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HSBC CHINA DRAGON FUND

滙豐中國翔龍基金

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

PROPOSED CHANGE OF INVESTMENT OBJECTIVE, PROPOSED ONE-OFF REDEMPTION OFFER, PROPOSED RECURRING REDEMPTION OFFER AND PROPOSED CHANGES TO THE TRUST DEED OF THE FUND TO EFFECT THE PROPOSED RECURRING REDEMPTION OFFER

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

The Manager intends to seek Independent Unitholders' approval on (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.

(a) Change of Investment Objective

The Manager would like to achieve the investment objective of the Fund with the ability to invest in A Shares from investing directly in A Shares through Stock Connect. It is proposed that the Fund's objective be changed as follows (changes underlined and bold): to achieve long-term capital growth by investing primarily in A Shares directly through (i) the qualified foreign institutional investor 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 Manager may consider, amongst others, profitability, prospect, outlook, valuation and volatility of the relevant securities and markets, the availability of the investments, and the economic and political environment and development affecting the relevant securities and markets in its selection criteria of investments for the Fund. The 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.**

(b) One-off Redemption Offer

The Manager also wishes to offer Unitholders, subject to certain conditions, the One-off Redemption Offer to redeem for cash the whole or a part of each Unitholder's Units at, subject to a Redemption Levy, the net asset value of the Units as at the Redemption Day being redeemed on a one-off basis.

There is no minimum number of Units which a qualifying Unitholder can apply to redeem under the One-off Redemption Offer; however, a Unitholder may not apply to redeem more Units than such Unitholder holds as of the Lodgement Date. A Unitholder may apply to redeem the whole or a part of his or her holding of Units. The total number of Units to be redeemed by the Unitholders shall not exceed 20% of the total outstanding number of Units as at the Lodgement Date. Regardless of the number of Units a Unitholder has validly applied to redeem, in the event that the aggregate number of Units for which applications are made under the One-off Redemption Offer exceeds 20% of the total outstanding number of Units as at the Lodgement Date, the number of Units that such Unitholder can eventually redeem will be reduced proportionally. Under such situation, the Fund will satisfy the redemption requests of Unitholders wishing to redeem their Units on a pro rata basis based on the number of Units the Unitholders have validly applied to redeem, rounded down to the nearest whole Unit.

The One-off Redemption Offer will be conditional upon the following conditions being fulfilled:

- (i) the Independent Unitholders' approval by way of an Extraordinary Resolution at the General Meeting by way of a poll to approve the One-off Redemption Offer; and
- (ii) the SFC's approval of the One-off Redemption Offer.

The One-off Redemption Offer will not be conditional on any minimum number of redemption applications being received from the Unitholders.

Please also see (d) below regarding the uncertainty on the payment date of the redemption proceeds.

(c) Recurring Redemption Offer and the changes to the Trust Deed to effect the Recurring Redemption Offer

The Manager also wishes to seek an one-off approval from the Independent Unitholders to grant a general redemption right to the Manager and to make corresponding changes to the Trust Deed to effect the possible Recurring Redemption Offer.

Subject to the one-off passing of the proposed Extraordinary Resolution and the SFC's approval for such general redemption right, the Manager will offer a right 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. the redemption offer must only be made in the best interests of the Unitholders;
3. there is no material adverse impact to the Fund;
4. the Manager must comply with 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 current Recurring Redemption Offer proposal at the Extraordinary General Meeting;
 - (b) where the redemption proceeds cannot be repatriated from China due to legal or regulatory requirements beyond the control of the Manager, the redemption proceeds payment period may be extended beyond the time limits stipulated in the Applicable Regulations. In such case, the Manager must keep proper records to demonstrate and justify this and keep Unitholders and the SFC properly and promptly informed. In any event, the redemption proceeds must be paid to Unitholders as soon as possible after the receipt of the proceeds by the Fund;
5. in considering whether to proceed with a redemption offer, the Manager must take into account of all relevant prevailing market conditions (such as market liquidity, the percentage of stocks held by the Fund which have been suspended from trading and other relevant regulatory requirements) and must be reasonably satisfied that the redemption proceeds can be paid to Unitholders in accordance with the time limits stipulated in the Applicable Regulations;
 6. there is no minimum number of redemption offer to be made in a calendar year and the maximum number for each calendar year shall not exceed three;
 7. the aggregate redemption of all Unitholders to be no more than 20% of the total outstanding number of Units as at the relevant lodgement date of each Recurring Redemption Offer; and
 8. Independent Unitholders may by Extraordinary Resolution at a general meeting terminate the Manager's entitlement to make any further redemption offer under the Recurring Redemption Offer.

Each Recurring Redemption Offer will be subject to applicable regulatory approvals but will not be subject to any further approval of the Unitholders nor the advice of the independent financial advisor.

The Manager's entitlement to offer such redemption right will be conditional upon the following conditions being fulfilled:

- (i) the Independent Unitholders' one-off approval by way of an Extraordinary Resolution at the General Meeting by way of a poll to approve the Recurring Redemption Offer and the changes to the Trust Deed to effect the Recurring Redemption Offer; and
- (ii) the SFC's approval of the Recurring Redemption Offer and the changes to the Trust Deed to effect the Recurring Redemption Offer.

Please also see (d) below regarding the uncertainty on the payment date of the redemption proceeds.

(d) Uncertainty on the payment date of the redemption proceeds for the One-off Redemption Offer and the Recurring Redemption Offer

Due to the legal and regulatory requirements in PRC, redemption proceeds payable to Unitholders out of the Fund's assets in the PRC may be paid to the Unitholders in more than one month from the relevant redemption day. The Manager shall use its best endeavours to repatriate and distribute such proceeds to the Unitholders within two months after the relevant redemption day. However, distribution of redemption proceeds payable out of the Fund's assets in the PRC will be subject to the prior approval of SAFE and may be delayed beyond the control of the Manager. There is no assurance that redemption proceeds payable out of the Fund's assets in the PRC will be distributed within two months. The Fund will also use its assets outside PRC to settle part of the redemption proceeds and that part of the redemption proceeds payable out of the assets of the Fund outside the PRC will be payable within 10 Business Days from the relevant redemption day.

It should be noted that dealings in the Units will continue during the period when the above conditions under (b)(i) and (ii) and/or (c)(i) and (ii) remain unfulfilled. Those Unitholders selling their Units and persons purchasing the Units during such period will accordingly bear the risk that the One-off Redemption Offer and/or the Recurring Redemption Offer may not become unconditional 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, it is recommended that he or she should consult his or her professional adviser.

WARNING: As the proposed Change of Investment Objective, the proposed One-off Redemption Offer, the proposed Recurring Redemption Offer and the proposed changes to the Trust Deed to effect the Recurring Redemption Offer are subject to approvals from the Independent Unitholders, such proposals may or may not proceed, Unitholders and prospective investors of the Fund are advised to exercise caution when dealing in the Units. If in doubt, please seek professional advice.

A. INTRODUCTION

Reference is made to the announcements dated 17 June 2015, 17 July 2015, 17 August 2015, 17 September 2015 and 16 October 2015 by the Manager in relation to, among other things, the possible Change of Investment Objective, the possible One-off Redemption Offer, the possible annual redemption offer and the possible changes to the Trust Deed to effect the possible annual redemption offer; and certain update regarding the tax exposure of the Fund.

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 28 October 2015 are HK\$2,522,017,079 and HK\$2,106,515,121, respectively, representing a discount of 16.5%.

The purpose of this announcement is to provide you with further information in this regard.

