
HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

(Stock Code: 820)

Other Documents

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IMPORTANT

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HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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

(Stock Code: 820)

Voluntary Announcement – Fund Performance

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

The following 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 2020:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2020 year-to-date	2019 full year	2018 full year	2017 full year	2016 full year	2015 full year	6 months	1 year
Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾	55.63%	37.15%	-26.85%	28.16%	-12.60%	12.64%	47.56%	55.63%
MSCI China A	39.60%	37.10%	-32.75%	21.47%	-18.94%	7.15%	33.95%	39.60%

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

As at 31 December 2020:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2020 year-to-date	2019 full year	2018 full year	2017 full year	2016 full year	2015 full year	6 months	1 year
Net asset value of the Fund (net of fees) ⁽¹⁾	53.60%	35.06%	-27.94%	25.77%	-13.04%	9.85%	46.74%	53.60%

As at 31 December 2020:

Net asset value per unit of the Fund:	HK\$20.06
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$15.60
Discount / Premium to net asset value:	22.23% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 December 2020. 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
15 January 2021

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. 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

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(Stock Code: 820)

**ANNOUNCEMENT
AMENDMENTS TO THE OFFERING CIRCULAR
AND PRODUCT KEY FACTS STATEMENT**

HSBC Global Asset Management (Hong Kong) Limited, as the Manager of the Fund, hereby announces that the offering circular of the Fund (the "**Offering Circular**") has been updated to clarify that where the Net Asset Value of the Fund at any time falls below HK\$400 million and the Manager does not terminate the Fund, any proposal to apply for the withdrawal of SFC's authorisation and/or the de-listing of the Fund must be approved by an Extraordinary Resolution passed by the Unitholders. Notwithstanding such requirement, where the Net Asset Value of the Fund at any time falls below HK\$400 million, the Manager may in their absolute discretion terminate the Fund (including, as a result of such decision to terminate the Fund, applying for the withdrawal of the SFC's authorisation of the Fund from the SFC and/or the de-listing of the Fund from the Stock Exchange) without any approval of the Unitholders by giving at least three months' prior written notice. The Offering Circular and the product key facts statement of the Fund (the "**KFS**") have also been revised to reflect updated PRC tax disclosures and disclosures relating to QFIIs to reflect the latest regulatory requirements.

Capitalised terms used in this announcement shall have the meaning ascribed to them in the Offering Circular, unless the context otherwise requires.

A copy of the Offering Circular and KFS dated 18 December 2020 is available on the Fund's website and for inspection, free of charge, during normal business hours at the registered office of the Manager.

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
18 December 2020

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. 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

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Voluntary Announcement – Fund Performance

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

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

As at 30 November 2020:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2020 year-to-date	2019 full year	2018 full year	2017 full year	2016 full year	2015 full year	6 months	1 year
Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾	39.98%	37.15%	-26.85%	28.16%	-12.60%	12.64%	50.61%	54.51%
MSCI China A	31.35%	37.10%	-32.75%	21.47%	-18.94%	7.15%	38.70%	41.68%

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

As at 30 November 2020:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2020 year-to-date	2019 full year	2018 full year	2017 full year	2016 full year	2015 full year	6 months	1 year
Net asset value of the Fund (net of fees) ⁽¹⁾	38.21%	35.06%	-27.94%	25.77%	-13.04%	9.85%	49.92%	52.32%

As at 30 November 2020:

Net asset value per unit of the Fund:	HK\$18.05
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$14.84
Discount / Premium to net asset value:	17.78% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 November 2020. 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
15 December 2020

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. 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.
請閣下清楚填妥所有資料。
- 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，包括根據或立本基金的信託契據以郵寄或送遞予閣下之地址的方式收取大會通告之權利。
- If your units are held in joint names, the Unitholder whose name stands first on the register of members of the Fund in respect of the joint holding should sign on this Change Request Form in order to be valid.
如屬聯名基金單位持有人，則本變更申請表格須由該名於基金單位持有人名冊上就聯名持有基金單位其姓名位列首位的基金單位持有人簽署，方為有效。
- The above instruction will apply to all future Corporate Communications to be sent to Unitholders of the Fund until you notify otherwise by reasonable notice in writing to the Fund's Registrar, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or by email to hsbchinadrragon.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 hsbchinadrragon.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)

30 November 2020

Dear Unitholders,

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

The 2020 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」）2020 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

2020年11月30日

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

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

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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
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(stock code: 820)

Managed by
HSBC Global Asset Management (Hong Kong) Limited

2020 INTERIM 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 interim results of the Fund for the period from 1 April 2020 to 30 September 2020.

The interim results of the Fund for the period from 1 April 2020 to 30 September 2020 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 2020 to 30 September 2020.

Interim statement of assets and liabilities (unaudited)
As at 30 September 2020

	Note	30 September 2020 (Unaudited) HK\$	31 March 2020 (Audited) HK\$
Assets			
Investments at fair value through profit or loss	7, 12	895,523,543	616,978,574
Other receivables	9(c)	544,580	593,289
Amounts receivable on sales of investments		9,892,627	–
Cash and cash equivalents	9(e)	<u>122,395</u>	<u>178,866</u>
Total assets		<u><u>906,083,145</u></u>	<u><u>617,750,729</u></u>
Liabilities			
Amounts payable on purchases of investments		9,890,474	–
Accrued expenses and other payables	9(a), (b) & (c)	<u>3,600,417</u>	<u>3,918,328</u>
Total liabilities		<u><u>13,490,891</u></u>	<u><u>3,918,328</u></u>
Net assets attributable to unitholders		<u><u>892,592,254</u></u>	<u><u>613,832,401</u></u>
Representing:			
Total equity		<u><u>892,592,254</u></u>	<u><u>613,832,401</u></u>
Number of units in issue		<u><u>55,001,200</u></u>	<u><u>55,001,200</u></u>
Net asset value per unit		<u><u>16.23</u></u>	<u><u>11.16</u></u>

Interim statement of comprehensive income (unaudited)

For the six months ended 30 September 2020

		Six months ended	
	Note	30 September 2020 (Unaudited) HK\$	30 September 2019 (Unaudited) HK\$
Dividend income		9,101,585	18,551,892
Interest income on deposits	4, 9(e)	6,447	14,276
Net gains/(losses) from investments	5	282,582,969	(61,093,046)
Net foreign exchange loss		(40,738)	(257,825)
Other income	9(b), 14	<u>19,584</u>	<u>1,600</u>
Net investment income/(loss)		<u>291,669,847</u>	<u>(42,783,103)</u>
Management fees	9(a)	(5,751,198)	(6,131,903)
Transaction costs	9(f)	(3,899,767)	(2,570,035)
Trustee's fees	9(b)	(268,389)	(286,155)
Custodian fees	9(c)	(300,292)	(918,314)
Auditor's remuneration		(156,791)	(157,896)
Legal and professional fees		(1,526,370)	(781,213)
Other operating expenses		<u>(89,562)</u>	<u>(170,254)</u>
Operating expenses		<u>(11,992,369)</u>	<u>(11,015,770)</u>
Profit/(loss) before taxation		279,677,478	(53,798,873)
Taxation	6	<u>(917,625)</u>	<u>(1,834,709)</u>
Increase/(decrease) in net assets attributable to unitholders and total comprehensive income for the period		<u><u>278,759,853</u></u>	<u><u>(55,633,582)</u></u>

Interim statement of changes in equity (unaudited)
For the six months ended 30 September 2020

	Six months ended	
	30 September 2020 (Unaudited) HK\$	30 September 2019 (Unaudited) HK\$
Balance at the beginning of the period	613,832,401	854,858,723
Increase/(decrease) in net assets attributable to unitholders and total comprehensive income for the period	<u>278,759,853</u>	<u>(55,633,582)</u>
Balance at the end of the period	<u><u>892,592,254</u></u>	<u><u>799,225,141</u></u>
	Units	Units
Number of units in issue bought forward	<u>55,001,200</u>	<u>68,751,443</u>
Number of units in issue carried forward	<u><u>55,001,200</u></u>	<u><u>68,751,443</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 period from 1 April 2020 to 30 September 2020 and the year ended 31 March 2020.

Interim cash flow statement (unaudited)
For the six months ended 30 September 2020

	Six months ended	
	30 September 2020	30 September 2019
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Operating activities		
Interest income received	6,448	14,503
Dividend income received	9,101,585	18,551,892
Management fees paid	(5,519,598)	(6,080,799)
Trustee's fees paid	(257,581)	(292,013)
Transaction cost paid	(3,899,767)	(2,570,035)
Tax paid	(917,625)	(1,834,709)
Proceeds from sales of investments	1,099,470,031	749,604,835
Payments for purchases of investments	(1,095,434,184)	(760,653,049)
Other operating expenses paid	(2,601,136)	(1,679,169)
Net cash used in operating activities	(51,827)	(4,938,544)
Net decrease in cash and cash equivalents	(51,827)	(4,938,544)
Cash and cash equivalents at the beginning of the period	178,866	6,166,960
Effect of foreign exchange rates changes	(4,644)	(73,175)
Cash and cash equivalents at the end of the period	122,395	1,155,241

Notes to the unaudited interim financial report

For the six months ended 30 September 2020

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 2020, except for the accounting policy changes that are expected to be reflected in the financial statements for the year ending 31 March 2021. 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 pages 1.

The financial information relating to the financial year ended 31 March 2020 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 2020 in their report dated 31 July 2020.

(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 receivables 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.

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 the Fund's unconditional right to receive payment is established.

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.

(l) Transaction costs

Transactions costs are costs incurred to acquire/dispose financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, brokers and dealers. Transaction costs, when incurred, are immediately recognised in profit or loss as an expense.

3 Changes in accounting policies

The HKICPA has issued certain new amendments to HKFRSs that are first effective for the current accounting period of the Fund. None of these developments have had a material effect on how the Fund's result and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Fund has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 15).

4 Interest income on deposits

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

5 Net gains/(losses) from investments

	Six months ended	
	30 September 2020 (unaudited) HK\$	30 September 2019 (unaudited) HK\$
Realised gains/(losses)	89,744,125	(4,971,018)
Unrealised gains/(losses)	<u>192,838,844</u>	<u>(56,122,028)</u>
	<u><u>282,582,969</u></u>	<u><u>(61,093,046)</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 2020 (unaudited) HK\$	30 September 2019 (unaudited) HK\$
PRC dividend and interest income withholding tax	<u>917,625</u>	<u>1,834,709</u>

7 Investments at fair value through profit or loss

	30 September 2020 (unaudited) HK\$	31 March 2020 (audited) HK\$
Listed equities		
– in Hong Kong	27,782,820	–
– outside Hong Kong	<u>867,740,723</u>	<u>616,978,574</u>
	<u>895,523,543</u>	<u>616,978,574</u>

8 Transaction costs

Transaction costs are costs incurred to acquire/dispose financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers.

9 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 \$5,751,198 (for the period from 1 April 2019 to 30 September 2019: \$6,131,903) and \$1,094,936 (as at 31 March 2020: \$863,335) 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 Fund in return for a daily fee. The daily valuation fee is US\$50 for each valuation per unit class. The valuation fee is waived since 1 April 2019. The Trustee's fees charged to the Fund in respect of the period and payable at the end of the period amounted to \$268,389 (for the period from 1 April 2019 to 30 September 2019: \$286,155) and \$51,097 (as at 31 March 2020: \$40,289) 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 amounted to \$3,652 (for the period from 1 April 2019 to 30 September 2019: \$553,202). None of the custodian fee remained payable at the end of the reporting period (as at 31 March 2020: \$Nil).

A minimum clearing reserve is required to be held with the QFII custodian. As at 30 September 2020, the Fund had \$544,580 (as at 31 March 2020: \$559,290) 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 period is amounted to \$296,640 (for the period from 1 April 2019 to 30 September 2019: \$365,112) and the corresponding payable at the end of the period is \$29,993 (as at 31 March 2020: \$87,211).

(d) Other operating expenses

During the period ended 30 September 2020, the Fund has incurred financial reporting fees and other fee amounting to \$40,808 (for the period from 1 April 2019 to 30 September 2019: \$39,730) paid to the related company of the Trustee.

(e) 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 2020 amounted to \$5,575 and \$116,820 respectively (as at 31 March 2020: \$68,519 and \$110,347 respectively). During the period, interest earned from HSBC Hong Kong and Bank of Communications Co. Ltd. amounted to \$2 and \$6,445 respectively (for the period from 1 April 2019 to 30 September 2019: \$952 and \$13,324 respectively).

- (f) In its purchases and sales of investments, the Fund may utilise the brokerage services of The Hongkong and Shanghai Banking Corporation Limited, which is a member of the HSBC Group. During the period ended 30 September 2020 and 2019, the Fund did not utilise the brokerage services of the Hong Kong and Shanghai Banking Corporation Limited, and no commission was paid to the entity.
- (g) As at 30 September 2020, The Hongkong and Shanghai Banking Corporation Limited held 42,493 units (as at 31 March 2020: 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 2020 (for the period from 1 April 2019 to 30 September 2019: Nil units). As at 31 March 2020 and 30 September 2020, 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 2020 (for the period from 1 April 2019 to 30 September 2019: Nil). Both entities are members of the HSBC Group.

10 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 are received by the Manager. 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.

11 Financial instruments and associated risks

The Fund maintains an 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 2020 are summarized below. Details of such investments held as at 30 September 2020 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 2020: 15%) increase in value of the investments as at 30 September 2020, 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.

	<u>30 September 2020 (unaudited)</u>			<u>31 March 2020 (audited)</u>		
	% of	Change	Effect on	% of	Change	Effect on
	total net	in price	net assets	total net	in price	net assets
	assets	%	attributable	assets	%	attributable
			to the			to the
			unitholders			unitholders
			HK\$			HK\$
Investment assets						
Listed equities:						
– in Hong Kong	3.11	15	4,167,423	–	–	–
– outside Hong Kong	<u>97.22</u>	15	<u>130,161,108</u>	<u>100.51</u>	15	<u>92,546,786</u>
	<u>100.33</u>		<u>134,328,531</u>	<u>100.51</u>		<u>92,546,786</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 2020 and 31 March 2020, therefore the Manager considers the Fund is not subject to significant interest rate risk. No sensitivity analysis is performed for 30 September 2020 and 31 March 2020.

