%	-26.85%	28.16%	-12.60%	12.64%	32.32%	-2.04%	21.37%
<i>MSCI China A</i>	28.53%	-32.75%	21.47%	-18.94%	7.15%	46.91%	-3.80%	26.21%

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 2019:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2019 year-to-date	2018 full year	2017 full year	2016 full year	2015 full year	2014 full year	6 months	1 year
Net asset value of the Fund (net of fees) ⁽¹⁾	23.58%	-27.94%	25.77%	-13.04%	9.85%	30.49%	-2.92%	19.50%

As at 31 October 2019:

Net asset value per unit of the Fund:	HK\$11.95
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$9.62
Discount / Premium to net asset value:	19.50% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 October 2019. 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
18 November 2019

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 and Mr. MARTIN, Kevin Ross.

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As at 30 September 2019:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2019 year-to-date	2018 full year	2017 full year	2016 full year	2015 full year	2014 full year	6 months	1 year
Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾	21.67%	-26.85%	28.16%	-12.60%	12.64%	32.32%	-5.62%	7.48%
<i>MSCI China A</i>	25.00%	-32.75%	21.47%	-18.94%	7.15%	46.91%	-6.27%	10.52%

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 September 2019:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2019 year-to-date	2018 full year	2017 full year	2016 full year	2015 full year	2014 full year	6 months	1 year
Net asset value of the Fund (net of fees) ⁽¹⁾	20.37%	-27.94%	25.77%	-13.04%	9.85%	30.49%	-6.43%	5.91%

As at 30 September 2019:

Net asset value per unit of the Fund:	HK\$11.64
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$9.30
Discount / Premium to net asset value:	20.10% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 September 2019. 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.

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18 October 2019

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HSBC CHINA DRAGON FUND

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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 August 2019:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2019 year-to-date	2018 full year	2017 full year	2016 full year	2015 full year	2014 full year	6 months	1 year
Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾	19.77%	-26.85%	28.16%	-12.60%	12.64%	32.32%	-1.58%	7.01%
<i>MSCI China A</i>	24.06%	-32.75%	21.47%	-18.94%	7.15%	46.91%	-1.27%	11.41%

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 August 2019:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2019 year-to-date	2018 full year	2017 full year	2016 full year	2015 full year	2014 full year	6 months	1 year
Net asset value of the Fund (net of fees) ⁽¹⁾	18.61%	-27.94%	25.77%	-13.04%	9.85%	30.49%	-2.38%	5.42%

As at 30 August 2019:

Net asset value per unit of the Fund:	HK\$11.47
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$9.30
Discount / Premium to net asset value:	18.92% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 August 2019. 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 September 2019

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 and Kevin Ross.

IMPORTANT

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HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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

(Stock Code: 820)

Voluntary Announcement – Fund Performance

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

The following 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 2019:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2019 year-to-date	2018 full year	2017 full year	2016 full year	2015 full year	2014 full year	6 months	1 year
Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾	21.89%	-26.85%	28.16%	-12.60%	12.64%	32.32%	21.89%	-2.31%
<i>MSCI China A</i>	29.11%	-32.75%	21.47%	-18.94%	7.15%	46.91%	18.56%	8.53%

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 2019:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2019 year-to-date	2018 full year	2017 full year	2016 full year	2015 full year	2014 full year	6 months	1 year
Net asset value of the Fund (net of fees) ⁽¹⁾	22.13%	-27.94%	25.77%	-13.04%	9.85%	30.49%	12.58%	1.90%

As at 31 July 2019:

Net asset value per unit of the Fund:	HK\$11.81
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$9.50
Discount / Premium to net asset value:	19.56% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 July 2019. 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 August 2019

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 and Kevin Ross.

IMPORTANT

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HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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(Chapter 571 of the Laws of Hong Kong)*
(Stock Code: 820)

**ANNOUNCEMENT
CHANGE OF NON-EXECUTIVE DIRECTOR**

HSBC Global Asset Management (Hong Kong) Limited, as the Manager of the Fund, hereby announces that Ms. WONG, Pik Kuen Helen has resigned as the non-executive director of the Manager on 9 August 2019.

The Offering Circular of the Fund has been revised accordingly. A copy of the Offering Circular dated 20 August 2019 has been posted on the Fund's website on 20 August 2019.

The Manager of the Fund accepts responsibility for the accuracy of the information contained in this announcement.

Investors who have any questions regarding the above may contact the Manager at Level 22, HSBC Main Building, 1 Queen's Road Central, Hong Kong (telephone number: (852) 2284 1118).

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
20 August 2019

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 and Mr. MARTIN, Kevin Ross.

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 July 2019

Dear Unitholders,

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

The 2019 Annual 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」)2019年報備有英文及中文版。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

2019年7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

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

2019 ANNUAL RESULTS ANNOUNCEMENT

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

The board of directors of the Manager is pleased to announce the annual results of the Fund for the period from 1 April 2018 to 31 March 2019.

The annual results of the Fund for the period from 1 April 2018 to 31 March 2019 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 2018 to 31 March 2019.

