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The HSBC China Fund Limited

(Incorporated as an exempted company in the Cayman Islands with limited liability)

DISTRIBUTION OF SHARES IN A-S CHINA PLUMBING PRODUCTS LIMITED

The Directors have proposed a special dividend by way of a return of capital of US\$0.2139 per HCF Share to be satisfied by way of a distribution in specie of the Company's investment in A-S China. Assuming the conditions to the Distribution are satisfied, the Distribution will be made to the Eligible Shareholders on the basis of two A-S China Shares for every five HCF Shares held on 17 June, 2002.

THE DISTRIBUTION

The Directors have proposed a special dividend by way of a return of capital of US\$ 0.2139 per HCF Share (compared with the published net asset value per HCF Share of US\$ 0.272 as at 30 April 2002) to be satisfied by way of a distribution in specie of the Company's investment in A-S China .

With a view to minimising fractional entitlements, the Company intends to repurchase 1,000 HCF Shares on the Stock Exchange prior to the Distribution. Assuming that the Company will have repurchased such number of HCF Shares and taking into account the effect of the A-S China Reorganisation and other fractional entitlement considerations, it is proposed that up to 9,749,925 A-S China Shares will be distributed in specie to the Eligible Shareholders on the basis of two A-S China Shares for every five HCF Shares held.

After the proposed listing of the A-S China Shares on the GEM, it is expected that the Company will aggregate and sell the remaining 75 A-S China Shares and any fractional entitlements and the proceeds of such sale will be retained for the benefit of the Company.

As it is expected that A-S China Shares will be traded on the GEM in board lots of 1,000, Eligible Shareholders will only be allotted A-S China Shares if they would receive at least 1,000 A-S China Shares on the Distribution. Any remaining A-S China Shares will be sold in the market on behalf of the relevant Eligible Shareholders as soon as practicable after the proposed listing of the A-S China Shares and proceeds generated from such sale will be distributed to the relevant Eligible Shareholders on a pro rata basis.

In addition, Anglo Chinese Securities Limited has been appointed by the Company to sell or arrange for the sale of A-S China Shares on the Stock Exchange for each Eligible Shareholder who receives less than 5,000 A-S China Shares on the Distribution. Such service shall be provided on a reasonable efforts basis only and shall be for a period of two months from the date of proposed listing of the A-S China Shares on the GEM. Eligible Shareholders have the option of using the services offered by Anglo Chinese Securities Limited (which will charge the Eligible Shareholders a standard brokerage fee) or appointing their own stockbroker if they wish to sell any of the A-S China Shares they receive on the Distribution. Further details will be announced upon the Distribution becoming unconditional.

A-S CHINA SHARES

At present, the Company's investment in A-S China is one of its two remaining active investments. The Directors have been informed that an application has been made by A-S China to the GEM Listing Committee for the listing of, and permission to deal in, the A-S China Shares on the GEM. The listing is intended to be effected by way of introduction. Subject to the Shareholders approving the Distribution, the Directors understand that A-S China intends to seek the listing of, and for dealings to commence in, A-S China Shares as soon as practicable after such approval.

As described in the annual report of the Company dated 20 March, 2002, A-S China was established in 1994 to produce and distribute a complete line of sanitary ware products through its seven joint ventures in China. A-S China is a subsidiary of American Standard Companies Inc. ("ASI"), a US-based international manufacturer of plumbing products, air-conditioners, automobile and medical systems products. ASI has granted to A-S China the exclusive licence to use certain trademarks owned by ASI for manufacturing and distributing plumbing products in China.

CONDITIONS OF THE DISTRIBUTION

The Distribution is conditional on:

- (i) the passing of an ordinary resolution by the Shareholders at the Extraordinary General Meeting approving the Distribution;
- (ii) approval of the GEM Listing committee for the listing of A-S China shares on GEM and delivery of the Listing Document to the Stock Exchange pursuant to Rule 12.24(2) of the GEM Listing Rules on or before 30 September, 2002; and
- (iii) completion of the A-S China Reorganisation on or before 30 September, 2002.

REASONS FOR AND EFFECTS OF THE DISTRIBUTION

The Directors have been informed that A-S China is seeking a listing on the GEM by way of introduction and one of the qualifications for such listing is that there must be an adequate spread of holders of A-S China Shares. This requirement can only be satisfied if the number of current holders of A-S China Shares is increased and the Distribution would result in this requirement being satisfied. In view of the fact that it would be in the Company's interest to have the A-S China Shares listed, the Directors have proposed the Distribution in order to increase the number of holders of A-S China Shares.

As mentioned in the interim report of the Company for the six months ended 30 June, 2001, the Directors have resolved to take steps to wind up the Company during 2002 in light of the relatively high expenses to net asset ratio of the Company at this final stage of its life. The Directors consider that the Distribution would assist in achieving this objective.