B. CHANGE OF INVESTMENT OBJECTIVE

(a) The Manager proposes to change the investment objective of the Fund (the "Change of Investment Objective") as follows:

The Manager would like to achieve the investment objective of the Fund with the ability to invest in A Shares from investing directly in A Shares through Stock Connect. It is proposed that the Fund's objective be changed as follows (changes underlined and bold): to achieve long-term capital growth by investing primarily in A Shares directly through (i) the qualified foreign institutional investor 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 Manager may consider, amongst others, profitability, prospect, outlook, valuation and volatility of the relevant securities and markets, the availability of the investments, and the economic and political environment and development affecting the relevant securities and markets in its selection criteria of investments for the Fund. The 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.**

As of the date of this announcement, only the Shanghai-Hong Kong Stock Connect has been launched. No other Stock Connect programme has been launched, but the Fund may invest through such programme in future, as and when it is available. Shanghai-Hong Kong Stock Connect is a securities trading and clearing linked programme developed by, among others, the Stock Exchange, Shanghai Stock Exchange ("SSE"), HKSCC and China Securities Depository and Clearing Corporation ("**ChinaClear**") with an aim to achieve mutual stock market access between mainland China and Hong Kong. Shanghai-Hong Kong Stock Connect provides a "northbound link" through which Hong Kong and overseas investors ("**Stock Connect Investors**") including the Fund may purchase and indirectly hold eligible A Shares listed on the SSE ("**SSE Shares**") ("**Northbound Trading**").

Further information about the Stock Connect is available online at the website:
http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm

Independent Unitholders should refer to the section headed "Key Risk Factors" below for the risk with respect to investments through Stock Connect.

Independent Unitholders should carefully consider the risk factors described in the Offering Circular and from page 5 to page 10 below before exercising their votes to approve the resolution with respect to the Change of Investment Objective.

(b) Key Risk Factors

Unitholders should carefully consider the risk factors described in the Offering Circular and below before deciding on whether to approve the Change of Investment Objective.

- (i) *Availability of Stock Connect Programme:* As of the date of this announcement, only the Shanghai-Hong Kong Stock Connect has been launched. No other Stock Connect programme has been launched, but the Fund may invest through such programme in future, as and when it is available. The launch of the programme is subject to applicable laws, regulations and various implementation requirements including but not limited to the relevant stock exchange trading and clearing rules, and will take place only when trading systems have been finalised, all regulatory approvals have been granted and market participants have had sufficient opportunity to configure and adapt their operational and technical systems. Even if the programme is launched successfully, the Fund may not be able to participate in such programme, and the Fund's ability to access the A Share market may be limited accordingly. The Manager will update the relevant disclosures in the Offering Circular as and when necessary.

Shanghai-Hong Kong Stock Connect is a new trading programme. Currently there is no manual trade facility or block trade facility for the securities acquired through Shanghai-Hong Kong Stock Connect ("**Stock Connect Securities**") under Northbound Trading, the Fund's investment options may become limited as a result. The scope of securities in Shanghai Hong Kong Stock Connect is subject to adjustment by the applicable regulator, agency or authority with jurisdiction, authority or responsibility in respect of Shanghai-Hong Kong Stock Connect from time to time. This may adversely affect the Fund's ability to achieve its investment objective. In addition, Shanghai-Hong Kong Stock Connect and its technology and risk management capability has only a short operating history. There is no assurance that the systems and controls of the Shanghai-Hong Kong Stock Connect programme will function as intended or whether they will be adequate.

Shanghai-Hong Kong Stock Connect may be subject to further regulatory or other changes and developments in both the Hong Kong and China markets that could adversely affect the Fund's ability to invest via Shanghai-Hong Kong Stock Connect or its investment strategy.

There is no assurance that Shanghai-Hong Kong Stock Connect will be permitted to continue in existence.

- (ii) *Quota Limitations:* Shanghai-Hong Kong Stock Connect is subject to quota limitations which may restrict the Fund's ability to deal via Shanghai-Hong Kong Stock Connect on a timely basis. Northbound Trading under Shanghai-Hong Kong Stock Connect is subject to a maximum cross-boundary aggregate investment quota together with a daily quota. When the aggregate quota balance for Northbound Trading is less than the daily quota, the corresponding buy orders will be suspended on the next trading day (sell orders will still be accepted) until the aggregate quota balance returns to the daily quota level. Once the daily quota is used up, acceptance of the corresponding buy orders will also be immediately suspended and no further buy orders will be accepted for the remainder of the day. Buy orders which have been accepted will not be affected by the using up of the daily quota, while sell orders will be continued to be accepted. Depending on the aggregate quota balance situation, buying services will be resumed on the following trading day. This may impact the Fund's ability to implement its investment strategy effectively.

Trade orders are entered into China Stock Connect System ("CSC") based on time order. Trade orders cannot be amended, but may be cancelled and re-entered into the CSC as new orders at the back of the queue. Due to quota restrictions or other market intervention events, there can be no assurance that trades executed through a broker will be completed.

- (iii) *Pre-Trade Checking:* PRC law provides that SSE may reject a sell order if an investor does not have sufficient available A Shares in its account.

The sell order of A Shares by the Fund through Stock Connect may be held in a Special Segregated Account, that is, a special account as defined in the rules with respect to the Stock Connect ("**SPSA Order**"). In respect of a sell order of A Shares by the Fund that is not a SPSA Order, the Stock Exchange will carry out a pre-trade checking on all the Fund's sell orders of Shanghai-Hong Kong Stock Connect Securities on the Northbound Trading link at the level of the Stock Exchange's registered exchange participants ("**Exchange Participants**") to ensure there is no overselling by any individual exchange participant ("**Pre-Trade Checking**"). The Pre-Trade Checking requirement may require a pre-trade delivery of the Stock Connect Securities from a Stock Connect Investor's domestic custodian or sub-custodian to the Exchange Participant which will hold and safekeep such securities so as to ensure that they can be traded on a particular trading day. There is a risk that creditors of the Exchange Participant may seek to assert that such securities are owned by the Exchange Participant and not the Stock Connect Investor, if it is not made clear that the Exchange Participant acts as a custodian in respect of such securities for the benefit of the Stock Connect Investor.

The Stock Exchange will carry out enhanced pre-trade checking in respect of any SPSA Order ("**Enhanced Pre-Trade Checking**"). In relation to Enhanced Pre-Trade Checking, the Fund needs to ensure that it has been designated a special segregated account with a corresponding investor identification number and there are sufficient available A Shares in a relevant Special Segregated Account to cover a proposed SPSA Order. Otherwise, the required number of A Shares may not be delivered from the special segregated account on a settlement day to fulfil the sell order. As the Fund trades SSE Shares through brokers that do not require pre-trade delivery of securities, no pre-trade delivery of securities is required and the risk in the preceding paragraph is mitigated.

Given the Pre-Trade Checking requirements and hence the pre-trade delivery of Stock Connect Securities to an Exchange Participant, the Manager may determine that it is in the interest of the Fund that it only executes Shanghai-Hong Kong Stock Connect trades through a broker who is affiliated to the Fund's sub-custodian that is an Exchange Participant. In that

situation, whilst the Manager will be cognisant of its best execution obligations it will not have the ability to trade through multiple brokers and any switch to a new broker will not be possible without a commensurate change to the Fund's sub-custody arrangements.