Manager's report

Market Review

The sharp pullback in onshore Chinese equity market in 2018 was caused by a string of macro factors such as heightening US-China trade tension, US interest rate hikes and domestic headwinds featuring moderating growth and weakening property markets. The US unveiled a tariff of 25% on Chinese imports worth \$50 billion, and a 10% tariff on another \$200 billion goods in July and September respectively. The heightened trade tension has led to increased concerns on China's economic growth outlook, which in turn has depressed RMB. On a domestic front, various macro-economic data pointed to a softening domestic activity outlook across retail sales, exports and industrial activities. In light of the rising internal and external uncertainties, government policies have turned more pro-growth during the third quarter to support the economy. As a result, intensive easing policies and guidelines have been announced to mitigate trade tensions impact. In December, the US and China agreed on a temporary truce on trade tensions. At the same time, in response to macro headwinds, Chinese government continued to roll out favourable policies, with fiscal policy taking a leading role supplemented by monetary easing.

In the first quarter of 2019, onshore Chinese equity rallied remarkably. The market rebound was driven by positive progress of US-China trade talk, strong domestic policy support and a more dovish tone from the US Fed. In term of supportive policies on the domestic front, we have seen RRR cut, relaxation of SME loan definition and introduction of new quota for local government debt etc. Economic activity in the first quarter held up better than expected. Manufacturing PMI surprised on the upside in March with a strong rebound to 50.5, beating the market forecast of 49.5. TSF also picked up due to strong bond issuance and solid loan growth which reversed the deceleration throughout 2018. Furthermore, MSCI announced a three-step weight increase for China A-shares in its global indices in February, raising the inclusion factor from 5% to 20%, which further boost market sentiment.

Outlook

With US tariff hikes on Chinese goods kicking in, potential negative surprises remain a key risk to the equity market. However, we think the chance for the market to retrace to where it was in 2018 is slim, as the current macro backdrop is quite different from 2018, where central banks' policies were tight and global growth outlook was stark. In contrast, this year, central banks led by Fed, have capitulated to a more dovish stance. Growth profile in China looks much better than 2018 as the recent upbeat Chinese macro-economic data provided evidence that policy easing effects are coming through and growth is bottoming out.

In terms of valuation, despite a remarkable rally in first quarter, Chinese equity is still trading near long term average, implying a relatively low downside risk. Looking ahead, we expect investors to shift the focus back to corporate earnings. Companies with strong fundamentals and growth are expected to outperform in 2019. In terms of liquidity, we believe the further open up of Chinese equity market through Stock Connect or inclusion of A-share into major global indices will continue to drive global investors' interest in Chinese equities. The end of US rate hike should also prompt fund flows back to the emerging market, including China.

Overall, we expect the ongoing cyclical recovery to continue as the effects of macro policy support continue to feed through, despite lingering uncertainties on global growth outlook and trade negotiation. Trade tension could introduce more volatility to the market but this could also create more mispricing opportunities for discipline investors to capture.

Statement of assets and liabilities

As at 31 March 2019

	Note	2019 HK\$	2018 HK\$
Assets			
Investments at fair value through profit or loss	7, 12	843,047,517	1,137,231,379
Other receivables	8(c)	895,157	986,820
Amounts receivable on sales of investments		33,212,939	–
Cash and cash equivalents	8(d)	<u>6,166,960</u>	<u>40,759,200</u>
Total assets		<u>883,322,573</u>	<u>1,178,977,399</u>
Liabilities			
Amounts payable on purchases of investments		25,320,184	–
Accrued expenses and other payables	8(a), (b) & (c)	<u>3,143,666</u>	<u>3,662,948</u>
Total liabilities		<u>28,463,850</u>	<u>3,662,948</u>
Net assets attributable to unitholders		<u>854,858,723</u>	<u>1,175,314,451</u>
Representing:			
Total equity		<u>854,858,723</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>12.43</u>	<u>13.68</u>

Statement of comprehensive income

For the year ended 31 March 2019

	Note	2019 HK\$	2018 HK\$
Dividend income		24,358,431	23,051,286
Interest income on deposits	4, 8(d)	139,935	81,073
Net (losses)/gains from investments	5	(113,622,186)	228,311,154
Net foreign exchange (loss)/gain		(2,493,123)	2,673,620
Other income	8(b), 14	<u>343,756</u>	<u>2,532,111</u>
Net investment (loss)/income		<u>(91,273,187)</u>	<u>256,649,244</u>
Management fees	8(a)	(12,851,466)	(19,537,011)
Transaction costs	8(e)	(3,958,923)	(3,038,089)
Trustee's fees	8(b)	(762,886)	(1,188,530)
Custodian fees	8(c)	(1,292,260)	(1,739,147)
Auditor's remuneration		(311,524)	(734,961)
Legal and professional fees		(1,570,037)	(286,702)
Other operating expenses	8(b)	<u>(1,035,940)</u>	<u>(907,447)</u>
Operating expenses		<u>(21,783,036)</u>	<u>(27,431,887)</u>
(Loss)/profit before taxation		(113,056,223)	229,217,357
Taxation	6	<u>(2,349,290)</u>	<u>(2,243,467)</u>
(Decrease)/increase in net assets attributable to unitholders and total comprehensive income for the year		<u>(115,405,513)</u>	<u>226,973,890</u>