(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 2020 (unaudited)			
Renminbi	<u>878,294,750</u>	<u>9,890,474</u>	<u>868,404,276</u>
31 March 2020 (audited)			
Renminbi	<u>617,648,210</u>	<u>–</u>	<u>617,648,210</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 2020, the HKD weakened in relation to the Renminbi by approximately 4% (as at 31 March 2020: strengthened by approximately 6%). At 30 September 2020, had the HKD further weakened in relation to the Renminbi by 4% (as at 31 March 2020: strengthened by 6%), with all other variables held constant, net assets attributable to unitholders would have increased/decreased by the amounts shown in the following table.

HK\$

30 September 2020 (unaudited)

Renminbi 34,736,171

31 March 2020 (audited)

Renminbi (37,058,893)

A 4% strengthening of the HKD (as at 31 March 2020: weakened by 6%) against the above currency would have resulted in an approximately equal but opposite effect on the basis that all other variables remain constant. The analysis is performed on the same basis for 31 March 2020.

(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 2020, 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 2020 and 31 March 2020.

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 2020 and 31 March 2020, 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 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.

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 other receivables, amounts receivable on sales of investments and cash and cash equivalents. The amount of the loss allowance did not change during the period ended 30 September 2020.

(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 2020 and 31 March 2020, the Fund's listed equity investment are considered to be readily realizable under normal market conditions as they are all listed on a stock exchange 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 30 September 2020 and 31 March 2020, there were no significant exposures to liquidity risk for the Fund.

(d) Capital management

At 30 September 2020, the Fund had \$892,592,254 (as at 31 March 2020: \$613,832,401) 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 2020 (unaudited)				
	Level 1	Level 2	Level 3	Total
	HK\$	HK\$	HK\$	HK\$
Listed equities	895,523,543	–	–	895,523,543
	895,523,543	–	–	895,523,543
31 March 2020 (audited)				
	Level 1	Level 2	Level 3	Total
	HK\$	HK\$	HK\$	HK\$
Listed equities	616,978,574	–	–	616,978,574
	616,978,574	–	–	616,978,574

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 2020 and 31 March 2020, the Fund did not hold any level 3 financial instruments.

During the period/year ended 30 September 2020 and 31 March 2020, 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 2020 and 2019, the Manager did not propose a Recurring Redemption Offer to the unitholders of the Fund.

15 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 September 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, and a new standard which are not yet effective for the period ended 30 September 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Fund.

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

Amendments to HKAS 1, *Presentation of Financial*

Statements: Classification of Liabilities as Current or Non-current

1 January 2023

Annual Improvements to HKFRSs 2018-2020 Cycle

1 January 2022

The Fund is in the process of making an assessment of what the impact of these developments 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 2020

	<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>			
Anhui Guangxin Agrochemical Co Ltd – A Share	921,731	18,911,076	2.12
Anhui Honglu Steel Construction Group Co Ltd	405,200	19,499,498	2.18
Asymchem Laboratories Tianjin Co Ltd – A Share	211,000	63,255,307	7.09
Bank of Ningbo Co Ltd – A Share	304,895	10,918,510	1.22
Beijing Oriental Yuhong Co Ltd	49,900	3,071,553	0.34
Beijing Oriental Yuhong Co Ltd – A Share	98,200	6,023,051	0.68
Changsha Zoomlion Heavy Industry Science and Technology Development Co Ltd – A Share	1,383,925	12,755,982	1.43
China Jushi Co Ltd	84,800	1,398,401	0.16
China Jushi Co Ltd – A Share	1,099,500	18,066,696	2.02
China Merchants Bank Co Ltd	80,100	3,292,177	0.37
China Merchants Bank Co Ltd – A Share	169,600	6,945,828	0.78
China Pacific Insurance Group Co Ltd	55,900	1,992,390	0.22
China Pacific Insurance Group Co Ltd – A Share	767,000	27,239,896	3.05
CITIC Securities Co Ltd – A Share	464,300	15,860,822	1.78
Contemporary Amperex Technology Co Ltd – A Share	75,400	17,948,517	2.01
Fujian Torch Electron Technology Co Ltd	35,500	1,869,357	0.21
Fujian Torch Electron Technology Co Ltd – A Share	321,300	16,858,625	1.89
Gree Electric Appliances Inc – A Share	162,500	9,854,064	1.10
Hangzhou Hikvision Digital Technology Co Ltd – A Share	228,800	9,922,275	1.11
Hisense Visual Technology Co Ltd – A Share	947,000	13,987,528	1.57
HUAYU Automotive Systems Co Ltd – A Share	1,176,500	33,268,608	3.73
Inner Mongolia Yili Industrial Group Co Ltd – A Share	380,500	16,669,850	1.87
Inner Mongolia Yili Industry Co Ltd	241,947	10,637,749	1.19
Jiangsu Sidike New Material Co Ltd	197,300	14,070,291	1.58
Kunshan Kersen Science & Technology Co Ltd	753,700	12,804,854	1.43
Kweichow Moutai Co Ltd – A Share	21,265	40,372,634	4.52
Longi Green Energy Technology Co Ltd – A Share	290,500	24,795,999	2.78
Luxshare Precision Industry Co Ltd	3,308	215,823	0.02
Luxshare Precision Industry Co Ltd – A Share	906,667	58,942,472	6.60
Mango Excellent Media Co Ltd – A Share	219,500	16,827,414	1.89
Midea Group Co Ltd	954,000	78,802,770	8.83
Perfect World Co Ltd	102,168	3,884,163	0.44
Perfect World Co Ltd – A Share	315,329	11,945,216	1.34

HSBC China Dragon Fund			
	<i>Holdings</i>	<i>Market value</i> HK\$	<i>% of total net assets attributable to unitholders</i>
Equity (continued)			
<i>Listed investments (continued)</i>			
<i>The People's Republic of China (continued)</i>			
Ping An Insurance Group Co of China Ltd	19,900	1,733,080	0.19
Ping An Insurance Group Co of China Ltd – A Share	729,900	63,339,769	7.10
Poly Developments and Holdings Group Co Ltd	326,000	5,894,647	0.66
Poly Developments and Holdings Group Ord Co Ltd	138,600	2,515,104	0.28
Sany Heavy Industry Co Ltd	257,100	7,305,017	0.82
Sany Heavy Industry Co Ltd – A Share	869,250	24,609,987	2.76
SF Holding Co Ltd	164,200	15,164,619	1.70
Shandong Sinocera Function Co Ltd – A Share	207,400	8,765,304	0.98
Shanghai Baosight Software Co Ltd	178,900	14,718,547	1.65
Shenzhen Kstar Science and Technology Co Ltd – A Share	666,028	10,860,629	1.22
Shenzhen Mindray Bio-Medical Electronics Co Ltd – A Share	60,246	23,855,380	2.67
Shenzhen SC New Energy Technology Co Ltd	85,000	10,109,616	1.13
Suzhou Maxwell Technology Co Ltd	21,500	8,258,098	0.93
Wanhua Chemical Group Co Ltd	19,100	1,511,377	0.17
Wanhua Chemical Group Co Ltd – A Share	233,100	18,379,308	2.06
Wuliangye Yibin Co Ltd	1,800	454,270	0.05
Yibin Wuliangye Co Ltd – A Share	89,000	22,380,972	2.51
Zhejiang Dahua Technology Co Ltd	38,800	907,909	0.10
Zhejiang Dahua Technology Co Ltd – A Share	540,980	12,613,612	1.41
Zhuzhou Kibing Group Co Ltd	1,184,200	11,454,082	1.28
<i>Hong Kong</i>			
Meituan Dianping Co Ltd	48,900	11,824,020	1.32
Tencent Holdings Co Ltd	31,200	15,958,800	1.79
Total investments (Total cost of investments: \$728,773,486)		<u>895,523,543</u>	<u>100.33</u>
Other net liabilities		<u>(2,931,289)</u>	<u>(0.33)</u>
Total net assets attributable to unitholders		<u>892,592,254</u>	<u>100.00</u>

Statement of movements in portfolio holdings (unaudited)
For the period ended 30 September 2020

	<i>% of total net assets attributable to unitholders</i>	
	30 September 2020	31 March 2020
<i>Listed investments</i>		
Equities	<u>100.33</u>	<u>100.51</u>
	-----	-----
	100.33	100.51
Total investments	100.33	100.51
Other net liabilities	<u>(0.33)</u>	<u>(0.51)</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 2020

(a) Total net asset value

Year/period end

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	HK\$799,225,141
31 March 2020	HK\$613,832,401
30 September 2020	<u>HK\$892,592,254</u>

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

Year/period end

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	HK\$11.62
31 March 2020	HK\$11.16
30 September 2020	<u>HK\$16.23</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 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	10.71	13.15
1 April 2019 to 31 March 2020	10.71	13.79
1 April 2020 to 30 September 2020	<u>11.07</u>	<u>16.83</u>

Issuance of Results

The unaudited interim report of the Fund for the period from 1 April 2020 to 30 September 2020 will be despatched to Unitholders on or about 30 November 2020.

Hong Kong, 27 November 2020

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. 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 2020:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2020 year-to-date	2019 full year	2018 full year	2017 full year	2016 full year	2015 full year	6 months	1 year
Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾	33.68%	37.15%	-26.85%	28.16%	-12.60%	12.64%	43.39%	46.45%
MSCI China A	22.97%	37.10%	-32.75%	21.47%	-18.94%	7.15%	27.73%	31.18%

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 October 2020:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2020 year-to-date	2019 full year	2018 full year	2017 full year	2016 full year	2015 full year	6 months	1 year
Net asset value of the Fund (net of fees) ⁽¹⁾	32.01%	35.06%	-27.94%	25.77%	-13.04%	9.85%	45.49%	44.27%

As at 30 October 2020:

Net asset value per unit of the Fund:	HK\$17.24
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$13.86
Discount / Premium to net asset value:	19.61% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 October 2020. 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
17 November 2020

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. 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

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

(Stock Code: 820)

Voluntary Announcement – Fund Performance

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

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

As at 30 September 2020:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2020 year-to-date	2019 full year	2018 full year	2017 full year	2016 full year	2015 full year	6 months	1 year
Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾	25.76%	37.15%	-26.85%	28.16%	-12.60%	12.64%	46.28%	41.76%
<i>MSCI China A</i>	18.71%	37.10%	-32.75%	21.47%	-18.94%	7.15%	32.19%	30.20%

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 2020:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2020 year-to-date	2019 full year	2018 full year	2017 full year	2016 full year	2015 full year	6 months	1 year
Net asset value of the Fund (net of fees) ⁽¹⁾	24.27%	35.06%	-27.94%	25.77%	-13.04%	9.85%	45.30%	39.43%

As at 30 September 2020:

Net asset value per unit of the Fund:	HK\$16.23
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$12.98
Discount / Premium to net asset value:	20.02% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 September 2020. 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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HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
21 October 2020

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. 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

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(Stock Code: 820)

Voluntary Announcement – Fund Performance

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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 31 August 2020:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2020 year-to-date	2019 full year	2018 full year	2017 full year	2016 full year	2015 full year	6 months	1 year
Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾	28.34%	37.15%	-26.85%	28.16%	-12.60%	12.64%	29.89%	46.96%
MSCI China A	24.70%	37.10%	-32.75%	21.47%	-18.94%	7.15%	26.76%	37.81%

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

As at 31 August 2020:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2020 year-to-date	2019 full year	2018 full year	2017 full year	2016 full year	2015 full year	6 months	1 year
Net asset value of the Fund (net of fees) ⁽¹⁾	27.03%	35.06%	-27.94%	25.77%	-13.04%	9.85%	29.11%	44.64%

As at 31 August 2020:

Net asset value per unit of the Fund:	HK\$16.59
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$13.00
Discount / Premium to net asset value:	21.64% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 August 2020. All performance figures are total return figures in Hong Kong dollars.

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

Investment involves risk. Past performance information presented is not indicative of future performance. Please refer to the Offering Circular of the Fund for further details including the risk factors.

Note:

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2. Calendar year performance is the gain or loss of the Fund throughout a particular year.
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HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
23 September 2020

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. 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

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**ANNOUNCEMENT
CHANGE OF EXECUTIVE DIRECTOR**

HSBC Global Asset Management (Hong Kong) Limited, as the Manager of the Fund, hereby announces that Mr. Berry, Stuart Glenn has resigned as the executive director of the Manager on 27 August 2020.

The Offering Circular of the Fund will be updated accordingly in due course.

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
21 September 2020

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. 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

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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 2020:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2020 year-to-date	2019 full year	2018 full year	2017 full year	2016 full year	2015 full year	6 months	1 year
Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾	20.79%	37.15%	-26.85%	28.16%	-12.60%	12.64%	21.71%	34.51%
MSCI China A	19.74%	37.10%	-32.75%	21.47%	-18.94%	7.15%	20.49%	27.14%

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 2020:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2020 year-to-date	2019 full year	2018 full year	2017 full year	2016 full year	2015 full year	6 months	1 year
Net asset value of the Fund (net of fees) ⁽¹⁾	19.68%	35.06%	-27.94%	25.77%	-13.04%	9.85%	20.79%	32.35%

As at 31 July 2020:

Net asset value per unit of the Fund:	HK\$15.63
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$12.40
Discount / Premium to net asset value:	20.67% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 July 2020. 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.
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HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
27 August 2020

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

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(Stock Code: 820)

Voluntary Announcement – Fund Performance

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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 June 2020:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2020 year-to-date	2019 full year	2018 full year	2017 full year	2016 full year	2015 full year	6 months	1 year
Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾	5.47%	37.15%	-26.85%	28.16%	-12.60%	12.64%	5.47%	18.67%
MSCI China A	4.22%	37.10%	-32.75%	21.47%	-18.94%	7.15%	4.22%	11.51%

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 June 2020:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2020 year-to-date	2019 full year	2018 full year	2017 full year	2016 full year	2015 full year	6 months	1 year
Net asset value of the Fund (net of fees) ⁽¹⁾	4.67%	35.06%	-27.94%	25.77%	-13.04%	9.85%	4.67%	16.74%

As at 30 June 2020:

Net asset value per unit of the Fund:	HK\$13.67
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$10.84
Discount / Premium to net asset value:	20.70% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 June 2020. 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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HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
17 July 2020

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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 29 May 2020:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2020 year-to-date	2019 full year	2018 full year	2017 full year	2016 full year	2015 full year	6 months	1 year
Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾	-7.06%	37.15%	-26.85%	28.16%	-12.60%	12.64%	2.59%	11.33%
<i>MSCI China A</i>	-5.30%	37.10%	-32.75%	21.47%	-18.94%	7.15%	2.15%	6.75%

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 29 May 2020:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2020 year-to-date	2019 full year	2018 full year	2017 full year	2016 full year	2015 full year	6 months	1 year
Net asset value of the Fund (net of fees) ⁽¹⁾	-7.81%	35.06%	-27.94%	25.77%	-13.04%	9.85%	1.60%	9.36%

As at 29 May 2020:

Net asset value per unit of the Fund:	HK\$12.04
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$10.22
Discount / Premium to net asset value:	15.12% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 29 May 2020. 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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HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
17 June 2020

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HSBC CHINA DRAGON FUND

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As at 30 April 2020:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2020 year-to-date	2019 full year	2018 full year	2017 full year	2016 full year	2015 full year	6 months	1 year
Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾	-6.78%	37.15%	-26.85%	28.16%	-12.60%	12.64%	2.13%	-0.05%
MSCI China A	-3.72%	37.10%	-32.75%	21.47%	-18.94%	7.15%	2.70%	-1.20%

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 2020:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2020 year-to-date	2019 full year	2018 full year	2017 full year	2016 full year	2015 full year	6 months	1 year
Net asset value of the Fund (net of fees) ⁽¹⁾	-9.26%	35.06%	-27.94%	25.77%	-13.04%	9.85%	-0.84%	-3.74%

As at 30 April 2020:

Net asset value per unit of the Fund:	HK\$11.85
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$9.63
Discount / Premium to net asset value:	18.73% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 30 April 2020. 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.
2. Calendar year performance is the gain or loss of the Fund throughout a particular year.
3. Cumulative performance is the gain or loss of the Fund over certain period of time up to the relevant date.