- (iv) *Default Risk:* SSE Shares will be held following settlement by brokers or custodians as clearing participants in accounts in CCASS maintained by HKSCC as central securities depositary in Hong Kong and as nominee holder. HKSCC is the "nominee holder" of the SSE Shares acquired by a Stock Connect Investor. While the distinct concepts of nominee holder and beneficial owner are generally recognized under the PRC Shanghai-Hong Kong Stock Connect rules as well as other laws and regulations in mainland China, the application of such rules is untested, and there is no assurance that PRC courts will recognise such rules, e.g. in liquidation proceedings of PRC companies or other legal proceedings. In the unlikely event that HKSCC becomes subject to winding up proceedings in Hong Kong, investors should note that SSE Shares will not be regarded as part of the general assets of HKSCC available for distribution to creditors under PRC and Hong Kong law. In addition, a failure or delay by HKSCC in the performance of its obligations may result in a failure of settlement, or the loss, of Stock Connect Securities and/or monies in connection with them and the Fund may suffer losses as a result.

ChinaClear has established a risk management framework and measures that are approved and supervised by the CSRC. Pursuant to the General Rules of CCASS, if ChinaClear (as the host central counterparty) defaults, HKSCC will, in good faith, seek recovery of the outstanding Stock Connect Securities and monies from ChinaClear through available legal channels and through ChinaClear's liquidation process, if applicable. HKSCC will in turn distribute the Stock Connect Securities and/or monies recovered to clearing participants on a pro-rata basis as prescribed by the relevant authority or responsibility in respect of Shanghai-Hong Kong Stock Connect. Stock Connect Investors in turn will only be distributed the Stock Connect Securities and/or monies to the extent recovered directly or indirectly from HKSCC. Although the likelihood of a default by ChinaClear is considered to be remote, Unitholders should be aware of this arrangement and of this potential exposure.

- (v) *Corporate Action:* According to existing mainland China practices, the Fund as beneficial owner of A Shares traded via Shanghai-Hong Kong Stock Connect cannot appoint proxies to attend shareholders' meetings on its behalf. Stock Connect Investors like the Fund who hold the SSE Shares (as beneficial owners) through HKSCC are therefore eligible to exercise their rights through the nominee only. However, under the CCASS Rules, HKSCC as nominee holder will not be obliged to take any legal action or enter into court proceedings to enforce any rights on behalf of Stock Connect Investors in mainland China but HKSCC may provide assistance to the Stock Connect Investors subject to conditions.

Accordingly, the Fund may only exercise voting rights with respect to SSE Shares by giving voting instructions to HKSCC (through CCASS participants) who will then consolidate such instructions and submit them in the form of a combined single voting instruction to the relevant SSE-listed company. Therefore, the Fund may not be able to exercise voting rights in respect of the underlying company in the same manner as in other markets.

In addition, any corporate action in respect of Stock Connect Securities will be announced by the relevant issuer through the SSE website and certain officially appointed newspapers. Stock Connect Investors may refer to the SSE website and the relevant newspapers for the latest listed company announcements or, alternatively, the website of the Hong Kong Exchanges and Clearing Limited for corporate actions in respect of Stock Connect Securities issued on the previous trading day. However, SSE-listed issuers publish corporate documents in Chinese only and English translations will not be available.

Given the short timescale within which proxy voting or other corporate actions are required to be taken in relation to the Stock Connect Securities, there is no assurance that CCASS participants who participate in Shanghai-Hong Kong Stock Connect will or will continue to provide or arrange for the provision of any voting or other related services. Accordingly, there is no assurance that the Fund will be able to exercise any voting rights or participate in any corporate actions in relation to Stock Connect Securities in time or at all.

Stock Connect Securities are uncertificated and are held by HKSCC as nominee for its account holders. Physical deposit and withdrawal of Stock Connect Securities are not available under the Northbound Trading for the Fund. The Fund's title or interests in, and entitlements to, Stock Connect Securities (whether legal, equitable or otherwise) will be subject to applicable requirements, including laws relating to any disclosure of interest requirement or foreign shareholding restriction. It is uncertain whether the Chinese courts would recognise the ownership interest of Stock Connect Investors to allow them standing to take legal action against Chinese companies.

- (vi) *Day Trading:* Save with a few exceptions, day (turnaround) trading is generally not permitted on the A Share market. If the Fund buys Stock Connect Securities on a dealing day (T), it may not be able to sell the Stock Connect Securities until on or after T+1 day.
- (vii) *Investor Compensation:* Investors should note that if the Fund engages in any Northbound Trading, the Fund will not be covered by Hong Kong's Investor Compensation Fund or the China Securities Investor Protection Fund and thus investors will not benefit from compensation under such schemes.
- (viii) *Delays in Trading:* Market participants must match, execute or arrange the execution of any sale and buy orders or any transfer instructions from investors in respect of any Stock Connect Securities in accordance with the Shanghai-Hong Kong Stock Connect rules. This rule against off-exchange trading and transfers for trading of Stock Connect Securities under Northbound Trading may delay or disrupt reconciliation of orders by market participants. However, to facilitate market players in conducting Northbound Trading and the normal course of business operation, off-exchange or "non-trade" transfer of Stock Connect Securities for the purposes of post-trade allocation to different funds/sub-funds by fund managers have been specifically allowed.
- (ix) *Difference in Trading Days/Hours:* Due to differences in public holidays between Hong Kong and mainland China or other reasons such as bad weather conditions, there may be a difference in trading days and trading hours between SSE and the Stock Exchange. Shanghai-Hong Kong Stock Connect will only operate on days when both markets are open for trading and when banks in both markets are open on the corresponding settlement days. There may be occasions when it is a normal trading day for the mainland China market but it is not possible to carry out any A Shares trading in Hong Kong. Additionally, the Stock Exchange (or any relevant subsidiary) may, under certain circumstances as specified in the rules of the Stock Exchange, temporarily suspend or restrict all or part of the order-routing and related supporting services with regard to all or any Northbound Trading and for such duration and frequency as the Stock Exchange may consider appropriate at any time and without advance notice. As such, there is a risk of price fluctuations in A Shares during the time when Northbound Trading is suspended or restricted as described above.
- (x) *Restricted Stock:* A stock may be recalled from the scope of eligible stocks for trading via Shanghai-Hong Kong Stock Connect for various reasons, and in such event the stock can only be sold but is restricted from being bought. This may adversely affect the ability of the Fund to trade via Shanghai-Hong Kong Stock Connect. Under Shanghai-Hong Kong Stock Connect, the Manager will only be allowed to sell A Shares but restricted from further buying if: (i) the particular A Share stock subsequently ceases to be a constituent stock of the relevant

indices; (ii) the particular A Share stock is subsequently under "risk alert"; and/or (iii) the corresponding H share of the particular A Share stock subsequently ceases to be traded on the Stock Exchange. Price fluctuation limits are also applicable to A Shares.

- (xi) *Fees and Tax:* In addition to paying trading fees and stamp duties in connection with trading in A Shares, the Fund carrying out Northbound Trading may be subject to new portfolio fees, dividend tax and tax concerned with income arising from stock transfers as determined by the relevant authorities.

Pursuant to the circular dated 31 October 2014 on the Taxation Policy of the Pilot Programme for the Mutual Stock Market Access between Shanghai and Hong Kong Stock Markets under Caishui [2014] No.81 ("**Circular No. 81**"), in respect of trading of A Shares through the Stock Connect:

- corporate income tax shall be exempt on a temporary basis on the gains earned by Hong Kong market investors (including corporate and individual investors) from the transfer of A Shares listed on the Shanghai Stock Exchange; and

- Hong Kong market investors are required to pay tax on dividend and bonus of A Shares at a standard rate of 10%, which will be withheld and paid to the relevant PRC tax authority by the respective listed companies (before the Hong Kong Securities Clearing Company Limited is able to provide details such as investor identities and holding periods to the China Securities Depository and Clearing Corporation Limited, the policy of differentiated rates of taxation based on holding periods will temporarily not be implemented).