Statement of changes in equity

For the year ended 31 March 2019

	Note	2019 HK\$	2018 HK\$
Balance at the beginning of the year		1,175,314,451	1,231,509,619
(Decrease)/Increase in net assets attributable to unitholders and total comprehensive income for the year		(115,405,513)	226,973,890
Redemption of units during the year	14	<u>(205,050,215)</u>	<u>(283,169,058)</u>
Balance at the end of the year		<u>854,858,723</u>	<u>1,175,314,451</u>

Cash flow statement

For the year ended 31 March 2019

	2019	2018
	HK\$	HK\$
Operating activities		
Interest income received	139,723	82,723
Dividend income received	24,358,431	23,051,286
Management fees paid	(13,300,342)	(19,831,917)
Trustee's fees paid	(792,069)	(1,234,232)
Transaction costs paid	(3,958,923)	(3,038,089)
Tax paid	(2,349,290)	(2,243,467)
Proceeds from sales of investments	1,185,132,566	1,021,161,020
Payments for purchases of investments	(1,012,463,645)	(734,495,617)
Other operating expenses paid	<u>(6,258,460)</u>	<u>(807,715)</u>
Net cash generated from operating activities	<u>170,507,991</u>	<u>282,643,992</u>
Financing activity		
Payments on redemption of units	<u>(204,706,459)</u>	<u>(547,109,246)</u>
Cash used in financing activity	<u>(204,706,459)</u>	<u>(547,109,246)</u>
Net decrease in cash and cash equivalents	(34,198,468)	(264,465,254)
Cash and cash equivalents at the beginning of the year	40,759,200	302,578,533
Effect of foreign exchange rates changes	<u>(393,772)</u>	<u>2,645,921</u>
Cash and cash equivalents at the end of the year	<u>6,166,960</u>	<u>40,759,200</u>

Notes to the financial statements

For the year ended 31 March 2019

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*

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

(A) Policy applicable from 1 April 2018

On initial recognition, the Fund classifies financial assets as measured at amortised cost or fair value through profit or loss (“FVTPL”).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (“SPPI”).

All other financial assets of the Fund are measured at FVTPL.

Business model assessment

In making an assessment of the objective of the business model in which a financial asset is held, the Fund considers all of the relevant information about how the business is managed, including:

- the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how the investment manager is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Fund’s continuing recognition of the assets.

The Fund has determined that it has two business models.

- Held-to-collect business model: this includes amounts receivable on sales of investment, other receivable and cash and cash equivalents. These financial assets are held to collect contractual cash flow.

- Other business model: this includes equity and equity-linked instruments. These financial assets are managed and their performance is evaluated, on a fair value basis, with frequent sales taking place.

Assessment whether contractual cash flows are SPPI

For the purposes of this assessment, “principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Fund considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Fund’s claim to cash flows from specified assets (e.g. non-recourse features); and
- features that modify consideration for of the time value of money (e.g. periodical reset of interest rates).

The Fund classifies its investments based on the business model and contractual cash flows assessment. Accordingly, the Fund classifies all its investments, including equities and equity-linked instruments, into financial assets at FVTPL category. Financial assets measured at amortised cost include amounts receivable on sales of investments, other receivables and cash and cash equivalents. Financial liabilities that are not at fair value through profit or loss include amounts payable on purchases of investments and accrued expenses and other payables.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition unless the Fund were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

(B) Policy applicable prior to 1 April 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 had 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 amounts receivable on sales of investment and other receivables.

Financial liabilities that were not at fair value through profit or loss included amounts payable on purchases of investments, accrued expenses and other payables.

(ii) Recognition

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

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

Financial liabilities are not recognised unless one of the parties has performed their obligations under the contract or the contract is a derivative contract not exempted from the scope of HKFRS 9.

(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 measured at amortised cost 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

(A) Policy applicable from 1 April 2018

The Fund recognises loss allowances for expected credit losses (“ECLs”) on financial assets measured at amortised cost.

The Fund measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and

- other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

The Fund assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Fund considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Fund considers a financial asset to have low credit risk when the credit rating of the counterparty is equivalent to the globally understood definition of 'investment grade'. The Fund considers this to be Baa3 or higher per Moody's or BBB- or higher per Standard & Poor's.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Fund is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Fund assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECLs in the statement of assets and liabilities

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(B) Policy applicable prior to 1 April 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 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

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 under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to gross carrying amount of the financial asset. 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 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)" 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 new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Fund. Of these, the following developments are relevant to the Fund's financial statements;

(i) 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), except for the amendments to HKFRS 9, *Prepayment features* with negative compensation which have been adopted at the same time as HKFRS 9.

As permitted by the transition provisions of HKFRS 9, comparative information throughout these financial statements has not generally been restated to reflect the requirements of the standard.