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

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

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
19 May 2020

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

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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 March 2020:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2020 year-to-date	2019 full year	2018 full year	2017 full year	2016 full year	2015 full year	6 months	1 year
Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾	-14.03%	37.15%	-26.85%	28.16%	-12.60%	12.64%	-3.09%	-8.54%
MSCI China A	-10.20%	37.10%	-32.75%	21.47%	-18.94%	7.15%	-1.51%	-7.68%

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

As at 31 March 2020:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2020 year-to-date	2019 full year	2018 full year	2017 full year	2016 full year	2015 full year	6 months	1 year
Net asset value of the Fund (net of fees) ⁽¹⁾	-14.47%	35.06%	-27.94%	25.77%	-13.04%	9.85%	-4.04%	-10.21%

As at 31 March 2020:

Net asset value per unit of the Fund:	HK\$11.17
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$9.14
Discount / Premium to net asset value:	18.17% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 March 2020. 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 April 2020

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

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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 28 February 2020:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2020 year-to-date	2019 full year	2018 full year	2017 full year	2016 full year	2015 full year	6 months	1 year
Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾	-1.20%	37.15%	-26.85%	28.16%	-12.60%	12.64%	13.14%	11.35%
MSCI China A	-1.62%	37.10%	-32.75%	21.47%	-18.94%	7.15%	8.72%	7.34%

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 2020:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2020 year-to-date	2019 full year	2018 full year	2017 full year	2016 full year	2015 full year	6 months	1 year
Net asset value of the Fund (net of fees) ⁽¹⁾	-1.61%	35.06%	-27.94%	25.77%	-13.04%	9.85%	12.03%	9.36%

As at 28 February 2020:

Net asset value per unit of the Fund:	HK\$12.85
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$10.76
Discount / Premium to net asset value:	16.26% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 28 February 2020. 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.
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HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
16 March 2020

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

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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 January 2020:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2020 year-to-date	2019 full year	2018 full year	2017 full year	2016 full year	2015 full year	6 months	1 year
Net asset value of the Fund (gross of fees and net of capital gain tax provision) ⁽¹⁾	-0.75%	37.15%	-26.85%	28.16%	-12.60%	12.64%	10.52%	25.32%
MSCI China A	-0.63%	37.10%	-32.75%	21.47%	-18.94%	7.15%	5.52%	25.10%

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 2020:

	Calendar year performance ⁽²⁾						Cumulative performance ⁽³⁾	
	2020 year-to-date	2019 full year	2018 full year	2017 full year	2016 full year	2015 full year	6 months	1 year
Net asset value of the Fund (net of fees) ⁽¹⁾	-0.92%	35.06%	-27.94%	25.77%	-13.04%	9.85%	9.57%	23.36%

As at 31 January 2020:

Net asset value per unit of the Fund:	HK\$12.94
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$10.50
Discount / Premium to net asset value:	18.86% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 January 2020. 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
24 February 2020

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

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(Stock Code: 820)*

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

The Manager wishes to announce that the redemption of Units made under the Recurring Redemption Offer occurred on 20 February 2020.

The Recurring Redemption Offer closed at 4:30 p.m. (Hong Kong time) on 19 February 2020 (the Lodgement Date). Units were redeemed at the redemption price of HK\$13.44 per Unit, representing the net asset value of HK\$13.47 per Unit calculated using the relevant market closing price of the underlying investments of the Fund and the Fund's applicable operating expenses accrued or incurred to date on 20 February 2020 and made available as of 9:30 a.m. on 21 February 2020 less a Redemption Levy of HK\$0.03 per Unit. The Redemption Levy of HK\$0.03 per Unit represented 0.22% of the net asset value of each Unit redeemed.

The Fund has satisfied the redemption requests of the Unitholders on a pro rata basis at around 45.604% for each Unitholder based on the number of Units such Unitholder has validly applied to redeem, rounded down to the nearest whole Unit, and Units representing 20% of the total outstanding number of Units as at 19 February 2020 were redeemed on 20 February 2020. The total number of Units redeemed under the Recurring Redemption Offer is 13,750,243.

Upon the redemption made under the Recurring Redemption Offer, all redeemed Units have been cancelled. The Registrar will send, by ordinary post at the redeeming Unitholder's own risk, certificate(s) for Units not redeemed on or before 5 March 2020 (if applicable).

INVESTORS SHOULD NOTE THE FOLLOWING KEY DATES:

Time for calculating the net asset value of the Fund as of the Value Day	9:30 a.m. on 21 February 2020
Latest date for return of certificate(s) for Units not redeemed (if applicable)	5 March 2020
Latest date for despatch of cheques to redeeming Unitholders of Recurring Redemption Offer	HK\$13.44 per Unit will be paid by the Fund to Unitholders on 5 March 2020.

Reference is made to (i) the Firm Intention Announcement dated 24 December 2019, (ii) the circular published by the HSBC China Dragon Fund (the "**Fund**") dated 17 November 2015 regarding the extraordinary resolutions in relation to (a) the change of investment objective, (b) the One-off

Redemption Offer; (c) the Recurring Redemption Offer and (d) the changes to the Trust Deed to effect the Recurring Redemption Offer approved by the Independent Unitholders of the Fund in the general meeting held on 7 January 2016 and (iii) the circular published by the Fund dated 14 January 2020 (the "**Circular**"), respectively regarding the Recurring Redemption Offer.

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

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

The Recurring Redemption Offer closed at 4:30 p.m. (Hong Kong time) on 19 February 2020 (the Lodgement Date).

Results of the Recurring Redemption Offer

Unitholders that exercised their rights under the Recurring Redemption Offer have returned their redemption requests forms together with the relevant certificate(s) and/ or transfer receipt(s) and / or any other document(s) of title for the number of Units in respect of which Unitholders intended to redeem to the registrar of the Fund no later than 4:30 p.m. on 19 February 2020. Acceptances of the Recurring Redemption Offer may, at the discretion of the Manager, be treated as valid even if not accompanied by the certificate(s) of Units but, in such cases, the cash consideration due will not be despatched until the relevant certificate(s) of Units has/have been received by the Registrar.

As at 4:30 p.m. on 19 February 2020:

- | | |
|--|---|
| (a) The total number of Units in issue | 68,751,443 |
| (b) The maximum number of Units available for redemption under the Recurring Redemption Offer | 13,750,288 (20% of the total outstanding number of Units as at 19 February 2020) |
| (c) The aggregate number of Units for which valid applications were made under the Recurring Redemption Offer | 30,151,430 (43.86% of the total outstanding number of Units as at 19 February 2020) |
| (d) Out of (c) above, the aggregate number of Units for which valid applications were made under the Recurring Redemption Offer by the Manager and entities that are the Manager's parent, the Manager's subsidiaries, the Manager's fellow subsidiaries, associated companies of any of the foregoing, and companies of which such companies are associated companies that (i) trade in the Units as discretionary fund managers and/or (ii) for proprietary purposes | 0 (0% of the total outstanding number of Units as at 19 February 2020) |

The Fund has satisfied the redemption requests of the Unitholders on a pro rata basis at around 45.604% for each Unitholder based on the number of Units such Unitholder has validly applied to redeem, rounded down to the nearest whole Unit, and Units representing 20% (the "**Redemption Percentage**") of the total outstanding number of Units as at 19 February 2020 were redeemed on 20 February 2020. The total number of Units redeemed under the Recurring Redemption Offer is 13,750,243.

Redemption of the Units

The Manager wishes to announce that the redemption made under the Recurring Redemption Offer occurred on 20 February 2020.

The total number of Units redeemed under the Recurring Redemption Offer is 13,750,243. Units were redeemed at the redemption price of HK\$13.44 per Unit, representing the net asset value of HK\$13.47 per Unit calculated using the relevant market closing price of the underlying investments of the Fund and the Fund's applicable operating expenses accrued or incurred to date on 20 February 2020 and made available as of 9:30 a.m. on 21 February 2020 less a Redemption Levy of HK\$0.03 per Unit. The Redemption Levy of HK\$0.03 per Unit represented 0.22% of the net asset value of each Unit redeemed.

According to the Circular, the total number of Units redeemed by the Fund shall not exceed 20% of the total outstanding number of Units as at 19 February 2020. The aggregate number of Units for which applications were made under the Recurring Redemption Offer is 30,151,430 representing 43.86% of the total outstanding number of Units as at 19 February 2020.

As the aggregate number of Units for which applications were made under the Recurring Redemption Offer exceeded 20% of the total outstanding number of Units as at 19 February 2020, the number of Units that such Unitholders could eventually redeem was reduced proportionally.

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

The Registrar will send the payment of HK\$13.44 per Unit to Unitholders on 5 March 2020.

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

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

Any request for the Recurring Redemption Offer which was not satisfied is void and certificates representing such Units shall be returned to Unitholders on or before 5 March 2020.

Holding Structure

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

	Immediately before the Firm Intention Announcement		Immediately before the completion of the redemption made under the Recurring Redemption Offer		Immediately after the completion of the redemption made under the Recurring Redemption Offer	
	Units	Approx.%	Units	Approx.%	Approx. Units	Approx.%
Public Unitholders	68,644,782	99.84%	68,644,782	99.84%	54,894,539	99.81%
Manager and entities that are the Manager's parent, Manager's	106,661	0.16%	106,661	0.16%	106,661	0.19%

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

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

Interests of the Fund and the Manager

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

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

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

Name of Entity	Immediately before the Firm Intention Announcement		Immediately before the completion of the redemption made under the Recurring Redemption Offer		Immediately after the completion of the redemption made under the Recurring Redemption Offer	
	Units	Approx.%	Units	Approx.%	Approx. Units	Approx. %
The Hongkong and Shanghai Banking Corporation Limited	42,493	0.06%	42,493	0.06%	42,493	0.08%
HSBC International Trustee Limited	64,168	0.09%	64,168	0.09%	64,168	0.12%

From the date of the Circular up to the date of this announcement, other than the above, each of the Manager and any entities that are the Manager's parent, the Manager's subsidiaries, the Manager's fellow subsidiaries, associated companies of any of the foregoing, and companies of which such companies are associated companies that trade as discretionary fund managers and/or for proprietary purposes also

confirms that, save as disclosed above, it does not own, control or direct any voting rights or other rights over the Units; does not hold any convertible securities, warrants or options over the Units; has not received any irrevocable commitment to accept the Recurring Redemption Offer in respect of any Units; and has not entered into any outstanding derivative in respect of the Units during the date of the Circular up to the date of this announcement.

Nominee Holding

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

Odd Lots Arrangements

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

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

Overseas Unitholders

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

Units Repurchased by the Fund and the Manager

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

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

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

Borrowing or Lending by the Manager

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

Net Asset Values

The following table shows the net asset values on the Lodgement Date and Redemption Date:

Date	Total net asset value of the Fund (HK\$)	Net asset value per Unit (HK\$)
19 February 2020 ^(a)	910,301,864.60	13.25
20 February 2020 ^(b)	925,540,713.91	13.47

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

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

General Information

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

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

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

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

HSBC Global Asset Management (Hong Kong) Limited
 Manager of HSBC China Dragon Fund
 21 February 2020

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

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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 31 December 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⁾	37.15%	-26.85%	28.16%	-12.60%	12.64%	32.32%	12.52%	37.15%
MSCI China A	37.10%	-32.75%	21.47%	-18.94%	7.15%	46.91%	6.99%	37.10%

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 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⁾	35.06%	-27.94%	25.77%	-13.04%	9.85%	30.49%	11.53%	35.06%

As at 31 December 2019:

Net asset value per unit of the Fund:	HK\$13.06
Closing price of the Fund on the Stock Exchange of Hong Kong:	HK\$10.94
Discount / Premium to net asset value:	16.23% discount

Source: HSBC Global Asset Management (Hong Kong) Limited, data as at 31 December 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
22 January 2020

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.

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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

(Stock Code: 820)

**CIRCULAR TO UNITHOLDERS
IN RELATION TO
RECURRING REDEMPTION OFFER**

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CORPORATE INFORMATION

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

EXPECTED TIMETABLE

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

Despatch of this document and redemption request forms	14 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 lodgement of Recurring Redemption Offer request)	4:30 p.m. on 19 February 2020
Redemption Day of the Recurring Redemption Offer (note 1)	20 February 2020
Time for calculating the net asset value of the Fund as of the Value Day.	9:30 a.m. on the Business Day immediately after the Redemption Day (i.e. 21 February 2020)
Announcement of the net asset value of the Fund as of the Value Day.	by 5:00 p.m. on 21 February 2020
Latest date for return of certificate(s) for Units not redeemed (if applicable)	5 March 2020

EXPECTED TIMETABLE

Latest date for despatch of cheques to redeeming Unitholders of Recurring Redemption Offer (*note 2*). The Manager shall use its best endeavours to pay all the redemption proceeds, less the Redemption Levy, to Unitholders on or before 20 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.