Under Circular No. 81, Hong Kong market investors trading through Stock Connect are required to pay stamp duty arising from the sale and purchase of A Shares and the transfer of A Shares by way of succession and gift in accordance with the prevailing PRC taxation regulations.

- (xii) *Local Requirements:* Under Shanghai-Hong Kong Stock Connect, A Share listed companies and trading of A Shares are subject to market rules and disclosure requirements of the A Share market. Any changes in laws, regulations and policies of the A Share market or rules in relation to Shanghai-Hong Kong Stock Connect may affect share prices. Foreign shareholding restrictions and disclosure obligations are also applicable to A Shares.

The Fund and the Manager will be subject to restrictions on trading (including restriction on retention of proceeds) in A Shares as a result of their interest in the A Shares and are responsible for compliance with all notifications, reports and relevant requirements in connection with such interests.

Under current PRC law, once an investor holds up to 5% of the shares of a PRC-listed company, the investor is required to disclose his interest within three days in accordance with the applicable regulations and during the reporting period he cannot trade the shares of that company. The investor is also required to disclose any change in his shareholding and comply with related trading restrictions in accordance with PRC law.

- (xiii) *Foreign Exchange Fluctuation:* Stock Connect Securities under Northbound Trading will be traded and settled in RMB. The Fund will be exposed to currency risk if it invests in a RMB product due to the need for the conversion of the currency into RMB. The Fund will also incur currency conversion costs. Even if the price of the RMB asset remains the same when the Fund purchases it and when the Fund redeems / sells it, the Fund will still incur a loss when it converts the redemption / sale proceeds into local currency if RMB has depreciated.

- (xiv) *Conflict of Interest*: The Fund may trade the Stock Connect Securities through a broker affiliated to the Trustee. In the event that there are circumstances where there may be a conflict of interest, the Manager will have regard to its obligations to act as investment manager in the interests of the Fund as far as practicable, and its obligations to other clients when undertaking any investments. In the event that such conflicts do arise, the Manager will act in the best interests of the Fund and use its best efforts to resolve such conflicts fairly.

(c) Reason for the Change of Investment Objective

The Manager believes that the proposed Change of Investment Objective to invest directly in A Shares through Stock Connect will provide more flexibility to the Manager to achieve the investment objective of the Fund with the ability to invest in A Shares from offshore.

C. ONE-OFF REDEMPTION OFFER

(a) Terms of the One-off Redemption Offer

(i) Background to the One-off Redemption Offer

As at the date of this announcement, 209,812,263 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 right to the Unitholders to redeem the whole or a part of their Units on a one-off basis on the Redemption Day (the "**One-off Redemption Offer**") for cash subject to the terms and conditions of the One-off Redemption Offer and proposes to seek approvals of the Independent Unitholders by way of an Extraordinary Resolution at the General Meeting on the One-off Redemption Offer.

(ii) Terms of the One-off Redemption Offer

The Manager proposes to offer the Unitholders, subject to certain conditions, the One-off 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 One-off Redemption Offer will not attract Hong Kong ad valorem or fixed stamp duty. The redemption of Units by a Unitholder pursuant to the One-off Redemption Offer will not be subject to any dealing charges other than the Redemption Levy. The Redemption Levy, which is up to 2% of the net asset value of the Units being redeemed (i.e. the redemption price), incorporates commission, stamp duty, transaction cost and total market impact of implementation (i.e. the price difference during the order implementation between the execution price and the price at the time of valuation) will be deducted from the redemption price and will be retained by the Fund for the benefit of the Fund. The actual level of the Redemption Levy will be determined by the Manager according to the Manager's estimation of the above-mentioned commission, stamp duty, transaction cost and total market impact of implementation on the Redemption Day. Each redeeming Unitholder will bear the same percentage of Redemption Levy, namely, the same percentage of the net asset value of the Units being redeemed. The Redemption Levy will be announced together with the net asset value of the Fund as of the Value Day by 5:00pm on 27 January 2016.

The One-off 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 One-off Redemption Offer in full.

The estimated cost for the One-off Redemption Offer is HK\$3,100,000, approximately 0.12% of the net asset value of the Fund as at 28 October 2015. Such cost will primarily include legal fees and costs, and fees and costs incurred by and payable to the independent financial advisor and the Registrar with respect to the One-off Redemption Offer and will be borne by the Fund, that is, indirectly by all the Unitholders before the Redemption Day. 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 One-off Redemption Offer.

(iii) Procedures with respect to the One-off Redemption Offer

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

Due to the legal and regulatory requirements in PRC, redemption proceeds payable to Unitholders out of the Fund's assets in the PRC may be paid to the Unitholders in more than one month from the Redemption Day. The Manager shall use its best endeavours to repatriate and distribute such proceeds to the Unitholders within two months after the Redemption Day (i.e. on or before 26 March 2016). However, distribution of redemption proceeds payable out of the Fund's assets in the PRC will be subject to the prior approval of SAFE and may be delayed beyond the control of the Manager. There is no assurance that redemption proceeds payable out of the Fund's assets in the PRC will be distributed within two months. Investors should refer to the risk factor headed under "Uncertainty on the payment date of the redemption proceeds" below. The Fund will also use its assets outside PRC 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 12 February 2016. As of 28 October 2015, A Shares invested directly through QFII and other net assets in the PRC account for approximately 84% of the net asset value of the Fund, for reference, the redemption proceeds payable out of the assets in the PRC as of 28 October 2015 is approximately 40% of the total redemption proceeds (assuming that 20% of the total outstanding Units are being redeemed).

(iv) Limits on the One-off Redemption Offer

Unitholders should note that there is no minimum number of Units which a qualifying Unitholder can apply to redeem under the One-off 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 One-off Redemption Offer exceeds 20% of the total outstanding

number of Units as at the Lodgement Date, the number of Units that such Unitholder can eventually redeem will be reduced proportionally. Under such situation, the Fund will satisfy the redemption requests of Unitholders wishing to redeem their Units on a pro rata basis based on the number of Units the Unitholders have validly applied to redeem, rounded down to the nearest whole Unit.

The Fund will dispose of its investments in an orderly manner in order to effect the One-off Redemption Offer. In the event that the aggregate number of Units for which applications to redeem are made under the One-off 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 One-off 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 One-off 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 One-off 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 One-off 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 One-off Redemption Offer.

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

The One-off Redemption Offer will be subject to certain conditions referred to in the section headed "Conditions to the One-off Redemption Offer" below and the full terms and details of the One-off Redemption Offer will be described more fully in a circular to Unitholders.

All redeemed Units will be cancelled.

(v) Indicative Timetable

The expected timetable for the One-off Redemption Offer set out below is indicative only and is subject to change. Any changes to the expected timetable will be announced separately by the Fund.

All references to time are Hong Kong dates. This timetable is prepared on the assumption that there would be a quorum present at the General Meeting and no adjournment would be necessary.