Except for the changes below, the Fund has consistently applied the accounting policies as set out in note 2(c) to all periods presented in these financial statements.

HKFRS 9, Financial Instruments

HKFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces HKAS 39 *Financial Instruments: Recognition and Measurement*.

As a result of the adoption of HKFRS 9, the Fund has adopted consequential amendments to HKAS 1 *Presentation of Financial Statements*, which require:

- impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. The Fund did not previously report any incurred losses; and
- separate presentation in the statement of comprehensive income of interest revenue from financial assets measured at amortised cost or fair value through other comprehensive income (“FVOCI”) calculated using the effective interest method.

Additionally, the Fund has adopted consequential amendments to HKFRS 7 *Financial Instruments: Disclosures*, which are applied to disclosures about 2019 but have not generally been applied to comparative information.

The adoption of HKFRS 9 had no material impact on the net assets attributable to unitholders of the Fund.

i. Classification and measurement of financial assets and financial liabilities

HKFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under HKFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. HKFRS 9 eliminates the previous HKAS 39 categories of held to maturity, loans and receivables and available for sale. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

HKFRS 9 largely retains the existing requirements in HKAS 39 for the classification and measurement of financial liabilities.

The adoption of HKFRS 9 has not had a significant effect on the Fund's accounting policies related to financial liabilities and derivative financial instruments.

For an explanation of how the Fund classifies and measures financial instruments and accounts for related gains and losses under HKFRS 9, see note 2(c).

The following table explains the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Fund's financial assets as at 1 April 2018.

	Original classification under HKAS 39	New classification under HKFRS 9
Financial assets		
Amounts receivable on sale of investments	Loans and receivables	Amortised cost
Other receivable	Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost
Equities	Held-for-trading	Mandatorily at FVTPL
Equity-linked instruments	Held-for-trading	Mandatorily at FVTPL

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

ii. Impairment of financial assets

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an ECL model. The new impairment model applies to financial assets measured at amortised cost and debt instruments at FVOCI, but not to investments in equity instruments. Under HKFRS 9, credit losses are recognised earlier than under HKAS 39.

The effect of adopting HKFRS 9 on the carrying amounts of financial assets at 1 April 2018 relates solely to the new impairment requirements. The Manager considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. There is no impairment allowance recognised on amounts receivable on sale of investments, other receivable and cash and cash equivalents on the initial application of HKFRS 9's impairment requirements as at 1 April 2018. Therefore, the carrying amounts of the financial assets remain the same.

iii. *Transition*

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below.

- Comparative periods have not generally been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in net assets attributable to unitholders as at 1 April 2018. Accordingly, the information presented for 2018 does not reflect the requirements of HKFRS 9, but rather those of HKAS 39.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The revocation of previous designations of certain financial assets as measured at FVTPL.

4 Interest income on deposits

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

5 Net (losses)/gains from investments

	2019	2018
	HK\$	HK\$
Realised gains	72,405,357	35,519,912
Unrealised (losses)/gains	<u>(186,027,543)</u>	<u>192,791,242</u>
	<u>(113,622,186)</u>	<u>228,311,154</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 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.

Taxation in the statement of comprehensive income represents:

	2019	2018
	HK\$	HK\$
PRC dividend and interest income withholding tax	<u>2,349,290</u>	<u>2,243,467</u>

7 Investments at fair value through profit or loss

	2019	2018
	HK\$	HK\$
Listed equities		
– outside Hong Kong	838,221,124	1,092,574,068
Equity-linked instruments		
– warrants	4,826,393	28,505,615
– participation note	<u>–</u>	<u>16,151,696</u>
	<u>843,047,517</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 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 \$12,851,466 (2018: \$19,537,011) and \$993,954 (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 \$290 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's fee charged to the Fund in respect of the year and payable at the end of the year amounted to \$762,886 (2018: \$1,188,530) and \$54,627 (2018: \$83,810) respectively.

No rebate was made with regards to the Trustee's fee charged to the Fund during the year (2018: \$1,672,720).

Effective from 1 July 2017, the Trustee is also entitled to receive a financial reporting service fee of USD5,000 per set of financial statements. The financial reporting fee charged to the Fund during the year is USD10,000 (2018: USD10,000).

(c) Custodian fee and deposit placed with Custodian

The custodian fee paid to the Bank of Communications Co. Ltd (the “QFII Custodian”) 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 amounted to \$800,042 (2018: \$1,154,501).

A minimum clearing reserve is required to be held with the QFII custodian. As at 31 March 2019, the fund had \$894,930 (as at 31 March 2018: \$986,805) deposits held with the QFII custodian.

The administrative fee charged to the Fund by the The Hongkong and Shanghai Banking Corporation Limited on purchases and sales of investments and sub-custody of investments during the year is amounted to \$492,218 (2018: \$584,646) and the corresponding payable at the end of the year is \$69,627 (2018: \$22,495).