Notes:

1. Assuming no event occurs which requires a suspension of the Redemption Day.

2. **Due to the legal and regulatory requirements in PRC, redemption proceeds payable to Unitholders out of the Fund’s assets in the PRC may be paid to the Unitholders in more than one month from the Redemption Day. The Manager shall use its best endeavours to repatriate and distribute such proceeds to the Unitholders within two months after the Redemption Day (i.e. on or before 20 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” on page 16 of this circular. The Fund will also use its assets outside PRC if any and appropriate to settle part of the redemption proceeds and that part of the redemption proceeds payable out of the assets of the Fund outside the PRC will be payable by 5 March 2020.**

DEFINITIONS

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

“Applicable Regulations”	the Code on Share Buy-Backs as if they were applicable to the Fund (including but not limited to all relevant timing and disclosure requirements under the Code on Share Buy-Backs), the Handbook and all other applicable codes, rules, regulations and laws
“Business Day”	a day (other than a Saturday or Sunday) on which the Stock Exchange is open for normal trading and banks are open for normal banking business in Hong Kong provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which the Stock Exchange and banks in Hong Kong are open for any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular published by the Fund dated 17 November 2015 regarding the extraordinary resolutions in relation to (a) the Change of Investment Objective, (b) the One-off Redemption Offer; (c) the Recurring Redemption Offer and (d) the changes to the Trust Deed to effect the Recurring Redemption Offer approved by the Independent Unitholders of the Fund in the general meeting held on 7 January 2016
“Code”	the Code on Unit Trusts and Mutual Funds issued by the SFC, as the same may from time to time be modified, amended, revised or replaced, or supplemented either by published guidelines, policies, practice statements or other guidance issued by the SFC or, in any particular case, by specific written guidance issued by the SFC in response to a specific request by the Manager and/or the Trustee
“connected persons”	has the meaning given to it in the Code
“CSRC”	China Securities Regulatory Commission
“Directors”	the directors of the Manager
“Explanatory Statement”	the explanatory statement set out in Appendix 1 to this circular
“Extraordinary Resolution”	a resolution proposed as such and passed on a poll by 75% or more of the votes of those present and entitled to vote in person or by proxy at a duly convened meeting of the Unitholders

DEFINITIONS

“Firm Intention Announcement”	the announcement dated 24 December 2019 by the Manager in relation to the Recurring Redemption Offer
“Fourth Recurring Redemption Offer”	the Recurring Redemption Offer dated 24 July 2018
“Fund”	HSBC China Dragon Fund
“General Meeting”	the general meeting of Unitholders held on 7 January 2016 at which the extraordinary resolutions in relation to (a) the Change of Investment Objective, (b) the One-off Redemption Offer; (c) the Recurring Redemption Offer and (d) the changes to the Trust Deed to effect the Recurring Redemption Offer were approved
“Handbook”	the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Unitholder(s)”	Unitholders other than any Unitholder that has a material interest in the Recurring Redemption Offer which is different from the interests of all other Unitholders
“Latest Practicable Date”	10 January 2020, being the latest practicable date prior to the despatch of this circular for ascertaining certain information contained herein
“Lodgement Date”	19 February 2020, 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 30 December 2019 and includes any amendments and supplements thereto
“One-off Redemption Offer”	the One-off Redemption Offer as described in the Circular
“Overseas Unitholder(s)”	Unitholder(s) whose addresses, as shown in the register of Unitholders, are outside Hong Kong as of the Lodgement Date or the lodgement date with respect to each Recurring Redemption Offer

DEFINITIONS

“PRC” or “China”	the People’s Republic of China, but for the purposes of this circular and the Fund’s investment objective and investment approach only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“QFII”	qualified foreign institutional investor approved by the CSRC pursuant to the “Measures for the Administration of Investment in Domestic Securities by Qualified Foreign Institutional Investors” (《合格境外機構投資者境內證券投資管理辦法》) promulgated by CSRC, People’s Bank of China and SAFE on 24 August 2006 and came into effect on 1 September 2006, as may be amended from time to time
“Recurring Redemption Offer”	an offer by the Manager to all Unitholders to redeem part or all of their holdings in the Fund (subject to a Redemption Levy) as the Manager determines at its discretion taking into account the best interests of the Unitholders, subject to certain conditions as described in the Circular and the Offering Circular, pursuant to the Firm Intention Announcement and this circular
“Redemption Day”	the Business Day immediately following the Lodgement Date
“Redemption Levy”	the redemption fee of up to 2% of the redemption price, payable in relation to the redemption of Units by a redeeming Unitholder pursuant to the Recurring Redemption Offer as described in this circular
“Registrar”	Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Relevant Period”	the period from 24 June 2019, being the date falling six months before the date of the Firm Intention Announcement, up to and including the Latest Practicable Date
“SAFE”	State Administration of Foreign Exchange
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trust Deed”	the trust deed dated 20 June 2007 between the Trustee and the Manager and includes any amendments and supplements thereto
“Trustee”	HSBC Institutional Trust Services (Asia) Limited

DEFINITIONS

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

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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

(Stock Code: 820)

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

Directors of the Manager:

EXECUTIVE DIRECTORS:

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

Registered office of the Manager:

HSBC Main Building
1 Queen's Road Central
Hong Kong

NON-EXECUTIVE DIRECTORS:

APENBRINK, Rudolf Eduard Walter
MARTIN, Kevin Ross

14 January 2020

To the Unitholders

Dear Sir/Madam

CIRCULAR TO UNITHOLDERS IN RELATION TO RECURRING REDEMPTION OFFER

I. INTRODUCTION

Reference is made to the Firm Intention Announcement by the Manager in relation to the Recurring Redemption Offer as described on pages 9 to 26 of this circular. The purposes of this circular are to provide you with further information regarding the Recurring Redemption Offer.

The total net asset value and capitalisation (being the Unit's closing price on the Stock Exchange multiplied by the total number of Units in issue) of the Fund as at 9 January 2020 are HK\$934,982,970 and HK\$797,516,739 respectively, representing a discount of 14.70%.

II. RECURRING REDEMPTION OFFER

(a) Terms of the Recurring Redemption Offer

(i) Background to the Recurring Redemption Offer

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

According to the Circular, the Manager may offer a Recurring Redemption Offer to all Unitholders to redeem part or all of their holdings in the Fund (subject to a Redemption Levy) as the Manager determines at its discretion taking into account the best interests of the Unitholders, subject to the following conditions:

1. the Fund must be trading at a discount of its net asset value of 20% (daily average) or more for three consecutive months;
2. such redemption offer must only be made in the best interests of the Unitholders;
3. there is no material adverse impact to the Fund;
4. the Manager must comply with the principles and rules under the Applicable Regulations, with the only following exceptions:
 - (a) no independent advice by an independent board committee and/or independent financial adviser will be required in relation to any redemption offer made following the approval of the Recurring Redemption Offer proposal at the General Meeting;
 - (b) where the redemption proceeds cannot be repatriated from China due to legal or regulatory requirements beyond the control of the Manager, the redemption proceeds payment period may be extended beyond the time limits stipulated in the Applicable Regulations. In such case, the Manager must keep proper records to demonstrate and justify this and keep Unitholders and the SFC properly and promptly informed. In any event, the redemption proceeds must be paid to Unitholders as soon as possible after the receipt of the proceeds by the Fund;
5. in considering whether to proceed with a redemption offer, the Manager must take into account of all relevant prevailing market conditions (such as market liquidity, the percentage of stocks held by the Fund which have been suspended from trading and other relevant regulatory requirements) and must be reasonably satisfied that the redemption proceeds can be paid to Unitholders in accordance with the time limits stipulated in the Applicable Regulations;

LETTER FROM THE MANAGER

6. there is no minimum number of redemption offer to be made in a calendar year and the maximum number for each calendar year shall not exceed three;
7. the aggregate redemption of all Unitholders to be no more than 20% of the total outstanding number of Units as at the relevant lodgement date of each Recurring Redemption Offer; and
8. Independent Unitholders may by Extraordinary Resolution at a general meeting terminate the Manager's entitlement to make any further redemption offer under the Recurring Redemption Offer.

Each Recurring Redemption Offer will be subject to applicable regulatory approvals but will not be subject to any further approval of the Unitholders nor the advice of the independent financial adviser. **Investors are advised to refer to the letter of advice from an independent financial adviser dated 17 November 2015 in the Circular in relation to the opinion and recommendations of the independent financial adviser including discussions on the reasons, the risks and the benefits associated with the Recurring Redemption Offer.**

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

1. the Fund has been trading at a discount of its net asset value of 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 and 2020, 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;

LETTER FROM THE MANAGER

7. the aggregate redemption of all Unitholders will be no more than 20% of the total outstanding number of Units as at the relevant lodgement date of the Recurring Redemption Offer; and
8. Independent Unitholders may by Extraordinary Resolution at a general meeting terminate the Manager's entitlement to make any further redemption offer under the Recurring Redemption Offer, and such Extraordinary Resolution has not taken place.

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

As at the Latest Practicable Date, 68,751,443 Units are in issue. Currently, Unitholders do not have the right to redeem any part of their holdings of Units.

The Manager wishes to offer a Recurring Redemption Offer to the Unitholders to redeem the whole or a part of their Units on the Redemption Day for cash.

(ii) Terms of the Recurring Redemption Offer

The Manager proposes to offer the Unitholders the Recurring Redemption Offer, being a right to apply to redeem the whole or a part of their Units at, subject to a Redemption Levy, the net asset value of the Units being redeemed (calculated using the relevant market closing price of the underlying investments of the Fund and the Fund's applicable operating expenses accrued or incurred to date on the Value Day) on the Redemption Day provided that for the Fund as a whole the total number of Units to be redeemed by the Unitholders shall not exceed 20% of the total outstanding number of Units as at the Lodgement Date. The redemption of Units by a Unitholder pursuant to the Recurring Redemption Offer will not attract Hong Kong ad valorem or fixed stamp duty. The redemption of Units by a Unitholder pursuant to the Recurring Redemption Offer will not be subject to any dealing charges other than the Redemption Levy. The Redemption Levy, which is up to 2% of the net asset value of the Units being redeemed (i.e. the redemption price), incorporates commission, stamp duty, transaction cost and total market impact of implementation (i.e. the price difference during the order implementation between the execution price and the price at the time of valuation) will be deducted from the redemption price and will be retained by the Fund for the benefit of the Fund. The actual level of the Redemption Levy will be determined by the Manager according to the Manager's estimation of the above-mentioned commission, stamp duty, transaction cost and total market impact of implementation on the Redemption Day. Each redeeming Unitholder will bear the same percentage of Redemption Levy, namely, the same percentage of the net asset value of the Units being redeemed. The Redemption Levy will be announced together with the net asset value of the Fund as of the Value Day by 5:00 p.m. on 21 February 2020.

LETTER FROM THE MANAGER

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

The estimated cost (at the price level as at the Latest Practicable Date) for the Recurring Redemption Offer is HK\$900,000, approximately 0.10% of the net asset value of the Fund as at 9 January 2020. 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.

LETTER FROM THE MANAGER

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 announcements will be made by the Manager as soon as practicable if there is a need to pay by instalment and the corresponding date(s) of payment and also after the Redemption Day in respect of the results of the redemptions made pursuant to the Recurring Redemption Offer. As of 9 January 2020, A Shares invested directly through QFII and other net assets in the PRC account for approximately 96.10% of the net asset value of the Fund, the redemption proceeds payable out of the assets in the PRC as of 9 January 2020 is 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.

LETTER FROM THE MANAGER

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 the Firm Intention Announcement (including the right to all dividends and distributions (if any) declared, made or paid on or after the date of the Firm Intention Announcement) or obligation to create or to give an encumbrance in relation to any of such Units and that no person has claimed to be entitled to an encumbrance in relation to any such Units.

LETTER FROM THE MANAGER

All redeemed Units will be cancelled.

(v) Payment procedure for the Recurring Redemption Offer

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

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

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

Subject to a number of factors including, but not limited to, the total amount of redemption requests, the amount of offshore assets held by the Fund (i.e. assets outside the PRC), the time required by the Fund and the documentation required by the PRC custodian to repatriate funds from the PRC, and subject further 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, subject to the applicable PRC repatriation rules and the regulatory and tax clearance approval process.

If the Fund is required to dispose of its assets in the PRC to satisfy the entire or part of the redemption requests accepted by the Fund in respect of the Recurring Redemption Offer, it is expected that the first repatriation of the disposition proceeds of such assets may take approximately two months with any subsequent repatriation(s) which may be required until the Fund can satisfy all the redemption requests accepted by the Fund in respect of the Recurring Redemption Offer to follow.

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

LETTER FROM THE MANAGER

(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 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. 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

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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), this has taken into account the reduction in the net asset value of the Fund under (ii) of this paragraph (v)) as a result of the expenses incurred with respect to the Recurring Redemption Offer and such expenses are not covered by the Redemption Levy and (ii) reduce the size of the Fund after such Recurring Redemption Offer is effected. The Manager may decide to terminate the Fund on any date if on such date the asset value of the Fund shall be less than HK\$400,000,000 under the Trust Deed, however, while the Manager does not envisage the current exercise of the Recurring Redemption Offer will result in the asset value of the Fund being less than HK\$400,000,000, recurring redemption offer(s) to be made in the future may result in the termination of the Fund;

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- (vi) *Remittance risk*: all documents and remittances will be sent to the Unitholders through ordinary post at their own risk. These documents and remittances will be sent to the Unitholders at their respective addresses as they appear in the register of Unitholders, and in the case of joint Unitholders, to the Unitholder whose name appears first in the register of Unitholders; and
- (vii) *Foreign currency risk*: a major part of the Fund's investments is denominated in RMB and a major portion of the Fund's revenue and income is received in RMB. There is no assurance that any revenue and income received by the Fund in RMB may be promptly converted into US\$, the Fund will therefore be exposed to risk of fluctuation in the exchange rate of RMB relative to US\$ and US\$ relative to Hong Kong dollars (the currency in which the redemption proceeds will be paid in). The Manager may use hedging techniques to, at the costs and expense of the Fund, attempt offsetting currency risks. However, there is no assurance that the hedging techniques to be adopted by the Manager will achieve a desired result which is beneficial to the Fund's investments and performance.

(c) Taxation

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

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

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(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.