Following the Distribution and listing of the A-S China Shares on the GEM, Eligible Shareholders who receive A-S China Shares will be holding smaller blocks of A-S China Shares which should be easier for them to liquidate. If the Distribution does not occur, it is likely that a substantial amount of time will be required to liquidate the Company's relatively large holding. In any event, Eligible Shareholders will be entitled to sell or retain the whole or part of their interest in A-S China at their discretion.

It is proposed that the Distribution will be carried out by applying the share premium account of the Company and, in this connection, the Directors believe that the Distribution will not have any material adverse effect on the financial position of the Company. To effect this for accounting purposes, the relevant amount has been transferred from the share premium account to retained profits as shown in the balance sheet of the Company as at 31 December, 2001. The Directors will continue to take steps to wind up the Company as mentioned.

TIMETABLE

Last day of dealings in HCF Shares cum entitlements to the Distribution	11 June, 2002
First day of dealings in HCF shares ex-entitlements to the distribution	12 June, 2002
Latest time for lodging HCF Share transfers for registration for entitlements to the Distribution	4:00p.m. on 13 June, 2002
Latest time for lodging proxy forms for the Extraordinary General Meeting	11:00 a.m. on 15 June, 2002
Register closes	
from	14 June, 2002
to	17 June, 2002
(both days inclusive)	
Extraordinary General Meeting	11:00 a.m. on 17 June, 2002
Record Date for entitlements to the Distribution	17 June, 2002

Note:

An announcement (together with details of the despatch of A-S China Share certificates) will be made by the Company as and when all of the conditions referred to above have been satisfied.

It should be noted that the proposed listing is subject to approval from the GEM Listing Committee for the listing of, and permission to deal in, all the A-S China Shares on the GEM and such approval has not been granted. There can be no assurance that such an approval from the GEM Listing Committee will be granted. Accordingly, the listing of the A-S China Shares on the GEM may or may not occur. Investors are advised to exercise caution when dealing in HCF Shares.

GENERAL

A circular containing details of the Distribution and notice of the Extraordinary General Meeting will be despatched to the Shareholders as soon as practicable.

OVERSEAS SHAREHOLDERS

Any person outside Hong Kong who may be entitled to receive A-S China Shares pursuant to the Distribution must satisfy himself as to the full observance of the laws of the relevant territory in connection therewith, including obtaining any requisite governmental and other consents and observing any other requisite formalities in such territory. Shareholders should note that any US person who appears to be legally or beneficially interested in the Shares shall not be entitled to hold A-S China Shares.

DEFINITION

In this announcement, unless the context otherwise requires, the following expressions have the following meanings

“A-S China”	A-S China Plumbing Products Limited
“A-S China Reorganisation”	the proposed reorganisation of the share capital of A-S China under which (i) each of the “A” shares of US\$1.00 each in the capital of A-S China would be sub-divided into 100 “A” shares of US\$0.01 each and each of the “B” shares of US\$1.00 each in the capital of A-S China would be sub-divided into 100 “B” shares of US\$0.01 each; (ii) 12,900 ordinary shares of US\$0.01 each in the capital of A-S China would be issued by way of capitalisation for every 100 A-S China shares (whether “A” or “B”) held; (iii) new articles of association would be adopted by A-S China; and (iv) all the issued “A” shares and “B” shares would be reclassified and converted into ordinary shares of US\$0.01 each in the capital of A-S China each ranking pari passu in all respects and having the same rights and privileges as set out in the new articles of association; and which reorganisation is conditional upon delivery of the printed Listing Document to the Stock Exchange in accordance with Rule 12.24(2) of the GEM Listing Rules
“A-S China Shares”	ordinary shares of US\$0.01 each in the capital of A-S China following completion of the A-S China Reorganisation
“Company”	The HSBC China Fund Limited
“Directors”	the directors of the Company
“Distribution”	the proposed conditional distribution of A-S China Shares to the Eligible Shareholders
“Eligible Shareholders”	Shareholders registered as such on the Record Date
“Extraordinary General Meeting”	an extraordinary general meeting of the Company to be held at 11.00 a.m. on 17 June, 2002 at Level 15, Main Board Room, 1 Queen's Road Central, Hong Kong to consider and, if thought fit, to approve the Distribution
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the listing sub-committee of the board of the Stock Exchange with responsibility for GEM
“HCF Shares”	shares of US\$0.01 each in the capital of the Company
“HK\$” and “cents”	Hong Kong dollars and cents respectively
“Listing Document”	the listing document to be issued by A-S China for the purpose of the listing of the A-S China Shares on the GEM
“Record Date”	17 June, 2002
“Register”	the Register of Members of the Company
“Shareholder”	a person who is registered as the holder of HCF Shares in the Register (including persons who are jointly so registered)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US”	United States of America
“US\$”	US dollars, the lawful currency of the US

By order of the board
Graham R Ashford
Company Secretary
Hong Kong, 22 May, 2002

Please also refer to the published version of this announcement in the (Hong Kong iMail).