(d) Bank balances

Bank accounts are maintained with The Hongkong and Shanghai Banking Corporation Limited, which is a member of the HSBC Group, and Bank of Communications Co Ltd, the QFII custodian of the Fund. The bank balances held as at 31 March 2019 amounted to \$474,762 and \$5,692,198 respectively (2018: \$13,133,590 and \$27,625,610 respectively). During the year, interest earned from HSBC Hong Kong and Bank of Communications Co Ltd amounted to \$ 67,434 and \$ 72,501 respectively (2018: \$6,742 and \$74,331 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:

	2019	2018
	HK\$	HK\$
The Hongkong and Shanghai Banking Corporation Limited		
Commission paid for the year	12,876	53,000
Average rate of commission	<u>0.07%</u>	<u>0.05%</u>
Total aggregate value of such transactions for the year	19,245,535	106,705,357
Percentage of such transactions in value to total transactions for the year	<u>0.85%</u>	<u>6.08%</u>

(f) As at 31 March 2019, The Hongkong and Shanghai Banking Corporation Limited held 42,493 units (as at 31 March 2018: 42,493 units) of the Fund. The Hongkong and Shanghai Banking Corporation Limited did not redeemed units of the Fund during the year ended 31 March 2019 (2018: 27,591 units). As at 31 March 2019 and 31 March 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 year ended 31 March 2019 (year ended 31 March 2018: 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

	2019	2018
	Units	Units
Number of units in issue brought forward	85,939,223	107,423,977
Units redeemed during the year	<u>(17,187,780)</u>	<u>(21,484,754)</u>
Number of units in issue carried forward	<u><u>68,751,443</u></u>	<u><u>85,939,223</u></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 2019 and 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) 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 2019 are summarised below. Details of such investments held as at 31 March 2019 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% (2018: 15%) increase in value of the investments as at 31 March 2019, 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.

	2019			2018		
	% 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	98.05	15	125,733,169	92.96	15	163,886,110
Equity-linked instruments:						
– warrants	0.57	15	723,959	2.43	15	4,275,842
– participation note	–	15	–	1.37	15	2,422,754
	<u>98.62</u>		<u>126,457,128</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 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 2019 and 31 March 2018, therefore the Manager considers the Fund is not subject to significant interest rate risk. No sensitivity analysis is performed for 2019 and 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 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 2019			
Renminbi	<u>878,109,922</u>	<u>16,855,609</u>	<u>861,254,313</u>
31 March 2018			
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 year ended 31 March 2019, the HKD strengthened in relation to the Renminbi by approximately 7% (2018: strengthened by 11%). At 31 March 2019, had the HKD further strengthened in relation to the Renminbi by 7% (2018: strengthened by 11%), 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 2019	
Renminbi	<u>(60,287,802)</u>
31 March 2018	
Renminbi	<u>(123,349,992)</u>

A 7% weakening of the HKD (2018: weakening 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 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 31 March 2019, 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 31 March 2019 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 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 2019 and 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.

Amounts arising from ECL

Impairment on amounts receivable on sale of investments, other receivable and cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Funds consider that these exposures have low credit risk based on the external credit ratings and/ or review result of the counterparties.

The Funds monitor changes in credit risk on these exposures by tracking published external credit ratings of the counterparties and/ or performed ongoing review of the counterparties.

On initial application of HKFRS 9 as at 1 April 2018, the Managers considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. There is no impairment allowance recognised on amounts receivable on sale of investments, other receivable and cash and cash equivalents. The amount of the loss allowance did not change during the year ended 31 March 2019.

(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 2019 and as at 31 March 2018, 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 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 2019 and 2018, there were no significant exposures to liquidity risk for the Fund.

(d) Capital management

At 31 March 2019, the Fund had \$854,858,723 (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 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 amounts receivable on sales of investments, other receivable, amounts payable on purchases of investments 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.

	2019			
	Level 1	Level 2	Level 3	Total
	HK\$	HK\$	HK\$	HK\$
Listed equities	838,221,124	–	–	838,221,124
Equity-linked instruments	–	4,826,393	–	4,826,393
	<u>838,221,124</u>	<u>4,826,393</u>	<u>–</u>	<u>843,047,517</u>
	2018			
	Level 1	Level 2	Level 3	Total
	HK\$	HK\$	HK\$	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 31 March 2019 and 31 March 2018, the Fund did not hold any level 3 financial instruments.

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\$
2019	–	–	–	–	–	–
2018	<u>10,757,935</u>	<u>(3,008,326)</u>	<u>(7,749,609)</u>	<u>–</u>	<u>–</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 2019 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 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 2019 and 31 March 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.

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.

Redemption levy retained by the Fund were recognised as Other Income in the statement of comprehensive income.