Target SFC approval date for the circular and a notice of general meeting to Unitholders	6 November 2015
Posting of the notice of general meeting and the circular in relation to the Change of Investment Objective, the One-off Redemption Offer, the Recurring Redemption Offer and changes to the Trust Deed to effect the Recurring Redemption Offer on the Fund's website and/or by post to Unitholders	17 November 2015
Target date of the General Meeting to approve the Extraordinary Resolution	7 January 2016
Commencement date for lodging the redemption request with the Registrar	8 January 2016
Lodgement Date of the One-off Redemption Offer (i.e. last date for lodgment of One-off Redemption Offer request)	25 January 2016
Redemption Day of the One-off Redemption Offer	26 January 2016
Date of announcement of the net asset value of the Fund as of the Value Day	27 January 2016
Registrar to dispatch the balanced certificates to the Unitholders and return of certificates representing request that do not satisfy One-off Redemption Offer (by ordinary post)	12 February 2016
Target payment date of the One-off Redemption Offer	The Manager shall use its best endeavours to pay all the redemption proceeds, less the Redemption Levy, to Unitholders on or before 26 March 2016 (i.e. within 2 months after the Redemption Day). However, distribution of redemption proceeds payable out of the Fund's assets in the PRC will be subject to the prior approval of SAFE and may be delayed beyond the control of the Manager. There is no assurance that redemption proceeds payable out of the Fund's assets in the PRC will be distributed within two months. (see Key Risk Factors (b)(i) below)

(b) Key Risk Factors

Unitholders should carefully consider the risk factors described in the Offering Circular and below before deciding on whether to apply for redemption of their Units under the One-off 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 26 March 2016 (i.e. within 2 months after the Redemption Day). However, distribution of redemption proceeds payable out of the Fund's assets in the PRC will be subject to the prior approval of SAFE and may be delayed beyond the control of the Manager. There is no assurance that redemption proceeds payable out of the Fund's assets in the PRC will be distributed within two months. The Fund will also use its assets outside PRC to settle part of the redemption proceeds and that part of the redemption proceeds payable out of the assets of the Fund outside the PRC will be payable by 12 February 2016. Accordingly, the Fund may need to pay the redemption proceeds, less the Redemption Levy, by instalments depending on a number of factors including, but not limited to, the total amount of redemption requests, the amount of offshore assets held by the Fund (i.e. assets outside the PRC), the monthly repatriation limit on the net realised profits and principal funds by QFIIs, the time required by the Fund to repatriate funds from the PRC.

According to the legal and regulatory requirements in PRC, the amount the Fund can repatriate each month is limited (up to 20% of the QFII's total asset value in the PRC as of the end of the immediately preceding calendar year). This may delay the payment of redemption proceeds to holders, especially when the Fund needs more than one repatriation to pay the redemption proceeds. According to legal and regulatory requirements in PRC, repatriation also requires prior approval from SAFE. The Manager has no control on SAFE's approval time, which may also cause delay in paying repatriation proceeds to holders. If the Fund is required to repatriate disposition proceeds from the PRC to satisfy the entire or part of the redemption requests accepted by the Fund in respect of the One-off Redemption Offer, the payment of such redemption proceeds under the One-off Redemption Offer is subject to the applicable PRC repatriation rules and the regulatory and tax clearance approval process which may cause delays or adjustment in calculation of the repatriation limits. The Fund will pay all the redemption proceeds to the Unitholders as soon as possible after receipt of the proceeds by the Fund. Based on the current legal and regulatory requirements in PRC, the Manager is reasonably satisfied that redemption proceeds can be repatriated from the PRC within two months after the Redemption Day;

- (ii) ***Uncertainty on the trading price and the net asset value of the Fund:*** under the One-off 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 One-off 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 One-off 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 One-off 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 One-off Redemption Offer" above for details;

- (iv) *Risk of Odd Lots:* any Units held by Unitholders that are not successfully redeemed under the One-off 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 One-Off Redemption Offer, (i) if effected, will increase the total expense ratio of the Fund as a result of the expenses incurred with respect to the One-off Redemption Offer and such expenses are not covered by the Redemption Levy and (ii) reduce the size of the Fund after such One-off 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; and
- (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.

(c) Taxation

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

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

(i) Hong Kong

- **Profits Tax**

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

- Stamp Duty

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

The trading of Hong Kong stock (including the underlying H shares and shares issued by red chip companies) by the Fund to effect the One-off Redemption Offer is subject to Hong Kong stamp duty. The Fund and the counterparty will each be liable to stamp duty at the current rate of 0.1% of the price of shares being sold and purchased.

(ii) The PRC

The information below is a summary of certain areas of PRC taxation which are likely to be relevant to the Fund and the Unitholders and should not be taken as a definitive, authoritative or comprehensive statement of the relevant matter. In particular, there are various other taxes, duties, levies and charges which are generally of less significance but may nevertheless be applicable to the Fund and the Unitholders.

- Withholding tax

Pursuant to the Corporate Income Tax Law of the PRC and its implementation rules, a foreign enterprise that does not have any establishment or site in China is subject to a withholding income tax at the rate of 10% for the interest, royalty, rental and other income (including capital gain) earned directly from sources in the PRC.

- Enterprise Income Tax

On 14 November 2014, the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission have jointly promulgated the Circular Concerning the Temporary Exemption of the Enterprise Income Tax for Gains Earned by QFII and RQFII from Transfer of Domestic Shares and Other Equity Interest Investment in China (the "**Tax Circular**"). According to the Tax Circular, amongst other things: (i) enterprise income tax shall be exempt on a temporary basis on the gains earned by QFIIs from the transfer of domestic shares and other equity interest investment in China with effect from 17 November 2014; and (ii) enterprise income tax shall be imposed on such gains earned by QFIIs before 17 November 2014 in accordance with the tax laws.

As a result of the promulgation of the Tax Circular, the Manager had decided on the following changes to the tax provision practice of the Fund:

- (i) the Fund has ceased withholding 10% of unrealized gains on its investments in A Shares and generally in other securities linked to A Shares as a tax provision from 14 November 2014 (the last valuation day before 17 November 2014) on the basis that any gains subsequently realized from 17 November 2014 onwards will be temporarily exempt from enterprise income tax;
- (ii) the amount of tax provision for unrealized gains on the Fund's investments in A Shares and generally in other securities linked to A Shares withheld by the Fund as a tax provision up to 14 November 2014 has been released to the Fund;
- (iii) the Fund has ceased to withhold 10% of realized gains on its investments in A Shares and generally in other securities linked to A Shares as a tax provision from 17 November 2014; and
- (iv) the Fund will continue to retain the amount withheld up to and including 14 November 2014 as a tax provision with respect to realized gains on its investments in A Shares and generally in other securities linked to A Shares.

The Fund had received notification from the Shanghai Municipal Tax Bureau (the "**Tax Bureau**") instructing the Manager, as a QFII, to report and settle the enterprise income tax on the gains earned

by the QFII from transfer of equity related investments in China before 30 September 2015 in accordance with the relevant provisions of the PRC Enterprise Income Tax rules and regulations and the Tax Circular.

As stated in the announcement by the Fund dated 14 October 2015, the Manager has sought professional tax advice and obtained the tax residency certificate issued by the Hong Kong Inland Revenue Department for the Fund. The Manager has engaged external tax advisor to make the relevant enterprise income tax filings with the Tax Bureau in September 2015 with respect to the realised capital gains derived from the Fund's investment in shares and other equity interest through the QFII investment quota of the Manager in China from 17 November 2009 to 16 November 2014 following the external tax advice. It was determined by the Tax Bureau on 12 October 2015 that the enterprise income tax payable by the Fund with respect to its investments in shares and other equity interest through the QFII investment quota of the Manager in China from 17 November 2009 to 16 November 2014 was HK\$11,030,906.88. The Manager considers that the tax assessment has been concluded upon the payment and settlement of the relevant tax by the Fund with the Tax Bureau on 13 October 2015. Accordingly, upon the receipt of professional tax advice and consultation with the trustee of the Fund, the Fund has an over-provision of tax of HK\$121,553,537.16. Such over-provision has been released and recognised as a gain in the books of the Fund resulting in an actual increase of HK\$121,553,537.16 (5.13% or HK\$0.58 per Unit of the Fund) on the net asset value of the Fund as of 13 October 2015.

Investors should note that the settlement of the tax assessment with the Tax Bureau is made in accordance with the current tax rules and prevailing practice of the Tax Bureau, the net asset value of the Fund may require further adjustment to take into account any retrospective application of new tax regulations and development including change in interpretation of the relevant regulations by the Chinese tax authorities.