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

- Business tax/Value-Added Tax (“**VAT**”)

Pursuant to the notice Caishui [2005] No. 155 issued jointly by the SAT and MoF in December 2005, gains derived by QFIIs from securities trading carried out by the PRC brokers are exempted from business tax in the PRC. Pursuant to the notice Caishui [2016] No. 36 issued jointly by the SAT and MoF in March 2016, effective from 1 May 2016, PRC VAT replaced business tax to cover all sectors that used to fall under the PRC business tax. Gains derived by QFIIs from securities trading carried out through domestic entrusted companies (i.e., the PRC brokers) and those derived 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 1 December 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) Suspension of the Recurring Redemption Offer

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

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

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(e) Overseas Unitholders

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

(f) Dealings in Units by the Fund, the Manager and any entities that are their parent, their subsidiaries, their fellow subsidiaries, associated companies of any of the foregoing, and companies of which such companies are associated companies

During the 12-month period immediately preceding the date of this circular, the Fund has not conducted any buy-back of any Units.

The Fund will not conduct any on-market buy-back of Units from the date of the Firm Intention Announcement up to and including the Redemption Day or when the condition to the Recurring Redemption Offer set out in paragraph (d) above is not met.

(g) Holding Structure

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

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

	Immediately before the completion of the Recurring Redemption Offer		Immediately after the completion of the Recurring Redemption Offer	
	<i>Units</i>	<i>Approx.%</i>	<i>Units</i>	<i>Approx.%</i>
Public Unitholders	68,644,782	99.84%	54,915,826	99.84%
Fellow subsidiaries and/or associated companies of the Manager that (i) trade in the Units as discretionary fund managers and/or (ii) for proprietary purposes own or control or direct the holding of voting rights and rights over the Units	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.

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(j) Other Arrangements

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

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

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

(k) Reason for and Financial Effect of the Recurring Redemption Offer

The Manager considers that the Recurring Redemption Offer is in the best interests of the Unitholders. The Recurring Redemption Offer will provide the Unitholders an option to exit part of their investment in the Fund. In addition, given the Fund has been trading at an average discount of 20.17% 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. However, while the Manager does not envisage the current exercise of the Recurring

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

- (iii) increase the total expense ratio of the Fund from 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.

(I) Net Asset Value

Based on the net asset value of the Fund as at 9 January 2020 (being the last Business Day before the Latest Practicable Date), upon the completion of the Recurring Redemption Offer (assuming that the aggregate number of Units for which applications are made under the Recurring Redemption Offer reaches 20% of the outstanding number of Units on the Lodgement Date), the financial impact to the Fund's net asset value is expected to be as follows:

	Immediately before the Recurring Redemption Offer (HK\$)	Immediately after the Recurring Redemption Offer (HK\$)
Net asset value of the Fund as at 9 January 2020 (<i>Note 1</i>)	934,982,970	934,982,970
Less: Redemption proceeds payable to Unitholders under the Recurring Redemption Offer (<i>Note 2</i>)	—	(183,256,662)
Less: Estimated costs and expenses with respect to the realisation of the assets of the Fund	—	(3,739,932)
	934,982,970	747,986,376
Number of Units in issue	68,751,443	55,001,155
Unaudited adjusted net asset value per Unit	13.60	13.60

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Note 1: being the unaudited consolidated equity attributable to Unitholders as at 9 January 2020 as published by the Fund on 10 January 2020 which has included accruals of estimated expenses in relation to the Recurring Redemption Offer.

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

Net asset value of the Units being redeemed	HK\$186,996,594
Less: Redemption levy retained by the Fund	<u>(HK\$3,739,932)</u>
	<u>HK\$183,256,662</u>

According to the above example, the Recurring Redemption Offer involves the payment of HK\$186,996,594 (before deduction of Redemption Levy) to the Unitholders and incurs estimated costs and expenses with respect to the realisation of the assets of the Fund of approximately HK\$3,739,932, therefore the net asset value of the Fund will be reduced by the same amount. On the other hand, assume that the Redemption Levy to be deducted from the redemption price and retained by the Fund is equal to the estimated costs and expenses with respect to the realisation of the assets of the Fund, the net asset value of the Fund will be increased by the same amount, i.e. HK\$3,739,932. The Recurring Redemption Offer will therefore reduce the unaudited adjusted net asset value and hence the working capital from HK\$934,982,970 to HK\$747,986,376 assuming that the aggregate number of Units for which applications are made under the Recurring Redemption Offer reaches 20% of the outstanding number of Units on the Lodgement Date. However, the net asset value per Unit is not expected to change subsequent to the Recurring Redemption Offer and will remain at HK\$13.60 based on the information and assumption mentioned in the example above.

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

(m) Future Intentions of the Fund

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

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

(n) Information on the Fund and the Manager

The Fund is a unit trust constituted by the Trust Deed governed by the laws of Hong Kong. Please refer to the Offering Circular for the investment objective of the Fund.

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

III. GENERAL

Explanatory Statement

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

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

Your attention is drawn to the additional information set out in the Explanatory Statement in Appendix 1 to this circular. The following documents will be available to investors for inspection, free of charge, at the registered office of the Manager and on the website of the Fund at www.assetmanagement.hsbc.com/hk-chinadragonfund:

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

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

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

IV. RESPONSIBILITY STATEMENT

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

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

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

This Appendix 1 serves as an explanatory statement to provide Unitholders with relevant information to enable you to make an informed decision whether to accept the Recurring Redemption Offer.

Defined terms used in this Explanatory Statement have the same meanings given to them in the circular to Unitholders of the Fund dated 14 January 2020 and also the Trust Deed.

1. RECURRING REDEMPTION OFFER

Units in Issue

- 1.1 As at the Latest Practicable Date, the aggregate of Units outstanding is 68,751,443 Units. The Manager wishes to offer the Recurring Redemption Offer for cash. Pursuant to the Recurring Redemption Offer, Unitholders will be entitled to apply to redeem the whole or a part of their Units subject to the Trust Deed and the following provisions and a redemption request form (available from the Registrar) will be despatched to all Unitholders.

Procedures

- 1.2 On receipt by the Registrar of a redemption request from a Unitholder which complies with the requirements of sub-clause 1.4, the Manager shall, subject to sub-clauses 1.9 and 1.10, effect the redemption of the Units specified in the redemption request at the redemption price, less the Redemption Levy, as determined under sub-clause 1.5. Such Redemption Levy is to be retained by the Fund for its own benefit.
- 1.3 A redemption request complying with the requirements of sub-clause 1.4 shall be dealt with only at the close of the last market of the underlying investments of the Fund (the “**Valuation Point**”) on the Value Day in relation to the Redemption Day on which the redemption is to be effected. In order for a redemption request to be effected on the Value Day, the redemption request together with such Unitholder’s certificate of Units must be received by the Registrar not later than 4:30 p.m. (Hong Kong time) on the Lodgement Date; provided that the Unitholders are only entitled to make a redemption request under the Recurring Redemption Offer with respect to the Units they hold as of the Lodgement Date. No further action shall be required from the Unitholders who elect to continue to hold onto the entire holdings of Units in the Fund. Unitholders who have lost the certificates representing their Units should contact the Registrar and follow the procedure as required by the Registrar.
- 1.4 To be effective a redemption request must be given in writing signed by the Unitholder or any one of joint Unitholders and must specify the number of Units that are to be realised, the name or names of the Unitholder or Unitholders together with the relevant certificate(s) and/or transfer receipt(s) and/or any other

document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof). A redemption request once given cannot be revoked without the consent of the Manager.

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

Regardless of whether Unitholders decide to accept or not accept the Recurring Redemption Offer, they should not submit their certificate(s) of Units to the Registrar before 29 January 2020. Any certificate(s) of Units received prior to 29 January 2020 may not be treated as application for the Recurring Redemption Offer and all such unaccepted certificate(s) will be returned to the Unitholders (by ordinary post, at that Unitholder's own risk) as soon as practicable and in any event, no later than 7 Business Days from the date of receipt. Unitholders may resubmit their certificate(s) of Units to the Registrar before the Lodgement Date if they would like to make a redemption request under the Recurring Redemption Offer with respect to the Units they hold as of the Lodgement Date.

Redemption Price and Payment of Proceeds

- 1.5 The price per Unit shall be realised on the Value Day at the redemption price (that is, the net asset value per Unit as at the Value Day) less the Redemption Levy in accordance with the Trust Deed. Costs and expenses with respect to the realisation of the assets of the Fund, namely, commission, stamp duty, transaction cost and total market impact of implementation (i.e. the price difference during the order implementation between the execution price and the price at the time of valuation) will be offset against the Redemption Levy. The Redemption Levy which is up to 2% of the net asset value of the Units being redeemed (i.e. the redemption price) will be deducted from the redemption price and will be retained by the Fund for the benefit of the Fund. The actual level of the Redemption Levy will be determined by the Manager according to the Manager's estimation of the above-mentioned commission, stamp duty, transaction cost and total market impact of implementation on the Redemption Day. Each redeeming Unitholder will bear the same percentage of Redemption Levy, namely, the same percentage of the net asset value of the Units being redeemed. The Redemption Levy will be announced together with the net asset value of the Fund as of the Value Day by 5:00 p.m. on 21 February 2020.
- 1.6 It is the intention of the Manager to realise the relevant investment of the Fund as soon as practicable on or about the Value Day.

The Manager will aim to realise the Fund's offshore assets (i.e. assets being held by the Fund outside the PRC) first to satisfy the redemption requests, subject to the condition that the Manager will aim to ensure that the Fund will continue to hold approximately 5% of the Fund's total net asset value offshore outside the PRC immediately after the redemption, taking into account the ongoing liquidity

need of the Fund outside the PRC (such as payment of various fees and expenses outside PRC) and the asset size required by the Fund to maintain a portfolio efficiently outside PRC.

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

Subject to a number of factors including, but not limited to, the total amount of redemption requests, the amount of offshore assets held by the Fund (i.e. assets outside the PRC), the time required by the Fund and the documentation required by the PRC custodian to repatriate funds from the PRC, and subject further 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, subject to the applicable PRC repatriation rules and the regulatory and tax clearance approval process.

If the Fund is required to dispose of its assets in the PRC to satisfy the entire or part of the redemption requests accepted by the Fund in respect of the Recurring Redemption Offer, it is expected that the first repatriation of the disposition proceeds of such assets may take approximately two months with any subsequent repatriation(s) which may be required until the Fund can satisfy all the redemption requests accepted by the Fund in respect of the Recurring Redemption Offer to follow.

- 1.7 Redemption proceeds will not be paid to any redeeming Unitholder until:
- (a) a valid original redemption request has been received by or on behalf of the Manager or, if relevant, the Trustee; and
 - (b) the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the Manager or its agent or, if relevant, the Trustee.

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

- 1.8 Where Units are to be realised on any Redemption Day the Manager shall proceed to effect any sales necessary to provide the cash required to meet the redemption request. Where the Manager (or its agent) has effected or will effect the redemption, the Manager (or its agent) shall provide the instruction to the Trustee that the Units are to be realised and cancelled in accordance with the provisions of

this clause 1.8 and in such event the Fund shall be reduced by the cancellation of the said Units. Where the Trustee will effect the redemption, the Trustee shall promptly notify the Manager that the Units are to be realised and cancelled in accordance with the provisions of this clause 1.8 so that the Manager has sufficient time to effect any sales necessary to provide the cash required to meet the redemption request. The Trustee shall pay to the Unitholder, at the direction of the Manager, out of the Fund in respect of the cancellation of the Units the redemption price thereof less any deductions which the Manager, pursuant to any discretion hereunder, directs the Trustee to make or, if agreed, pay to the Manager out of the Fund the redemption price and the Manager shall (subject as otherwise provided in the Trust Deed) pay over the same to the Unitholder. The Trustee may only effect redemptions of Units if so agreed with the Manager and on the terms for the time being approved by the Manager, provided always that the Trustee shall at all times comply with the terms of the Offering Circular in connection therewith.

Limits and Suspension of Redemption

- 1.9 The Manager shall, for the Fund as a whole, limit the total number of Units which Unitholders are entitled to redeem on the Redemption Day to be no more than 20% of the total outstanding Units as at the Lodgement Date, such limitation to be applied pro rata to all Unitholders who have validly requested realisations to be effected on or as at the Value Day so that the proportion realised of each holding so requested to be realised is the same for all such Unitholders, rounded down to the nearest whole Unit. Any application for redemption of Units which, by virtue of the powers conferred on the Manager hereby, are not realised on the Redemption Day shall be void and the certificates representing such Units shall be returned to Unitholders.

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

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

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

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

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

Overseas Unitholders

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

Nominee Holdings

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

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

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

Transfer of Units

1.13 If a Unitholder has lodged transfer(s) of Units for registration in his/her name and has not yet received the certificate(s) of Units and wishes to accept the Recurring Redemption Offer, he/she should nevertheless complete the redemption request form and deliver it to the Registrar together with the transfer receipt(s) duly signed by him/her. Such action will be deemed to be an authority to the Manager or its agent(s) to collect from the Manager or the Registrar on his/her behalf the relevant certificate(s) of Units when issued and to deliver such certificate(s) of Units, subject to the terms of the Recurring Redemption Offer, as if it/they was/were delivered to the Registrar with the redemption request form.

Lost Certificates

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

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

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

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

Replacement of Redemption Request Form

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

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

New Unitholders

- 1.16 With respect to any new Unitholder, a new Unitholder may collect a copy of this circular, with the form of proxy and a blank redemption request form from the Registrar during business hours between 14 January 2020 to the Lodgement Date, both days inclusive. Such Unitholder may also contact the Registrar and request a copy of this circular, the form of proxy and a blank redemption request form (as appropriate) to be sent to his/her registered address as recorded in the register of Unitholders.

Professional Advice

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

Unitholders should refer to the section headed "Taxation" on pages 18 to 20 of the Letter from the Manager in this circular for additional information on taxation.

Effect of Acceptance of the Recurring Redemption Offer

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

represents and warrants to the Fund that all Units which the redeeming Unitholder redeeming shall be sold free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the Latest Practicable Date (including the right to all dividends and distributions (if any) declared, made or paid on or after the Latest Practicable Date) or obligation to create or to give an encumbrance in relation to any of such Units and that no person has claimed to be entitled to an encumbrance in relation to any such Units.