15 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2019

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 2019 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 periods beginning on or after
HK (IFRIC) 23, <i>Uncertainty over income tax treatments</i>	1 January 2019
<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i>	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 31 March 2019

	<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 Ltd	891,500	3,884,058	0.45
Agricultural Bank of China Ltd - A Share	7,033,356	30,644,765	3.58
Bank of Ningbo Co Ltd - A Share	575,003	14,266,239	1.67
Bros Eastern Co Ltd	1,340,200	8,939,034	1.05
Chengdu Kanghong Pharmaceuticals Group Co Ltd	657,700	39,097,154	4.57
China Animal Husbandry Industry Co Ltd	815,220	12,560,429	1.47
China Cyts Tours Holdings Co Ltd	655,613	12,880,391	1.51
China Jushi Co Ltd	682,100	8,525,438	1.00
China Merchants Bank Co Ltd	142,400	5,641,847	0.66
China Merchants Bank Co Ltd - A Share	617,100	24,450,979	2.86
China National Chemical Engineering Co Ltd	1,011,100	7,641,581	0.89
China Pacific Insurance Group Co Ltd	65,100	2,587,608	0.30
China Pacific Insurance Group Co Ltd - A Share	152,000	6,042,135	0.71
China State Construction Engineering Corp Ltd	1,160,900	8,285,541	0.97
China Vanke Co Ltd	251,900	9,036,346	1.06
China Yangtze Power Co Ltd	591,535	11,656,828	1.36
Chongqing Changan Automobile Co Ltd	870,822	8,422,569	0.99
CITIC Securities Co Ltd	282,700	8,179,687	0.96
DHC Software Co Ltd	711,700	7,349,099	0.86
Foshan Nationstar Optoelectronics Co Ltd	2,160,645	36,242,881	4.24
Fujian Star-net Communication Co Ltd	363,300	9,917,654	1.16
Gansu Qilianshan Cement Group Co Ltd	1,745,100	17,775,493	2.08
Guangdong Provincial Expressway Development Co Ltd - A Share	1,133,540	12,009,613	1.40
Guotai Junan Securities Co Ltd - A Share	1,018,700	23,977,628	2.81
Haitong Securities Co Ltd	217,300	3,561,007	0.42
Haitong Securities Co Ltd - A Share	514,600	8,433,587	0.99
Hangzhou Great Star Industrial Co Ltd	928,200	13,216,916	1.55
Hisense Home Appliances Group Co Ltd	789,700	12,407,071	1.45
Hisense Home Appliances Group Co Ltd - A Share	610,995	9,598,766	1.12
Huadian Power International Corp Ltd	1,580,800	8,050,971	0.94
Huadong Medicine Co Ltd	97,600	3,720,075	0.44
Huatai Securities Co Ltd	532,806	13,947,482	1.63
HUAYU Automotive Systems Co Ltd	73,394	1,747,110	0.20
Hubei Hongcheng General Machinery Co Ltd - A Share	299,456	12,071,544	1.41
Jiangsu Changshu Rural Commercial Bank Co Ltd	902,800	7,898,747	0.92
Jiangsu Yanghe Brewery Joint-Stock Co Ltd	66,400	10,111,074	1.18

HSBC China Dragon Fund			
	Holdings	Market value HK\$	% of total net assets attributable to unitholders
Joyoung Co Ltd	249,800	6,728,784	0.79
JSTI Group	859,780	12,714,694	1.49
Kweichow Moutai Co Ltd - A Share	26,765	26,699,608	3.12
Mango Excellent Media Co Ltd	16,400	847,259	0.10
Midea Group Co Ltd	33,500	1,906,892	0.22
Nanjing Yunhai Special Metals Co Ltd	779,385	7,856,836	0.92
New China Life Insurance Co Ltd	532,895	33,414,811	3.91
Ningbo Huaxiang Electronic Co Ltd	804,005	11,974,401	1.40
Perfect World Co Ltd	579,327	21,600,883	2.53
Ping An Bank Co Ltd - A Share	1,785,045	26,710,570	3.12
Ping An Insurance Group Co of China Ltd - A Share	697,000	62,764,732	7.34
Poly Developments and Holdings Group Co Ltd	1,056,100	17,554,756	2.05
Qingdao Hisense Electronics Co Ltd	1,118,000	13,725,538	1.61
SAIC Motor Corp Ltd - A Share	110,300	3,357,645	0.39
Seazen Holdings Co Ltd	276,500	14,582,693	1.71
Shanghai Construction Group Co Ltd	2,057,200	8,963,347	1.05
Shanghai Shimao Co Ltd	2,172,500	13,246,927	1.55
Soochow Securities Co Ltd	1,072,434	12,677,568	1.48
Venustech Group Inc	84,500	2,909,840	0.34
Weifu High Technology Group Co Ltd	494,900	13,342,528	1.56
Wus Printed Circuit Kunshan Co Ltd	1,289,800	17,356,402	2.03
Xinjiang Goldwind Science & Technology Co Ltd	252,000	4,283,003	0.50
Zhejiang Chint Electrics Co Ltd	417,200	13,060,625	1.53
Zhejiang Crystal-Optech Co Ltd	1,275,300	21,287,735	2.49
Zhejiang Dahua Technology Co Ltd	842,500	16,159,500	1.89
Zhuzhou Kibing Group Co Ltd	3,385,000	17,714,200	2.07
Equities (Total)		<u>838,221,124</u>	<u>98.05</u>
Equity-linked instruments			
<i>Listed investment</i>			
CICC Financial Trading Warrants 10 Nov 2021	158,549	4,826,393	0.57
Equity-linked instruments (Total)		<u>4,826,393</u>	<u>0.57</u>
Total investments			
(Total cost of investments: \$760,374,133)		843,047,517	98.62
Other net assets			
		<u>11,811,206</u>	<u>1.38</u>
Total net assets attributable to unitholders		<u>854,858,723</u>	<u>100.00</u>