The Manager (after taking professional tax advice) may, at its discretion make modification to the tax provision policy of the Fund based on new developments and interpretation of the relevant regulations. Such provision (if made) may be more than or less than the Fund's actual tax liabilities and will be reflected in the net asset value of the Fund at the time of debit or release of such provision and thus will only impact on Units which remain in the Fund at the time of debit or release of such provision. Units which are sold/redeemed prior to the time of debit of such provision will not be affected by reason of any insufficiency of the tax provision. Likewise, such Units will not benefit from any release of excess tax provisions. Investors may be advantaged or disadvantaged depending upon how the gains and income of the Fund will ultimately be taxed and when the investors purchased/subscribed and/or sold/redeemed the Units of the Fund. Investors should note that no Unitholders who have sold/redeemed their Units in the Fund before the release of any excess tax provision shall be entitled to claim in whatsoever form any part of the tax provision or withholding amounts released to the Fund, which amount will be reflected in the net asset value of Units of the Fund.

- Stamp tax

Pursuant to the tentative regulations of the PRC stamp tax, stamp tax is levied on the execution or receipt within the territory of China of certain documents, including contracts for the transfer of equity interests and the sale of A Shares and B Shares on stock exchanges.

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

- Business tax

Pursuant to the notice Caishui [2005] No. 155 issued jointly by the State Administration of Taxation and the Ministry of Finance in December 2005, gains derived by QFIIs from securities trading carried out by the PRC brokers are exempted from business tax in the PRC.

(d) Conditions to the One-off Redemption Offer

The One-off Redemption Offer will be conditional upon the following conditions being fulfilled:

- (i) the Independent Unitholders' approval by way of an Extraordinary Resolution at the General Meeting to approve the One-off Redemption Offer; and
- (ii) the SFC's approval of the One-off Redemption Offer.

The One-off Redemption Offer will not lapse or be conditional on any minimum number of redemption applications made by the Unitholders. The above conditions (d)(i) and (ii) to the One-off Redemption Offer may not be waived.

(e) Overseas Unitholders

Based on the register of Unitholders as at 28 October 2015, there were no Unitholder with registered addresses outside Hong Kong.

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

The Fund has not repurchased any Units in the six-month period prior the date of this announcement and will not repurchase any Units from the date of this announcement up to the Redemption Day.

Other than the entities set out in the following table, the Fund, the Manager and entities that are the Manager's parent, the Manager's subsidiaries, the Manager's fellow subsidiaries, associated companies of any of the foregoing, and companies of which such companies are associated companies that trade in the Units as discretionary fund managers and/or for proprietary purposes have confirmed that there has been no dealing in the Units in the six months immediately prior to the date of this announcement. The Fund has no parent, subsidiary, fellow subsidiary and/or an associated company.

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

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

Name of Entity	Units	Approx.%
The Hongkong and Shanghai Banking Corporation Limited	282,557	0.13%
HSBC International Trustee Limited	680,500	0.32%

Each of the Manager and any entities that are the Manager's parent, the Manager's subsidiaries, the Manager's fellow subsidiaries, associated companies of any of the foregoing, and companies of which such companies are associated companies that trade as discretionary fund managers and/or for proprietary purposes also confirms that, save as disclosed above, it:

- does not own, control or direct any voting rights or other rights over the Units;
- does not hold any convertible securities, warrants or options over the Units;
- has not received any irrevocable commitment to accept the One-off Redemption Offer in respect of any Units; and
- has not entered into any outstanding derivative in respect of the Units.

The Manager has not entered into any undertaking to accept or not to accept the One-off Redemption Offer from any Unitholder.

Commencing from the Business Day following the date of this announcement up to the Business Day following the Lodgement Date, any dealings in the Units by the Manager and any entities that are the Manager's parent, the Manager's subsidiaries, the Manager's fellow subsidiaries, associated companies of any of the foregoing, and companies of which such companies are associated companies that trade as discretionary fund managers and/or for proprietary purposes from the date of this announcement up to the Lodgement Date will be filed with the Manager no later than 10 a.m. on the Business Day following the date of transaction. The Manager will then submit such dealing information to the SFC and such dealing information will be disclosed on the Fund's website as soon as practicable. Such information will be maintained on the Fund's website for a period of five years following the Lodgement Date.

(g) Holding Structure

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

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

	Immediately before the completion of the One-off Redemption Offer		Immediately after the completion of the One-off Redemption Offer	
	<i>Units</i>	<i>Approx.%</i>	<i>Units</i>	<i>Approx.%</i>
Public Unitholders	208,849,206	99.54%	167,079,365	99.54%
Fellow subsidiaries and/or associated companies of the Manager that trade in the Units as discretionary fund managers and/or for proprietary purposes own or control or direct the holding of voting rights and rights over the Units	963,057	0.46%	770,446	0.46%

(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 One-off Redemption Offer. Eligible Unitholders should note that acceptance of the One-off 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 One-off Redemption Offer in order to enable such redeeming Unitholders to dispose of their odd lots or to top up their odd lots to whole board lots.

(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 One-off Redemption Offer, they may either (i) provide instructions to their nominee agents of their intentions with regard to the One-off Redemption Offer or (ii) arrange for the Units to be registered in his/her name by the Fund through the Registrar, and send the redemption request forms (available from the Registrar) duly completed together with the certificate(s) of Units to the Registrar.

(j) Other Arrangements

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

Other than the conditions to the One-off Redemption Offer as noted under the section headed "Conditions to the One-off 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 One-off Redemption Offer. None of the Fund, the Manager or any entity that is their parent, subsidiary, the Manager's fellow subsidiary, associated company of any of the foregoing, and any company of which such company is an associated companies has borrowed or lent any Units.

(k) Reason for and Financial Effect of the One-off Redemption Offer

The Manager considers that the One-off Redemption Offer is in the best interests of the Unitholders. The One-off 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 23.2% to its net asset value over the past twelve months (for reference, as at 28 October 2015, the Fund has been trading at a discount of 16.5% to its net asset value), the Manager believes that the One-off 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 One-off Redemption Offer or that the performance of the Fund will be improved or enhanced thereafter.

The One-off Redemption Offer, if effected, will:

- (i) enable the redeeming Unitholders to receive redemption proceeds equivalent to the net asset value of the Fund attributable to their redeeming Units on the Value Day, less the Redemption Levy;
- (ii) reduce the total net asset value, and therefore size, of the Fund by an amount proportionate to the actual number of Units redeemed. The Manager may decide to terminate the Fund on any date if on such date the asset value of the Fund shall be less than HK\$400,000,000 under the Trust Deed; and
- (iii) increase the total expense ratio of the Fund from 1.8% for the financial year ended 31 March 2015 to approximately 2.03% after the One-Off Redemption Offer (assuming that 20% of the total outstanding Units are being redeemed).

(l) Future Intentions of the Fund

Other than the Change of Investment Objective, the Recurring Redemption Offer and the changes to the Trust Deed to effect the Recurring Redemption Offer, the management of the Fund will remain unchanged and the Fund's listing on the Stock Exchange will be maintained upon completion of the One-off Redemption Offer. No other major changes will be introduced to the Fund. The size of the Fund will be reduced after the One-off 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.

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

D. THE RECURRING REDEMPTION OFFER AND THE CHANGES TO THE TRUST DEED TO EFFECT THE RECURRING REDEMPTION OFFER

(a) Background to the Recurring Redemption Offer

The Manager wishes to seek an one-off approval from the Independent Unitholders by way of the Extraordinary Resolution at the General Meeting to grant a general redemption right to the Manager and to make corresponding changes to the Trust Deed to effect the proposed Recurring Redemption Offer (as defined below).