- (g) Acceptance of the Recurring Redemption Offer by any person who is an Overseas Unitholder will be deemed to constitute a warranty by such person to the Fund and the Manager that he, she or it has observed the laws of all relevant jurisdictions, obtained all requisite governmental, exchange control or other consents, complied with all necessary formalities or legal requirements and paid any transfer or other taxes or other required payments due from him, her or it in connection with such acceptance in any jurisdiction, that he, she or it has not taken or omitted to take any action which will or may result in the Fund, the Manager or any other person acting in breach of the legal or regulatory requirements of any jurisdiction in connection with the Recurring Redemption Offer or his, her, its acceptance thereof, and is permitted under all applicable laws to receive and accept the Recurring Redemption Offer, and any revision thereof, and that such acceptance is valid and binding in accordance with all applicable laws.
- (h) Acceptance of the Recurring Redemption Offer by any nominee will be deemed to constitute a warranty by such nominee to the Fund and the Manager that the number of Units in respect of which it is indicated in the redemption request form is the aggregate number of Units held by such nominee for such beneficial owner who is accepting the Recurring Redemption Offer.
- (i) Reference to the Recurring Redemption Offer in this circular and the redemption request form shall include any extension or revision thereof.
- (j) If the number of Units to be redeemed is not indicated on the redemption request form given or is not indicated in a legible manner, the relevant Unitholder shall be deemed to have accepted the Recurring Redemption Offer in regard to such number of Units as supported by the certificate(s) of Units given.
- (k) If the number of Units to be redeemed as indicated on the redemption request form given is greater than the number of Units as supported by the certificate(s) of Units given, the relevant Unitholder shall be deemed to have accepted the Recurring Redemption Offer in regard to such number of Units as supported by the certificate(s) of Units given.

Unitholders' considerations

1.19 The Manager believes that the Recurring Redemption Offer is in the best interests of the Fund and the Unitholders as a whole. The Fund has been trading at an average discount of 20.17% 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.

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 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. 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), this has taken into account the reduction in the net asset value of the Fund under (ii) of this paragraph (v)) as a result of the expenses incurred with respect to the Recurring Redemption Offer and such expenses are not covered by the Redemption Levy and (ii) reduce the size of the Fund after such Recurring Redemption Offer is effected. The Manager may decide to terminate the

Fund on any date if on such date the asset value of the Fund shall be less than HK\$400,000,000 under the Trust Deed, however, while the Manager does not envisage the current exercise of the Recurring Redemption Offer will result in the asset value of the Fund being less than HK\$400,000,000, recurring redemption offer(s) to be made in the future may result in the termination of the Fund;

- (vi) *Remittance risk*: all documents and remittances will be sent to the Unitholders through ordinary post at their own risk. These documents and remittances will be sent to the Unitholders at their respective addresses as they appear in the register of Unitholders, and in the case of joint Unitholders, to the Unitholder whose name appears first in the register of Unitholders; and
- (vii) *Foreign currency risk*: a major part of the Fund's investments is denominated in RMB and a major portion of the Fund's revenue and income is received in RMB. There is no assurance that any revenue and income received by the Fund in RMB may be promptly converted into US\$, the Fund will therefore be exposed to risk of fluctuation in the exchange rate of RMB relative to US\$ and US\$ relative to Hong Kong dollars (the currency in which the redemption proceeds will be paid in). The Manager may use hedging techniques to, at the costs and expense of the Fund, attempt offsetting currency risks. However, there is no assurance that the hedging techniques to be adopted by the Manager will achieve a desired result which is beneficial to the Fund's investments and performance.

2. REDEMPTION/BUY-BACK OF UNITS

During the 12-month period immediately preceding the date of this circular, the Fund has not conducted any other buy-back of any Units.

3. DISCLOSURE OF INTERESTS AND DEALINGS

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

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, parties acting in concert, hold any Units.

(b) Substantial Unitholder's interests in the Fund

As at the Latest Practicable Date, having made all reasonable enquiries, the Manager cannot ascertain the identity of the person (if any) who holds 10% ("**10% holder**") or more of the Units in issue of the Fund and cannot determine the intention of such person (if any) as regards the acceptance of the Recurring Redemption Offer. The Manager has looked at the "Disclosure of Interests" forms ("**DI Forms**") on the website of the Hong Kong Exchange and Clearing Limited, and it appeared that the figures presented therein may not be up-to-date. In particular, the Manager notes that

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

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

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

(c) Interests of the Fund and the Manager

The Fund, the Manager and entities that are the Manager's parent, the Manager's subsidiaries, the Manager's fellow subsidiaries, associated companies of any of the foregoing, and companies of which such companies are associated companies that (i) trade in the Units (including the exercise of the One-off Redemption Offer as described in the Circular) as discretionary fund managers and/or (ii) for proprietary purposes have confirmed that there has neither been dealing nor any exercise of the One-off Redemption Offer as described in the Circular in the Units in the six months immediately prior to the date of the circular. The Fund has no parent, subsidiary, fellow subsidiary and/or associated company.

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

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

Name of Entity	<i>Units</i>	<i>Approx.%</i>
The Hongkong and Shanghai Banking Corporation Limited	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.

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

4. UNITS IN ISSUE

As at the Latest Practicable Date, 68,751,443 Units are in issue. Assuming that the Recurring Redemption Offer is fully exercised by Unitholders, there will be approximately 55,001,155 Units in issue upon completion of the Recurring Redemption Offer. There is only one class of Units in issue and all the Units rank *pari passu*. There has been no payment of dividend during the two-year period preceding the Latest Practicable Date. Other than the buy-back of Units set out in clause 2 above, there has been no re-organization of capital during two financial years preceding date of Firm Intention Announcement.

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

5. TRADING PRICES AND NET ASSET VALUES

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

Date	Highest price (HK\$)	Lowest price (HK\$)	Highest net asset value (HK\$)	Lowest net asset value (HK\$)
January 2019	8.61	8.00	10.49	9.42
February 2019	9.60	8.54	12.00	10.56
March 2019	9.85	9.45	12.45	11.69
April 2019	10.64	9.90	13.15	12.31
May 2019	10.08	8.65	12.31	10.83
June 2019	9.30	8.70	11.71	10.71
July 2019	9.59	9.20	12.05	11.48
August 2019	9.49	8.80	11.79	10.92
September 2019	9.75	9.20	12.17	11.64
October 2019	9.75	8.81	12.16	11.64
November 2019	10.10	9.40	12.52	11.85
December 2019	10.94	9.42	13.06	11.88
9 January 2020, being the last trading date before the Latest Practicable Date	11.60	10.94	13.60	13.30

The following table shows the closing prices of the Unit on the Stock Exchange and the net asset value per Unit on 23 December 2019 (the last trading date before the date of the Firm Intention Announcement), 9 January 2020 (the last trading date before the Latest Practicable Date) and the last trading date of each of the calendar months during the Relevant Period.

Date	Closing price (HK\$)	Net asset value (HK\$)
28 June 2019	9.30	11.71
31 July 2019	9.50	11.81
30 August 2019	9.30	11.47
30 September 2019	9.30	11.64
31 October 2019	9.62	11.95
29 November 2019	9.53	11.85
23 December 2019, being the last trading date before the date of the Firm Intention Announcement	10.20	12.52
31 December 2019	10.94	13.06
9 January 2020, being the last trading date before the Latest Practicable Date	11.60	13.60

The highest and lowest closing price per Unit as quoted on the Stock Exchange during the Relevant Period were HK\$11.60 on 9 January 2020 and 10 January 2020 and HK\$8.82 on 6 August 2019 respectively.

6. UNITS BOUGHT BACK BY THE FUND

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

7. DOCUMENTS FOR INSPECTION

The following documents will be available to investors for inspection, free of charge, at the registered office of the Manager and on the website of the Fund at www.assetmanagement.hsbc.com/hk-chinadragonfund:

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

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

I. THREE YEAR SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the financial results of the Fund for each of three years ended 31st March 2019 and for the period from 1 April 2019 to 30 September 2019 as extracted from the Fund's relevant annual reports and interim report 2019 respectively.

	Period from 1 April 2019 to 30 September 2019 (Unaudited) HK\$	2019 HK\$	2018 HK\$	2017 HK\$
Net investment income/(loss)	<u>(42,783,103)</u>	<u>(91,273,187)</u>	<u>256,649,244</u>	<u>144,924,575</u>
Profit/(loss) before taxation	(53,798,873)	(113,056,223)	229,217,357	108,826,329
Taxation	<u>(1,834,709)</u>	<u>(2,349,290)</u>	<u>(2,243,467)</u>	<u>(1,013,311)</u>
Increase/(decrease) in net assets attributable to unitholders and total comprehensive income for the year/period	<u>(55,633,582)</u>	<u>(115,405,513)</u>	<u>226,973,890</u>	<u>107,813,018</u>

Notes:

- (1) There were no extraordinary items, exceptional items and minority interests during each of the three years ended 31 March 2019 and for the period from 1 April 2019 to 30 September 2019.
- (2) The reports of the auditor of the Fund for the three years ended 31 March 2019 do not contain any qualifications. The auditor of the Fund for all three years ended 31 March 2017, 31 March 2018 and 31 March 2019 were KPMG.
- (3) The Fund does not report on earnings per Unit. No dividend has been declared for each of three years ended 31 March 2019 and for the period from 1 April 2019 to 30 September 2019.

II. FINANCIAL INFORMATION

A. SET OUT BELOW IS THE FULL TEXT OF THE AUDITED FINANCIAL STATEMENTS OF THE FUND FOR THE YEAR ENDED 31 MARCH 2019 EXTRACTED FROM THE ANNUAL REPORT OF THE FUND FOR THE YEAR ENDED 31 MARCH 2019.

STATEMENT OF ASSETS AND LIABILITIES

As at 31 March 2019

	<i>Note</i>	2019 <i>HK\$</i>	2018 <i>HK\$</i>
Assets			
Investments at fair value through profit or loss	<i>7, 12</i>	843,047,517	1,137,231,379
Other receivables	<i>8(c)</i>	895,157	986,820
Amounts receivable on sales of investments		33,212,939	—
Cash and cash equivalents	<i>8(d)</i>	<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	<i>8(a), (b) & (c)</i>	3,143,666	3,662,948
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	<i>10</i>	<u>68,751,443</u>	<u>85,939,223</u>
Net asset value per unit		<u>12.43</u>	<u>13.68</u>

The notes on pages 49 to 68 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	<i>Note</i>	2019 <i>HK\$</i>	2018 <i>HK\$</i>
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	343,756	2,532,111
		<hr/>	<hr/>
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)	(1,035,940)	(907,447)
		<hr/>	<hr/>
Operating expenses		<u>(21,783,036)</u>	<u>(27,431,887)</u>
(Loss)/profit before taxation		(113,056,223)	229,217,357
Taxation	6	(2,349,290)	(2,243,467)
		<hr/>	<hr/>
(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>

The notes on pages 49 to 68 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	<i>Note</i>	2019 <i>HK\$</i>	2018 <i>HK\$</i>
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	<i>14</i>	<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>

The notes on pages 49 to 68 form part of these financial statements.

CASH FLOW STATEMENT*For the year ended 31 March 2019*

	2019	2018
	<i>HK\$</i>	<i>HK\$</i>
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><u>6,166,960</u></u>	<u><u>40,759,200</u></u>

The notes on pages 49 to 68 form part of these financial statements.

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 <i>HK\$</i>	2018 <i>HK\$</i>
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
	<i>HK\$</i>	<i>HK\$</i>
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
	<i>HK\$</i>	<i>HK\$</i>
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 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 <i>HK\$</i>	2018 <i>HK\$</i>
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 <i>Units</i>	2018 <i>Units</i>
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>68,751,443</u>	<u>85,939,223</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 <i>HK\$</i>	Liabilities <i>HK\$</i>	Net exposure <i>HK\$</i>
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.

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

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

As at 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.

B. SET OUT BELOW IS THE FULL TEXT OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS OF THE FUND FOR THE PERIOD ENDED 30 SEPTEMBER 2019.

INTERIM STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)

As at 30 September 2019

		30 September 2019 (Unaudited) HK\$	31 March 2019 (Audited) HK\$
	<i>Note</i>		
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)	3,658,195	3,143,666
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>

The notes on pages 73 to 90 form part of these financial statements.

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		<u>(170,254)</u>	<u>(1,194,181)</u>
Operating expenses		<u>(11,015,770)</u>	<u>(12,572,879)</u>
Loss before taxation		(53,798,873)	(212,418,470)
Taxation	6	<u>(1,834,709)</u>	<u>(2,340,838)</u>
Decrease in net assets attributable to unitholders and total comprehensive income for the period		<u>(55,633,582)</u>	<u>(214,759,308)</u>

The notes on pages 73 to 90 form part of these financial statements.

INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2019

	<i>Note</i>	Six months ended	
		30 September 2019 (Unaudited) <i>HK\$</i>	30 September 2018 (Unaudited) <i>HK\$</i>
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>

The notes on pages 73 to 90 form part of these financial statements.

INTERIM CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 September 2019

	Six months ended	
	30 September 2019 (Unaudited) HK\$	30 September 2018 (Unaudited) 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	<u>(1,679,169)</u>	<u>(3,944,526)</u>
Net cash (used in)/generated from operating activities(4,938,544)183,443,486
Financing activity		
Payments on redemption of units	<u>—</u>	<u>(205,050,215)</u>
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	<u>(73,175)</u>	<u>(1,078,595)</u>
Cash and cash equivalents at the end of the period	<u><u>1,155,241</u></u>	<u><u>18,073,876</u></u>

The notes on pages 73 to 90 form part of these financial statements.

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>(61,093,046)</u>	<u>(221,151,257)</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 2019 (unaudited) HK\$	30 September 2018 (unaudited) HK\$
PRC dividend and interest income withholding tax	<u>1,834,709</u>	<u>2,340,838</u>

7 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six months ended	
	30 September 2019 (unaudited) HK\$	30 September 2018 (unaudited) 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	<u>—</u>	<u>(17,187,780)</u>
Number of units in issue carried forward	<u>68,751,443</u>	<u>68,751,443</u>

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

	<u>30 September 2019 (unaudited)</u>			<u>31 March 2019 (audited)</u>		
		Effect on net assets			Effect on net assets	
	% of total net assets	Change in price %	attributable to the unitholders HK\$	% of total net assets	Change in price %	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 <i>HK\$</i>	Liabilities <i>HK\$</i>	Net exposure <i>HK\$</i>
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.

	<i>HK\$</i>
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 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Listed equities	796,798,424	—	—	796,798,424
	<u>796,798,424</u>	<u>—</u>	<u>—</u>	<u>796,798,424</u>

	31 March 2019 (audited)			
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total 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>

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.