Statement of movements in portfolio holdings (Unaudited)

For the year ended 31 March 2019

	<i>% of total net assets attributable to unitholders</i>	
	2019	2018
Listed investments		
Equities	98.05	92.96
Equity-linked instruments	—	3.80
	<u>98.05</u>	<u>96.76</u>
Unlisted but quoted investment		
Equity-linked instrument	0.57	—
	<u>0.57</u>	<u>—</u>
Total investments	98.62	96.76
Other net assets	<u>1.38</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 year ended 31 March 2019

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

Year

31 March 2019	HK\$854,858,723
31 March 2018	HK\$1,175,314,451
31 March 2017	HK\$1,231,509,619
31 March 2016	HK\$1,787,843,955

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

Year

31 March 2019	HK\$12.43
31 March 2018	HK\$13.68
31 March 2017	HK\$11.46
31 March 2016	HK\$10.65

(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\$
2019	9.42	13.97
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

(d) Total expense ratio

	2019
Average net asset value	HK\$853,635,285
Total expenses	HK\$17,831,346
Total expense ratio	2.09%

Issuance of Results

The audited annual report of the Fund for the period from 1 April 2018 to 31 March 2019 will be despatched to Unitholders on or about 31 July 2019.

Hong Kong, 29 July 2019

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

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

IMPORTANT

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 June 2019:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2019 year-to-date	2018 full year	2017 full year	2016 full year	2015 full year	2014 full year	6 months	1 year
Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾	21.89%	-26.85%	28.16%	-12.60%	12.64%	32.32%	21.89%	-2.31%
<i>MSCI China A</i>	28.14%	-32.75%	21.47%	-18.94%	7.15%	46.91%	28.14%	5.15%

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 June 2019:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2019 year-to-date	2018 full year	2017 full year	2016 full year	2015 full year	2014 full year	6 months	1 year
Net asset value of the Fund (net of fees) ⁽¹⁾	21.10%	-27.94%	25.77%	-13.04%	9.85%	30.49%	21.10%	-3.94%

As at 28 June 2019:

Net asset value per unit of the Fund:	HK\$11.71
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$9.30
Discount / Premium to net asset value:	20.58% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 28 June 2019. 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 2019

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

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HSBC CHINA DRAGON FUND

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(Stock Code: 820)

Announcement

PRICING ERROR NOTICE

Notice is hereby given to the Unitholders of the HSBC China Dragon Fund (the "**Fund**") in relation to a net asset value calculation error and thus an error in the pricing of the Fund:

- a net asset value error occurred on 5 June 2019 (the "**Date**") with respect to the Fund (the "**NAV Error**"). This impacted the valuation of the Fund on the Date which resulted in the net asset value per Unit of the Fund calculated being 1.12% lower than the correct figure;
- The NAV Error occurred due to manual oversight of the Fund Administrator where the incorrect security prices of two securities were applied to perform valuation of the Fund as of the Date;
- As a result, the NAV of the Fund on the Date was undervalued. However, given that the Fund is a close-ended listed fund and no Unitholders had subscribed nor redeemed on the Date in the primary market, there was no loss incurred by any Unitholders and/or the Fund. As such, nil compensation is required.

The Trustee has been notified of the NAV Error. Capitalised terms not defined in this notice shall have the same meaning as set out in the Fund's offering documents. The Manager accepts responsibility for the accuracy of the information contained in this notice as at the date of its publication.

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
19 June 2019

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

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HSBC CHINA DRAGON FUND

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(Stock Code: 820)

Voluntary Announcement – Fund Performance

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

The following 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 2019:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2019 year-to-date	2018 full year	2017 full year	2016 full year	2015 full year	2014 full year	6 months	1 year
Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾	14.50%	-26.85%	28.16%	-12.60%	12.64%	32.32%	11.74%	-17.09%
<i>MSCI China A</i>	21.63%	-32.75%	21.47%	-18.94%	7.15%	46.91%	17.27%	-10.87%

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 2019:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2019 year-to-date	2018 full year	2017 full year	2016 full year	2015 full year	2014 full year	6 months	1 year
Net asset value of the Fund (net of fees) ⁽¹⁾	13.86%	-27.94%	25.77%	-13.04%	9.85%	30.49%	10.99%	-18.57%

As at 31 May 2019:

Net asset value per unit of the Fund:	HK\$11.01
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$8.85
Discount / Premium to net asset value:	19.62% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 May 2019. 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.