Subject to the one-off passing of the proposed Extraordinary Resolution and the SFC's approval for such general redemption right, the Manager will offer a right 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. the redemption offer must only be made in the best interests of the Unitholders;
3. there is no material adverse impact to the Fund;
4. the Manager must comply with the principles and rules under the Code on Share Buy-Backs ("**Code**") as if they were applicable to the Fund (including but not limited to all relevant timing and disclosure requirements under the Code), the SFC Products Handbook and all other applicable codes, rules, regulations and laws (together "**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 current Recurring Redemption Offer proposal at the Extraordinary General Meeting;
 - (b) where the redemption proceeds cannot be repatriated from China due to legal or regulatory requirements beyond the control of the Manager, the redemption proceeds payment period may be extended beyond the time limits stipulated in the Applicable Regulations. In such case, the Manager must keep proper records to demonstrate and justify this and keep Unitholders and the SFC properly and promptly informed. In any event, the redemption proceeds must be paid to Unitholders as soon as possible after the receipt of the proceeds by the Fund;
5. in considering whether to proceed with a redemption offer, the Manager must take into account of all relevant prevailing market conditions (such as market liquidity, the percentage of stocks held by the Fund which have been suspended from trading and other relevant regulatory requirements) and must be reasonably satisfied that the redemption proceeds can be paid to Unitholders in accordance with the time limits stipulated in the Applicable Regulations;
6. there is no minimum number of redemption offer to be made in a calendar year and the maximum number for each calendar year shall not exceed three;
7. the aggregate redemption of all Unitholders to be no more than 20% of the total outstanding number of Units as at the relevant lodgement date of each Recurring Redemption Offer; and

8. Independent Unitholders may by Extraordinary Resolution at a general meeting terminate the Manager's entitlement to make any further redemption offer under the Recurring Redemption Offer.

Each Recurring Redemption Offer will be subject to applicable regulatory approvals but will not be subject to any further approval of the Unitholders nor the advice of the independent financial advisor.

(b) Terms and Procedures of the Recurring Redemption Offer

The Manager proposes to offer the Unitholders, subject to the conditions under (a)(1) to (8) above, 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 relevant value day) on the relevant redemption day.

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 relevant 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 relevant value day.

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 will be available to the Fund to implement and to satisfy the Fund's obligations in respect of the Recurring Redemption Offer in full.

The estimated cost (at the price level as at the date of this announcement) for the Recurring Redemption Offer is (i) HK\$1,600,000, approximately 0.06% of the net asset value of the Fund as at 28 October 2015 for the first Recurring Redemption Offer; and (ii) HK\$900,000, approximately 0.04% of the net asset value of the Fund as at 28 October 2015 for each subsequent Recurring Redemption Offer. 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.

The Recurring Redemption Offer shall occur on the relevant redemption day. Unitholders who wish to accept the Recurring Redemption Offer must provide completed redemption requests to the Registrar no later than the time specified in the circular with respect to such Recurring Redemption Offer on the relevant 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 relevant 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 the time specified in the circular with respect to such Recurring Redemption Offer on the relevant lodgement date. No further action shall be required from the Unitholders that elect to continue to hold onto their

entire holdings of Units in the Fund. Unitholders that have lost the certificates representing their Units should contact the Registrar and follow the procedure as required by the Registrar.

Due to the legal and regulatory requirements in PRC, redemption proceeds payable to Unitholders out of the Fund's assets in the PRC may be paid to the Unitholders in more than one month from the relevant redemption day. The Manager shall use its best endeavours to repatriate and distribute such proceeds to the Unitholders within two months after the relevant redemption day. However, distribution of redemption proceeds payable out of the Fund's assets in the PRC will be subject to the prior approval of SAFE and may be delayed beyond the control of the Manager. There is no assurance that redemption proceeds payable out of the Fund's assets in the PRC will be distributed within two months. Investors should refer to the risk factor headed under "Uncertainty on the payment date of the redemption proceeds" above. The Fund will also use its assets outside PRC to settle part of the redemption proceeds and that part of the redemption proceeds payable out of the assets of the Fund outside the PRC will be payable within 10 Business Days from the relevant redemption day. 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. As of 28 October 2015, A Shares invested directly through QFII and other net assets in the PRC account for approximately 84% of the net asset value of the Fund, for reference, the redemption proceeds payable out of the assets in the PRC as of 28 October 2015 is approximately 40% of the total redemption proceeds (assuming that 20% of the total outstanding Units are being redeemed).

The Manager will despatch a circular to all Unitholders prior to any Recurring Redemption Offer including the timing, procedures and limits of the Recurring Redemption Offer. All redeemed Units will be cancelled.

(c) Overseas Unitholders

With respect to each Recurring Redemption Offer, the Fund will make enquiries regarding the legal restrictions under the applicable securities legislation of the relevant jurisdictions and the requirements of the relevant regulatory body or stock exchange with respect to the Recurring Redemption Offer in relation to any Overseas Unitholders and determine whether the Recurring Redemption Offer will be extended to all the Overseas Unitholders.

(d) Changes to the Trust Deed to effect the Recurring Redemption Offer

The Manager wishes to convene the General Meeting to seek approvals of the Independent Unitholders by way of the Extraordinary Resolution to approve the changes to the Trust Deed to effect the Recurring Redemption Offer.

The Manager confirms that the above amendments have been notified to the Trustee and the Trustee does not have any objection thereto.

(e) Key Risk Factors

The risk factors with respect to the One-off Redemption Offer in this announcement generally apply to the Recurring Redemption Offer. Additional risk factors will also be set out in the circular to all Unitholders prior to such Recurring Redemption Offer.

In addition, Unitholders should be aware that:

(i) the Recurring Redemption Offer, (i) if effected, will increase the total expense ratio of the Fund 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 each time a

Recurring Redemption Offer is made. 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; and

(ii) a decrease in the net asset value of the Fund may not necessarily trigger a Recurring Redemption Offer (for instance, where such decrease does not meet the threshold of discount referred to under (1) in the sub-section headed "Background to the Recurring Redemption Offer" above) and should carefully consider the risk factors described above and in the relevant circular before deciding on whether to apply for redemption of their Units under the Recurring Redemption Offer.

(f) Reason for the Recurring Redemption Offer

The Manager considers that the Recurring Redemption Offer is in the best interests of the Unitholders. The Recurring Redemption Offer will provide the Unitholders an option to exit part of their investment in the Fund. In addition, given the Fund has been trading at an average discount of 23.2% to its net asset value over the past twelve months, the Manager believes that the Recurring Redemption Offer and the amendments to the Trust Deed by a supplemental Trust Deed 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 and the amendments to the Trust Deed by a supplemental Trust Deed or that the performance of the Fund will be improved or enhanced thereafter.

The financial effect of each Recurring Redemption Offer will be set out in the circular to all Unitholders prior to such Recurring Redemption Offer.

Assuming that the One-off Redemption Offer and two Recurring Redemption Offer have taken place in a year with 20% of the total outstanding Units on each of the relevant lodgement date being redeemed in full with respect to each such One-off Redemption Offer and Recurring Redemption Offer (that is, 48.8% of the total outstanding Units in issue before all such redemption offers being redeemed in total), this will increase the total expense ratio of the Fund from 1.8% for the financial year ended 31 March 2015 to approximately 2.30% after such One-off Redemption Offer and Recurring Redemption Offer.