III. INDEBTEDNESS STATEMENT

At the close of business on 10 January 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this document, the Fund did not have any outstanding borrowings, mortgages, charges, debenture or other loan capital or bank overdrafts, loans or other similar indebtedness or hire purchase commitments, liabilities under acceptances or acceptances credits or any guarantees or other material contingent liabilities.

IV. MATERIAL CHANGE

Save for information set out in this section below and in the section headed “Financial and Trading Prospects”, there is no material change in the financial or trading position or outlook of the Fund subsequent to 31 March 2019, being the date to which the latest audited financial statements of the Fund were prepared, up to and including the Latest Practicable Date.

Offshore Chinese equities fell in the second quarter of 2019. The negative market performance was mainly registered in May, 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 the 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% year-on-year 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. Sector wise, consumer staples and utilities outperformed the most while telecommunications and oil and gas were the main laggards.

Offshore Chinese equities fell in the third quarter of 2019. The negative market performance was mainly registered in August, where it was mainly dragged by the new round of US-China import tariffs and 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 was announced which was weak again in industrial production and exports in particular.

The Chinese equity market was up strong in October 2019 mostly buoyed by tentative easing in US-China trade war as they agreed on the outline of a partial deal, a possible Brexit deal and global central bank easing. October economic data also came in better in some areas — industrial production in September notably showed a rebound of 5.8% year-on-year vs 4.4% in August, and retail sales showed steady growth +0.7% month-on-month, and real estate fixed asset investment continued to outperform. On the other hand a few data points disappointed: third quarter GDP growth came in at 6.0% year-on-year vs 6.2% for the second quarter of 2019 and exports contracted further down 3.2% year-on-year in September vs down 1% year-on-year in August, while September CPI also reached 3% year-on-year vs 2.8% year-on-year in August driven by high pork prices.

The Chinese equity market gained in November. Market was relatively strong given a pickup in China economic growth momentum into the first half of 2020 as well as some easing signals including the lowering of the one year rate on its medium-term lending facility (MLF) from 3.3% to 3.25%, the first since early 2016, as well as PBOC's lowering of the seven day reverse repo rate. October trade data also came out and rebounded last week, with exports and imports up 1.3%/1.6% month-on-month respectively after 2 consecutive months of decline. On the other hand October credit data moderated in October with new CNY loans at RMB661.3 billion (vs consensus at RMB800 billion) and total social financing at RMB618.9 billion (vs consensus at RMB950 billion). October activity data was also weak as IP (+4.7% year-on-year), retail sales (+7.2% year-on-year), fixed asset investment (+5.2% year-to-date year-on-year) all decelerated from September and came in below market expectations.

V. FINANCIAL AND TRADING PROSPECTS

Potential negative surprises from trade negotiation remain a key risk to the market. In the long term, however, domestic growth and policy support will play a more important role. Recent policy moves have sent clear loosening signals which should bode well for near-term market sentiment amid lingering macro uncertainties.

Looking ahead we believe the Chinese government would maintain a stable economic growth to avoid the economy to have an excessive slowdown, and would 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. We stick to our sector overweights on healthcare and the consumer sectors.

VI. LITIGATION

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

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

HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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

(Stock Code: 820)

Announcement

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

The circular to Unitholders for the Recurring Redemption Offer has been dispatched to the Unitholders of the Fund on 14 January 2020.

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

Reference is made to (i) the announcement dated 24 December 2019 by HSBC Global Asset Management (Hong Kong) Limited (the "**Manager**") of HSBC China Dragon Fund (the "**Fund**") in relation to the proposed Recurring Redemption Offer and (ii) the circular issued by the Manager dated 14 January 2020 (the "**Circular**").

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

The Circular containing, among other things, further details of the Recurring Redemption Offer has been despatched to the Unitholders on 14 January 2020.

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

All directors of the Manager jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and

careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

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

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
14 January 2020

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)

14 January 2020

Dear Unitholders,

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

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

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

Should you have any queries relating to this letter, please call the enquiry hotline at (852) 2862 8646 during business hours (9:00 a.m. to 6:00 p.m., Mondays to Fridays).

Yours faithfully,

BOTELHO BASTOS, Pedro Augusto

Director

For and on behalf of

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

各位單位持有人：

致現有單位持有人之函件 — 選擇收取公司通訊的方式及語言

滙豐中國翔龍基金（「本基金」）致單位持有人關於經常性贖回要約備有英文及中文版。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

2020年1月14日

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

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

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

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

Unless the context otherwise requires, terms used in this form shall bear the same meanings as those defined in the CIRCULAR TO UNITHOLDERS IN RELATION TO THE RECURRING REDEMPTION OFFER dated 14 January 2020 (“Unitholder Circular”) issued by HSBC GLOBAL ASSET MANAGEMENT (HONG KONG) LIMITED as manager of HSBC CHINA DRAGON FUND.

除文義另有所指外，本表格所用詞彙與滙豐環球投資管理(香港)有限公司(作為滙豐中國翔龍基金的經理人)於2020年1月14日向單位持有人所發出有關經常性贖回要約通函(「單位持有人通函」)所界定者具有相同涵義。

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

贖回表格 — 在閣下欲接納單位持有人通函下的經常性贖回要約時適用。

HSBC CHINA DRAGON FUND 滙豐中國翔龍基金

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

(Stock Code: 820)

根據《證券及期貨條例》(香港法例第571章)第104條

獲認可之香港單位信託

(股份代號: 820)

Receiving Agent 收款代理	FOR THE CONSIDERATION stated below, the holder(s) (“Unitholder(s)”) of unit(s) (“Units”) of the Fund named below hereby participate in the Recurring Redemption Offer subject to the terms and conditions contained herein and in the Unitholder Circular. 在本表格及單位持有人通函所載條款及條件的規限下，名列下方的本基金的單位(「單位」)的持有人(「單位持有人」)謹此按下列代價參與經常性贖回要約。			
Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong 香港中央證券登記 有限公司 香港灣仔皇后大道東183號 合和中心17樓 1712–1716號舖	Number of Unit(s) (Note) 單位數目(附註)	FIGURE 數目	WORDS 大寫	
	Certificate number(s) 證書號碼			
	Unitholder(s) name(s) and address(es) in full 單位持有人 全名及地址 (EITHER TYPEWRITTEN OR WRITTEN IN BLOCK CAPITALS) (請用打字機或正楷填寫)	Family name(s) or company name(s): 姓氏或公司名稱:	Forename(s): 名字:	
		Registered Address: 登記地址:	Telephone number: 電話號碼:	
CONSIDERATION 代價	The net asset value per Unit of the HSBC CHINA DRAGON FUND as at the Redemption Day less the Redemption Levy (i.e. up to 2% of the net asset value of the Units being redeemed) 滙豐中國翔龍基金於贖回日的每單位資產淨值減贖回徵費(即最高為被贖回單位資產淨值的2%)			
Signed by the Unitholder(s) in the presence of: 單位持有人在下列見證人見證下簽署:			ALL JOINT REGISTERED UNITHOLDERS MUST SIGN HERE 所有聯名登記單位持有人均須在此簽署	
	SIGNED by the Unitholder(s), this _____ day of _____, 2020 由單位持有人於2020年 _____ 月 _____ 日簽署			

SIGNATURE OF WITNESS

見證人簽署

NAME OF WITNESS

見證人姓名

Address of Witness

見證人地址

Occupation

職業

Note: Insert the total number of Units for which the Recurring Redemption Offer is accepted.

附註: 請填上接納經常性贖回要約的相關單位總數。

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

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

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

HOW TO COMPLETE THIS FORM

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

To accept the Recurring Redemption Offer made by the Fund, you should duly complete and sign this redemption form and forward this form, together with the relevant certificate(s) representing the Units and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Units which is/are in your name which you intend to accept the Recurring Redemption Offer, by post or by hand, marked "HSBC CHINA DRAGON FUND — Recurring Redemption Offer" on the envelope, to the Receiving Agent, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event so as to reach the Receiving Agent no later than 4:30 p.m. on 19 February 2020 (or such later time and/or date(s) as the Fund may determine and announce with the consent of the Trustee of the Fund and HSBC Global Asset Management (Hong Kong) Limited).

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

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

FORM OF ACCEPTANCE OF THE RECURRING REDEMPTION OFFER

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

1. My/Our execution of this redemption form (whether or not such form is dated), which shall be binding on my/our successors and assignees, shall constitute:
 - (a) my/our irrevocable acceptance of the Recurring Redemption Offer made by HSBC Global Asset Management (Hong Kong) Limited as manager of the Fund, as contained in the Unitholder Circular, for the consideration and subject to the terms and conditions therein and herein mentioned, in respect of the number of Units specified in this redemption form;
 - (b) my/our irrevocable instruction and authority to HSBC Global Asset Management (Hong Kong) Limited and/or the Fund, the Receiving Agent and/or their respective agent(s) to send (i) with respect to the portion of my/our Units redeemed under the Recurring Redemption Offer, a cheque crossed (or cheques crossed) "Not negotiable — account payee only" drawn in my/our favour for the cash consideration to which I/we shall have become entitled under the terms of the Recurring Redemption Offer, by ordinary post at my/our risk to the person and the address stated below or, if no name and address is stated below, to me or the first-named of us (in the case of joint registered Unitholders) at the registered address shown in the register of Unitholders within the time specified in the Unitholder Circular after the Redemption Day and (ii) with respect to the portion of my/our Units NOT redeemed under the Recurring Redemption Offer, the relevant certificate(s) representing such number of Units which is/are in my/our name, by ordinary post at my/our risk to the person and the address stated below or, if no name and address is stated below, to me or the first-named of us (in the case of joint registered Unitholders) at the registered address shown in the register of Unitholders within 10 Business Days after the Redemption Day:
(Insert name and address of the person to whom the cheque(s) is/are to be sent if different from the registered Unitholder or the first-named of joint registered Unitholders.)
Name: (in block capitals) _____
Address: (in block capitals) _____
 - (c) my/our irrevocable instruction and authority to HSBC Global Asset Management (Hong Kong) Limited and/or the Fund or such person or persons as they may direct to complete, amend and execute any document on my/our behalf including without limitation to insert a date in this redemption form or, if I/we or any other person shall have inserted a date, to delete such date and insert another date in this redemption form and to do any other act that may be necessary or expedient for the purpose of vesting in the Fund or such person or persons as they may direct my/our Unit(s) tendered for acceptance of the Recurring Redemption Offer;
 - (d) my/our undertaking to execute such further documents and to do such acts and things by way of further assurance as may be necessary or desirable to redeem my/our Unit(s) tendered for acceptance under the Recurring Redemption Offer to the Fund, HSBC Global Asset Management (Hong Kong) Limited or such person or persons as they may direct free from all third party rights, liens, charges, equities, adverse interests and encumbrances whatsoever and together with all rights attaching thereto as at the date of the announcement regarding the Recurring Redemption Offer dated 24 December 2019 (the "Announcement") or subsequently becoming attached to them;
 - (e) my/our agreement to ratify each and every act or thing which may be done or effected by HSBC Global Asset Management (Hong Kong) Limited and/or the Fund or their respective agents or such person or persons as it/they may direct on the exercise of any of the authorities contained herein;
 - (f) my/our irrevocable instruction and authority to HSBC Global Asset Management (Hong Kong) Limited and/or the Fund or their respective agent(s) to collect from HSBC Global Asset Management (Hong Kong) Limited or the Fund or the Receiving Agent on my/our behalf the certificate(s) in respect of the Units due to be issued to me/us in accordance with, and against surrender of, the enclosed other document(s) of title (if any) (and/or any satisfactory indemnity or indemnities required in respect thereof), which has/have been duly signed by me/us, and to deliver the same to the Receiving Agent and to authorise and instruct the Receiving Agent to hold such certificate(s) subject to the terms and conditions of the Recurring Redemption Offer as if it/they were certificate(s) delivered to the Receiving Agent together with this Redemption Form; and
 - (g) my/our appointment of HSBC Global Asset Management (Hong Kong) Limited and/or the Fund as my/our attorney in respect of all the Unit(s) to which this redemption form relates, such power of attorney to take effect from the date and time on which the Recurring Redemption Offer becomes unconditional in all respects and thereafter be irrevocable.
2. I/We understand that acceptance of the Recurring Redemption Offer by me/us will constitute a warranty by me/us to HSBC Global Asset Management (Hong Kong) Limited and/or the Fund that (i) the number of Unit(s) specified in this redemption form will be redeemed free from all third party rights, liens, charges, equities, adverse interests and encumbrances whatsoever and together with all rights attaching thereto as at the date of the Announcement or subsequently becoming attached to them; and (ii) if my/our registered address is located in a jurisdiction outside Hong Kong, I/we have fully observed the laws of all relevant jurisdictions, obtained all requisite governmental, exchange control or other consents, complied with all necessary regulatory formalities or legal requirements and paid any transfer or other taxes by whomsoever payable, that I/we have not taken or omitted to take any action which will or may result in HSBC Global Asset Management (Hong Kong) Limited and/or the Fund or any other person acting in breach of the legal or regulatory requirements of any jurisdiction in connection with the Recurring Redemption Offer or my/our acceptance thereof, and am/are permitted under all applicable laws to receive and accept the Recurring Redemption Offer, and any revision thereof, and that such acceptance is valid and binding in accordance with all applicable laws.
3. In the event that my/our acceptance is not valid, or is treated as invalid, in accordance with the terms of the Recurring Redemption Offer, all instructions, authorisations and undertakings contained in paragraph 1 above shall cease and in which event, I/we authorise and request you to return to me/us my/our certificate(s) representing the number of Units which is/are in my/our name and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), together with this redemption form duly cancelled, by ordinary post at my/our risk to the person and address stated in paragraph 1(b) above or, if no name and address is stated, to me or the first-named of us (in the case of joint registered Unitholders) at the registered address shown in the register of Unitholders.
4. I/We enclose the relevant certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the whole or part of my/our holding of Unit(s) which are to be held by you on the terms and conditions of the Recurring Redemption Offer. I/We understand that no acknowledgement of receipt of any redemption form, certificate(s) representing the Units and/or other document(s) of title (and/or satisfactory indemnity or indemnities required in respect thereof) will be given. I/we further understand that all documents will be sent at my/our own risk.
5. I/We warrant that I/we are the registered holder(s) of the number of Units specified in this redemption form and I/we have the full right, power and authority to sell and pass the title and ownership of such Units to the Fund by way of acceptance of the Recurring Redemption Offer.
6. I/We warrant to HSBC Global Asset Management (Hong Kong) Limited and the Fund that I/we have satisfied the laws of the jurisdiction where my/our address is stated in the register of Unitholders in connection with my/our acceptance of the Recurring Redemption Offer, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with necessary formalities, regulatory or legal requirements.
7. I/We warrant to HSBC Global Asset Management (Hong Kong) Limited and the Fund that I/we shall be fully responsible for payment of any transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction where my/our address is stated in the register of Unitholders in connection with my/our acceptance of the Recurring Redemption Offer.
8. I/We acknowledge that, save as expressly provided in the Unitholder Circular and this redemption form, all acceptances, instructions, authorities and undertakings hereby given shall be irrevocable and unconditional.
9. I/We acknowledge that my/our Units redeemed pursuant to the Recurring Redemption Offer will be cancelled after the redemption.
10. I/We irrevocably undertake, represent, warrant and agree to and with HSBC Global Asset Management (Hong Kong) Limited and the Fund (so as to bind my/our successors and assigns) that in respect of the Units which are accepted or deemed to have been accepted under the Recurring Redemption Offer, which acceptance has not been validly withdrawn, and which have not been cancelled, to give an authority to the Fund and/or its agents from me/us to send any notice, circular, warrant or other document or communication which may be required to be sent to me/us as a Unitholder (including any relevant certificate(s) representing my/our Units) to the attention of "HSBC China Dragon Fund" at Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
11. The Fund reserves the right to treat as valid any acceptance of the Recurring Redemption Offer which is not entirely in order or which is not accompanied by the relevant certificate(s) of the Units and/or other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof), but, in such cases, the consideration due will not be despatched until the relevant certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof) has/have been received by the Receiving Agent.