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HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
19 June 2019

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

IMPORTANT

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HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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(Stock Code: 820)

Voluntary Announcement – Fund Performance

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

The following 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 2019:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2019 year-to-date	2018 full year	2017 full year	2016 full year	2015 full year	2014 full year	6 months	1 year
Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾	27.79%	-26.85%	28.16%	-12.60%	12.64%	32.32%	23.90%	-4.94%
<i>MSCI China A</i>	33.60%	-32.75%	21.47%	-18.94%	7.15%	46.91%	31.19%	-3.51%

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 2019:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2019 year-to-date	2018 full year	2017 full year	2016 full year	2015 full year	2014 full year	6 months	1 year
Net asset value of the Fund (net of fees) ⁽¹⁾	27.30%	-27.94%	25.77%	-13.04%	9.85%	30.49%	23.10%	-6.67%

As at 30 April 2019:

Net asset value per unit of the Fund:	HK\$12.31
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$10.02
Discount / Premium to net asset value:	18.60% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 April 2019. 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.

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HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
20 May 2019

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

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HSBC CHINA DRAGON FUND

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(Stock Code: 820)

Voluntary Announcement – Fund Performance

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

The following 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 March 2019:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2019 year-to-date	2018 full year	2017 full year	2016 full year	2015 full year	2014 full year	6 months	1 year
Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾	5.94%	-26.85%	28.16%	-12.60%	12.64%	32.32%	13.88%	28.92%
<i>MSCI China A</i>	6.14%	-32.75%	21.47%	-18.94%	7.15%	46.91%	17.92%	33.37%

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 March 2019:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2019 year-to-date	2018 full year	2017 full year	2016 full year	2015 full year	2014 full year	6 months	1 year
Net asset value of the Fund (net of fees) ⁽¹⁾	5.87%	-27.94%	25.77%	-13.04%	9.85%	30.49%	13.19%	28.65%

As at 31 March 2019:

Net asset value per unit of the Fund:	HK\$12.44
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$9.83
Discount / Premium to net asset value:	20.98% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 March 2019. 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.

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HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
23 April 2019

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

IMPORTANT

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HSBC CHINA DRAGON FUND

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(Stock Code: 820)

Voluntary Announcement – Fund Performance

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

The following 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 2019:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2019 year-to-date	2018 full year	2017 full year	2016 full year	2015 full year	2014 full year	6 months	1 year
Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾	12.04%	-26.85%	28.16%	-12.60%	12.64%	32.32%	8.72%	21.69%
<i>MSCI China A</i>	15.39%	-32.75%	21.47%	-18.94%	7.15%	46.91%	12.85%	25.66%

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 2019:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2019 year-to-date	2018 full year	2017 full year	2016 full year	2015 full year	2014 full year	6 months	1 year
Net asset value of the Fund (net of fees) ⁽¹⁾	12.01%	-27.94%	25.77%	-13.04%	9.85%	30.49%	8.00%	21.51%

As at 28 February 2019:

Net asset value per unit of the Fund:	HK\$11.75
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$9.48
Discount / Premium to net asset value:	19.32% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 28 February 2019. All performance figures are total return figures in Hong Kong dollars.

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

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Note:

1. The performance of the Fund was achieved under the following circumstances that no longer apply: 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.
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HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
15 March 2019

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

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HSBC CHINA DRAGON FUND

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(Stock Code: 820)

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As at 31 January 2019:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2019 year-to-date	2018 full year	2017 full year	2016 full year	2015 full year	2014 full year	6 months	1 year
Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾	8.62%	-26.85%	28.16%	-12.60%	12.64%	32.32%	-8.72%	8.62%
<i>MSCI China A</i>	8.90%	-32.75%	21.47%	-18.94%	7.15%	46.91%	-8.46%	8.90%

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 2019:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2019 year-to-date	2018 full year	2017 full year	2016 full year	2015 full year	2014 full year	6 months	1 year
Net asset value of the Fund (net of fees) ⁽¹⁾	8.48%	-27.94%	25.77%	-13.04%	9.85%	30.49%	-9.49%	8.48%

As at 31 January 2019:

Net asset value per unit of the Fund:	HK\$10.49
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$8.54
Discount / Premium to net asset value:	18.59% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 January 2019. All performance figures are total return figures in Hong Kong dollars.

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

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Note:

1. The performance of the Fund was achieved under the following circumstances that no longer apply: 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.
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HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
25 February 2019

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

IMPORTANT

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HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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

(Stock Code: 820)

Voluntary Announcement – Fund Performance

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

The following 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 December 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⁾	-26.85%	28.16%	-12.60%	12.64%	32.32%	1.25%	-19.85%	-26.85%
<i>MSCI China A</i>	-32.75%	21.47%	-18.94%	7.15%	46.91%	1.02%	-17.94%	-32.75%

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 December 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⁾	-27.94%	25.77%	-13.04%	9.85%	30.49%	-0.47%	-20.67%	-27.94%

As at 31 December 2018:

Net asset value per unit of the Fund:	HK\$9.67
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$8.10
Discount / Premium to net asset value:	16.24% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 December 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
29 January 2019

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.