(g) Conditions to the Manager's ability to offer the Recurring Redemption Offer

Subject to the conditions set forth in (a)(1) to (8) above, the Manager will offer a right 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. The Manager's entitlement to offer such redemption right will be conditional upon the following conditions being fulfilled:

- (i) the Independent Unitholders' one-off approval by way of an Extraordinary Resolution at the General Meeting by way of a poll to approve the Recurring Redemption Offer and the changes to the Trust Deed to effect the Recurring Redemption Offer; and
- (ii) the SFC's approval of the Recurring Redemption Offer and the changes to the Trust Deed to effect the Recurring Redemption Offer.

E. CIRCULAR AND THE GENERAL MEETING

Circular

Details, including the terms and conditions, of the proposed Change of Investment Objective, the proposed One-off Redemption Offer, the proposed Recurring Redemption Offer and the proposed changes to the Trust Deed to effect the Recurring Redemption Offer, the General Meeting and all other information reasonably necessary to enable the Independent Unitholders to make an informed decision on whether to vote for or against the resolutions proposed, the letter of advice from an

independent financial adviser and the Trustee's view on the proposed Change of Investment Objective, the proposed One-off Redemption Offer, the proposed Recurring Redemption Offer and the proposed changes to the Trust Deed to effect the Recurring Redemption Offer shall be set out in a circular, together with the notice of the General Meeting, to be despatched to all Unitholders within 21 days of the date of this announcement. Copies of the circular will be sent to all Unitholders.

Approval Required

The Manager proposes to seek the Independent Unitholders' approval by way of poll by way of the Extraordinary Resolution at the General Meeting to approve:

- (i) the Change of Investment Objective;
- (ii) the One-off Redemption Offer;
- (iii) the Recurring Redemption Offer; and
- (iv) the changes to the Trust Deed to effect the Recurring Redemption Offer.

Unitholders should note that the Manager's right to exercise the Recurring Redemption Offer under (iii) is conditional upon obtaining the necessary Independent Unitholders' approval at the General Meeting for (iv) above.

The Trustee, the custodian of the Fund, the Manager and their respective Connected Persons will be required to abstain from voting on the Extraordinary Resolution. Only Independent Unitholders will be entitled to vote on the Extraordinary Resolution. As at 29 October 2015, the Manager is unaware of any Unitholders (other than those mentioned above who represents 0.46% of the total issued Units of the Fund) that are required to abstain from voting in respect of the Extraordinary Resolutions proposed at the General Meeting.

It should be noted that dealings in the Units will continue during the period when the above conditions remain unfulfilled. Those Unitholders selling their Units and persons purchasing the Units during such period will accordingly bear the risk that the One-off Redemption Offer and the Recurring Redemption Offer may not become unconditional. 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, it is recommended that he or she should consult his or her professional adviser.

Independent Financial Adviser

An independent committee will not be established to advise the Independent Unitholders. The non-executive directors of the Manager have a potential conflict of interests because (i) they are employees of HSBC and (ii) certain fellow subsidiaries and/or associated companies and shareholders of the Manager have traded in the Units for proprietary purposes and/or have undertaken transactions with the Fund such as acting as brokers for the Fund. The independent financial advisor will be advising the Independent Unitholders directly on the One-off Redemption Offer and the Recurring Redemption Offer.

Somerley Capital Limited has been appointed as the independent financial adviser to advise the Unitholders (a) on the fairness and reasonableness of the terms of the One-off Redemption Offer and the Recurring Redemption Offer and whether to vote for or against the One-off Redemption Offer and the Recurring Redemption Offer and whether it is in the interest of the Unitholders as a whole as well as the principal factors and reasons considered by it in arriving such advice; and (b) whether to accept the One-off Redemption Offer and the Recurring Redemption Offer. A letter of advice from Somerley Capital Limited as the independent financial adviser as well as the Trustee's view on the proposed

Change of Investment Objective, the proposed One-off Redemption Offer, the proposed Recurring Redemption Offer and the proposed changes to the Trust Deed to effect the Recurring Redemption Offer will be set out in the circular to be despatched to the Unitholders.

F. GENERAL

As the proposed Change of Investment Objective, the proposed One-off Redemption Offer, the proposed Recurring Redemption Offer and the proposed changes to the Trust Deed to effect the Recurring Redemption Offer, such proposals may or may not proceed, Unitholders and prospective investors of the Fund are advised to exercise caution when dealing in the Units. If in doubt, please seek professional advice.

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

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

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

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

G. DEFINITIONS

"A Share"	shares issued by companies incorporated in the PRC and listed on the PRC Stock Exchanges, traded in RMB and available for investment by domestic (Chinese) investors and holders of QFII licence
"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
"CAAPs"	Chinese A Share access product(s), being a security/securities (such as a note, warrant, option, participation certificate) linked to A Shares or portfolios of A Shares which aim to replicate synthetically the economic benefit of the relevant A Shares or portfolios of A Shares

"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Code"	the Code on Unit Trusts and Mutual Funds issued by the SFC, as the same may from time to time be modified, amended, revised or replaced, or supplemented either by published guidelines, policies, practice statements or other guidance issued by the SFC or, in any particular case, by specific written guidance issued by the SFC in response to a specific request by the Manager and/or the Trustee
"Connected Person"	has the meaning given to it in the Code
"ETFs"	exchange traded funds
"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
"Fund"	HSBC China Dragon Fund
"General Meeting"	the general meeting of the Unitholders to be held
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HSBC"	HSBC Holdings plc.
"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 One-off Redemption Offer and the Recurring Redemption Offer which is different from the interests of all other Unitholders
"Lodgement Date"	the last date for lodgement of redemption requests pursuant to the One-off Redemption Offer which shall be no less than 14 days after the date of the General Meeting approving the Change of Investment Objective, the One-off Redemption Offer, the Recurring Redemption Offer and the changes to the Trust Deed to effect the Recurring Redemption Offer
"Manager"	HSBC Global Asset Management (Hong Kong) Limited
"Offering Circular"	the offering circular of the Fund dated 3 June 2015 and includes any amendments and supplements thereto
"Overseas Unitholder(s)"	Unitholder(s) whose addresses, as shown in the register of Unitholders, are outside Hong Kong as of the Lodgement Date or the lodgement date with respect to each Recurring Redemption Offer

"PRC" or "China"	the People's Republic of China, but for the purposes of this announcement and the Fund's investment objective and investment approach only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"QFII"	qualified foreign institutional investor approved by the China Securities Regulatory Commission pursuant to the "Measures for the Administration of Investment in Domestic Securities by Qualified Foreign Institutional Investors" (《合格境外機構投資者境內證券投資管理辦法》) promulgated by China Securities Regulatory Commission, People's Bank of China and State Administration of Foreign Exchange on 24 August, 2006 and came into effect on 1 September, 2006, as may be amended from time to time
"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 One-off Redemption Offer and the Recurring Redemption Offer (as applicable) as described in this announcement
"Registrar"	Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
"SFC"	the Securities and Futures Commission of Hong Kong
"Stock Connect"	Shanghai-Hong Kong Stock Connect and any other similar stock connect programme between another city of the PRC and Hong Kong when it becomes available to and can be utilised by the Fund
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Trust Deed"	the trust deed dated 20 June 2007 between the Trustee and the Manager and includes any amendments and supplements thereto
"Trustee"	HSBC Institutional Trust Services (Asia) Limited
"Unit(s)"	unit(s) of the Fund
"Unitholder(s)"	unitholder(s) of Units

"Value Day"

the Redemption Day, being the date on which the relevant market closing price of the underlying investments of the Fund, and the Fund's applicable operating expenses accrued or incurred to date shall be used to calculate the net asset value of the Fund to be adopted as the redemption price for the purpose of the One-off Redemption Offer

HSBC Global Asset Management (Hong Kong) Limited
Manager of HSBC China Dragon Fund
29 October 2015

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