If you have questions in relation to the Recurring Redemption Offer, please telephone the Unitholder Helpline at (852) 2862 8699. The Unitholder Helpline is available from 9:00 a.m. to 6:00 p.m. Monday to Friday (other than public holidays) and will remain open until 19 February 2020. Please note that, the Unitholder Helpline will only be able to provide information contained in this document and information relating to the Fund's register of Unitholders and will be unable to give advice on the merits of the Recurring Redemption Offer or to provide financial, legal, tax or investment advice.

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

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

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

本表格填寫方法

本贖回表格應與單位持有人通函一併閱讀。單位持有人通函「釋義」一節的界定詞彙，已納入本贖回表格並構成本贖回表格的一部分。

閣下如欲接納本基金提出的經常性贖回要約，應填妥及簽署本贖回表格，連同代表閣下有意接納經常性贖回要約的相關名下單位的證書及／或任何其他所有權文件(及／或就此所需並令人滿意的任何彌償保證)，以郵遞方式或由專人盡快送交收款代理香港中央證券登記有限公司，地址為香港灣仔皇后大道東183號合和中心17樓1712-1716號舖，信封面請註明「滙豐中國翔龍基金—經常性贖回要約」，惟無論如何不得遲於2020年2月19日下午4時30分(或本基金獲本基金受託人及滙豐環球投資管理(香港)有限公司同意而可能決定及公佈的較後時間及／或日期)送達收款代理。

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

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

經常性贖回要約的接納表格

致：滙豐中國翔龍基金及滙豐環球投資管理(香港)有限公司

- 本人／吾等一經簽立本贖回表格(不論該表格是否已註明日日期)，本人／吾等的繼承人及受讓人即受此約束，且有關簽立構成：
 - 本人／吾等按單位持有人通函及本表格所述代價並在條款及條件的規限下，就本贖回表格所註明的單位數目，不可撤回地接納由滙豐環球投資管理(香港)有限公司(作為本基金經理人)提出、載於單位持有人通函的經常性贖回要約；
 - 本人／吾等不可撤回地指示及授權滙豐環球投資管理(香港)有限公司及／或本基金、收款代理及／或彼等各自的代理人，(i)就本人／吾等根據經常性贖回要約贖回的該部分單位，於贖回日後在單位持有人通函指定的時間內，以「不得轉讓—只准入抬頭人賬戶」方式向本人／吾等開出劃線支票(或各劃線支票)，作為本人／吾等根據經常性贖回要約的條款應有權收取的現金代價，有關支票按以下地址以平郵方式寄予以下人士，或如無於下欄填上姓名及地址，則按單位持有人名冊所示登記地址以平郵方式寄予本人或吾等當中名列首位者(如屬聯名登記單位持有人)，郵誤風險概由本人／吾等承擔；並且(ii)就本人／吾等根據經常性贖回要約不贖回該部分的單位，於贖回日後的10個營業日內，將代表本人／吾等名下該等單位數目的相關證書按以下地址以平郵方式寄予以下人士，或如無於下欄填上姓名及地址，則按單位持有人名冊所示登記地址以平郵方式寄予本人或吾等當中名列首位者(如屬聯名登記單位持有人)，郵誤風險概由本人／吾等承擔；(倘收取支票(各支票)的人士並非登記單位持有人或名列首位的聯名登記單位持有人，則請於下欄填上該名人士的姓名及地址。)姓名：(請用正楷填寫) _____
地址：(請用正楷填寫) _____
 - 本人／吾等不可撤回地指示及授權滙豐環球投資管理(香港)有限公司及／或本基金或彼等可能指定的有關人士，代表本人／吾等填妥、修訂及簽立任何文件，包括但不限於在本贖回表格填上日期，或(如本人／吾等或任何其他人士已在本贖回表格填上日期)刪去該日期然後填上另一日期，以及作出任何其他可能必需或權宜的行動，以將本人／吾等接納經常性贖回要約而提交的單位轉歸本基金或彼等可能指定的有關人士所有；
 - 本人／吾等承諾於必需或合宜時簽立其他有關文件及以進一步保證的方式作出有關行動及事宜，以贖回本人／吾等根據接納經常性贖回要約而提交予本基金的滙豐環球投資管理(香港)有限公司或彼等可能指定的有關人士的單位，該等被贖回單位不附帶任何性質的一切第三方權利、留置權、押記、衡平權、不利權益及產權負擔，並連同於2019年12月24日就經常性贖回要約刊發的公告日期(「公告」)附於、或將於其後附於該等單位的一切權利；
 - 本人／吾等同意追認滙豐環球投資管理(香港)有限公司及／或本基金或彼等各自的代理人或彼／彼等可能指定的有關人士於行使本表格所載任何權限時可能作出或進行的各種行動或事宜；
 - 本人／吾等不可撤回地指示及授權滙豐環球投資管理(香港)有限公司及／或本基金或彼等各自的代理人，在交回隨附經本人／吾等正式簽署的其他所有權文件(如有)(及／或任何就此所需並令人滿意的彌償保證)後，憑此代表本人／吾等向滙豐環球投資管理(香港)有限公司或本基金或收款代理領取本人／吾等就單位應獲發的證書，並將有關證書送交收款代理，且授權及指示收款代理在經常性贖回要約的條款及條件的規限下持有有關證書，猶如有關證書連同本贖回表格一併送交收款代理；及
 - 本人／吾等委任滙豐環球投資管理(香港)有限公司及／或本基金為本人／吾等就本贖回表格所涉全部單位的受權人，該授權書於經常性贖回要約在所有方面成為無條件的日期及時間起生效，並隨後不得撤回。
- 本人／吾等明白，本人／吾等接納經常性贖回要約，將構成本人／吾等向滙豐環球投資管理(香港)有限公司及／或本基金保證：
 - 本贖回表格所註明的單位數目，將在不附帶任何性質的一切第三方權利、留置權、押記、衡平權、不利權益及產權負擔，並連同於公告日期附於、或將於其後附於該等單位的一切權利的情況下贖回；及(ii)倘本人／吾等的註冊地址位於香港境外的司法管轄區，本人／吾等已全面遵守所有有關司法管轄區的法例，取得所有所需的政府、外匯管制或其他同意，符合所有必要的監管手續或法律規定，及已支付任何人士應付的任何轉讓稅或其他稅項，本人／吾等並無採取或不採取任何行動而將引致或可能引致滙豐環球投資管理(香港)有限公司及／或本基金或任何其他人士違反與經常性贖回要約或本人／吾等接納經常性贖回要約有關的任何司法管轄區的法律或監管規定，且本人／吾等根據所有適用法例獲准收取及接納經常性贖回要約(及其任何修改)，而按照所有適用法例，該接納為有效及具有約束力。
 - 倘按經常性贖回要約的條款本人／吾等的接納屬無效或被視為無效，則上文第1段所載的所有指示、授權及承諾均會失效；在此情況下，本人／吾等授權並要求你們將代表本人／吾等名下單位數目的證書及／或任何其他所有權文件(及／或任何就此所需並令人滿意的彌償保證)連同已正式註銷的本贖回表格，以平郵方式寄予上文第1(b)段所列的人士及地址以交還本人／吾等，或如未有列明姓名及地址，則按單位持有人名冊所示登記地址以平郵方式寄予本人或吾等當中名列首位者(如為聯名登記單位持有人)以交還本人／吾等，郵誤風險概由本人／吾等承擔。
 - 本人／吾等茲附上將由你們按經常性贖回要約的條款及條件持有的本人／吾等所持全部或部份單位的有關證書及／或其他所有權文件(及／或任何就此所需並令人滿意的彌償保證)。本人／吾等明白，概不會就任何提交的贖回表格、代表單位的證書及／或其他所有權文件(及／或就此所需並令人滿意的彌償保證)發出認收書。本人／吾等亦了解，寄發一切文件的郵誤風險概由本人／吾等自行承擔。
 - 本人／吾等保證，本人／吾等為本贖回表格所列數目的單位的登記持有人，且本人／吾等有十足權利、權力及授權，可以接納經常性贖回要約的方式向本基金出售有關單位及轉移有關單位的所有權及擁有權。
 - 本人／吾等向滙豐環球投資管理(香港)有限公司及本基金保證，本人／吾等已遵守於單位持有人名冊所列本人／吾等地址的所在司法管轄區關於本人／吾等接納經常性贖回要約的法例，包括取得可能規定所需的任何政府、外匯管制或其他同意，及符合必要手續、監管或法律規定。
 - 本人／吾等向滙豐環球投資管理(香港)有限公司及本基金保證，本人／吾等將全面負責支付於單位持有人名冊所列本人／吾等地址的所在有關司法管轄區、關於本人／吾等接納經常性贖回要約而應付的任何轉讓稅、註銷稅或其他稅項或徵稅。
 - 本人／吾等確認，除單位持有人通函及本贖回表格明文規定外，據此作出的所有接納、指示、授權及承諾均不可撤回及為無條件。
 - 本人／吾等確認，本人／吾等根據經常性贖回要約贖回的單位將於贖回後註銷。
 - 本人／吾等向及對滙豐環球投資管理(香港)有限公司及本基金不可撤回地承諾、聲明、保證及同意(本人／吾等的繼承人及承讓人亦受此約束)，就根據經常性贖回要約獲接納或被視為已獲接納的(接納未被有效撤回)以及未註銷的單位而言，本人／吾等授權本基金及／或代理人，將可能須向本人／吾等(作為單位持有人)寄發的任何通告、通函、保證書或其他文件或通訊(包括代表本人／吾等單位的任何有關證書)寄送至香港中央證券登記有限公司(收件人：「滙豐中國翔龍基金」)，地址為香港灣仔皇后大道東183號合和中心17樓1712-1716號舖。
 - 本基金保留將任何不完全恰當或無隨附有關單位證書及／或其他所有權文件(及／或任何就此所需並令人滿意的彌償保證)的經常性贖回要約的接納視為有效的權利，惟在該等情況下，應付的代價將不會寄發，直至收款代理已收到有關證書及／或其他所有權文件(及／或任何就此所需並令人滿意的彌償保證)為止。

閣下如對經常性贖回要約有任何疑問，請致電單位持有人熱線(852) 2862 8699，單位持有人熱線的開放時間為星期一至五上午九時正至下午六時正(公眾假期除外)，單位持有人熱線將一直開放至2020年2月19日止。請注意，單位持有人熱線將僅能提供本文件所載資料及有關本基金單位持有人名冊的資料，而不能就經常性贖回要約的利弊給予意見或提供財務、法律、稅務或投資意見。

PERSONAL DATA

Personal Information Collection Statement

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

1. Reasons for the collection of your personal data

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

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

2. Purposes

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

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

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

3. Transfer of personal data

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

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

4. Access to and correction of personal data

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

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

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

個人資料

收集個人資料聲明

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

1. 收集閣下個人資料的原因

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

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

2. 用途

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

- 處理閣下的接納及核實或遵循本贖回表格及單位持有人通函載列的條款及申請程序；
- 註銷以閣下名義登記的單位；
- 存置或更新有關的單位持有人名冊；
- 核實或協助核實簽名，以及進行任何其他資料核實或交換；
- 確定閣下根據經常性贖回要約所享有的權利；
- 發佈由滙豐環球投資管理(香港)有限公司及/或本基金及/或收款代理認為於有關情況下必要或合宜的任何其他人士或機構。
- 編製統計資料及單位持有人資料；
- 按法例、規則或規例(無論是法定或其他規定)的要求作出披露；
- 披露有關資料以便利處理權利要求或享有權；
- 有關滙豐環球投資管理(香港)有限公司及/或本基金及/或收款代理的業務的任何其他用途；及
- 有關上文所述任何其他附帶或關連用途及/或以便滙豐環球投資管理(香港)有限公司及/或本基金及/或

或收款代理履行彼等對單位持有人及/或監管機構的義務及單位持有人可能不時同意或被告知的任何其他用途。

3. 轉交個人資料

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

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

4. 查閱及更正個人資料

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

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

閣下一經簽署本贖回表格，即表示同意上述所有內容

Change Request Form 變更申請表格

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

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

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

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

Part A — I/We would like to receive another printed version of the Current Corporate Communications of the Fund as indicated below:

甲部 本人/我們現在希望以下列方式收取 貴基金本次公司通訊文件之另一語言印刷本：

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

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

Part B — I/We would like to change the choice of language and means of receipt of future Corporate Communications of the Fund as indicated below:

乙部 本人/我們現在希望更改以下列方式收取 貴基金日後公司通訊文件之語言版本及收取途徑：

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

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

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

Date
日期

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

Address[#]
地址[#]

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

Contact telephone number
聯絡電話號碼

Signature(s)
簽名

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

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