



The HSBC China Fund Limited

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

Preliminary announcement of unaudited interim results for the six months ended
30 June 2002

The Directors of The HSBC China Fund Limited announce the following unaudited interim results of the Company for the six months ended 30 June 2002:-

	Six months ended 30 June	
	2002	2001
	(unaudited)	(unaudited)
	US\$	US\$
GROSS REVENUE		
Interest income	22,293	116,503
Realised losses from sale of listed securities	(5,130)	–
Dividend income from listed securities	–	10,309
	<u>17,163</u>	<u>126,812</u>
EXPENSES		
Investment manager's fee	(66,216)	(93,450)
Other operating expenses, net	(114,401)	(148,566)
	<u>(180,617)</u>	<u>(242,016)</u>
LOSS BEFORE TAX	(163,454)	(115,204)
TAX	87,260	–
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(76,194)	(115,204)
LOSS PER SHARE	(0.0031)	(0.0047)
OTHER TRANSFER (FROM)/TO RESERVES		
Investment revaluation reserve	–	(1,772,057)
Capital redemption reserve	10	–
NET ASSET VALUE PER SHARE	0.271	0.333

BASIS OF PRESENTATION

The condensed financial statements have been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited ("The Stock Exchange") and Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

At the Board meeting held on 5 September 2001, the Board discussed the operation and prospects of the Company and resolved that it would be in the best interests of the shareholders to take steps to wind up the Company during 2002. Accordingly, the condensed financial statements for the interim period ended 30 June 2002 and 2001 have been prepared on the net realisation basis.

IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

In the current period, the Company has adopted, for the first time the following revised SSAPs:-

SSAP 1 (revised)	Presentation of Financial Statements
SSAP 15 (revised)	Cash Flow Statements

The adoption of the above SSAPs resulted in a change in the presentation of the financial statements by replacing the statement of recognised gains and losses with a new statement of changes in equity, and also a change in the format of presentation of the cash flow statement.

The accounting policies and methods of computation adopted in the 2001 annual accounts have been consistently applied to the interim financial statements.

SEGMENTAL INFORMATION

During the period, the Company was principally involved in investing in companies with significant business involvement in the People's Republic of China. Accordingly, no analysis of segmental information by principal activity is presented.

An analysis of the Company's revenue and assets by geographical area of the operations of the investee companies for the financial period is as follows:-

	2002 (unaudited) US\$	Six months ended 30 June 2001 (unaudited) US\$
Gross revenue:		
The People's Republic of China, including Hong Kong	14,364	79,208
Elsewhere	<u>2,799</u>	<u>47,604</u>
	<u>17,163</u>	<u>126,812</u>
Segment assets:		
The People's Republic of China, including Hong Kong	6,202,430	7,164,569
Elsewhere	<u>626,453</u>	<u>1,070,280</u>
	<u>6,828,883</u>	<u>8,234,849</u>

The directors consider that it is not practical to analyse the operating expenses by the geographical area of the operations of the investee companies and, accordingly, no analysis of loss before tax by geographical area of the operations of the investee companies is presented.

TAX

Under the current laws of the Cayman Islands, the Company is not required to pay any taxes in the Cayman Islands on either income or capital gains. The Company has received an undertaking from the Governor in Council of the Cayman Islands pursuant to the provisions of Section 6 of the Tax Concessions Law (Revised), which exempts the Company from any such tax at least until the year 2012.

No provision for Hong Kong profits tax has been made for the period as the Company did not generate any assessable profits during the period. (six months ended 30 June 2001: US\$Nil).

The tax credit for the current period represents the write-back of deferred tax liabilities.

No deferred tax has been provided as there were no significant timing differences at 30 June 2002. The principal component of the Company's deferred tax provision at 31 December 2001 was attributable to tax at 16% on the unrealised gains/(losses) in investments in securities.

LOSS PER SHARE

The calculation of loss per share is based on the net loss from ordinary activities for the period attributable to the shareholders of US\$76,194 (six months ended 30 June 2001: loss of US\$115,204) and on the weighted average of 24,375,680 (six months ended 30 June 2001: 24,375,813) shares in issue during the period.

Diluted loss per share has not been presented as no diluting events exist.

NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on net assets of US\$6,615,019 (30 June 2001: US\$8,123,291) and 24,374,813 (30 June 2001: 24,375,813) ordinary shares in issue at 30 June 2002.

DIVIDENDS

The directors do not recommend the payment of a dividend for the period ended 30 June 2002. (30 June 2001: subsequent to last year's interim reporting date on 5 September 2001, a special interim dividend of US\$0.03 per share was declared, this interim dividend had not been recognised as a liability in the interim financial statements as at 30 June 2001.)

During the period, the directors have proposed a special dividend by way of a return of capital of US\$0.2139 per share by a distribution in specie of the Company's investment in A-S China Plumbing Products Limited ("ASPPL"). The recommendation was approved by the shareholders at the Extraordinary General Meeting held on 17 June 2002, subject to the satisfaction of the following conditions:-

- (i) approval of the Growth Enterprise Market ("GEM") listing committee for the listing of ASPPL 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
- (ii) completion of a reorganisation of capital of ASPPL on or before 30 September 2002.

Since the above conditions have not been satisfied at the interim reporting date of 30 June 2002, the proposed distribution in specie has not been recognised in these interim results.

COMPARATIVE AMOUNTS

Certain comparative amounts in respect of the segmental information have been reclassified to conform with the current period's presentation.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period, the Company repurchased certain of its own shares on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") as follows:-

Date of	Number shares	Purchase price per share		Total purchase price US\$
		Highest US\$	Lowest US\$	
6 June 2002	1,000	0.38	0.38	381
Add: brokerage and commission charges				<u>2</u>
				<u>383</u>

The repurchase noted above was made in order to minimise fractional entitlements of the proposed special dividend by way of distribution in specie of the Company's investment in ASPPL to the Company's shareholders.

The repurchased shares were immediately cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium paid on the repurchase of the shares of US\$373 was charged to the retained profits and an amount equivalent to the nominal value of the repurchased shares of US\$10 was transferred from the retained profits to the capital redemption reserve.

Except for the foregoing, the Company did not purchase, redeem or sell any of the Company's listed securities during the period.

COMPLIANCE WITH CODE OF BEST PRACTICE (LISTING RULES APPENDIX 14)

The Company complied with paragraphs 1 to 13 of the Code of Best Practice as set out in Appendix 14 to the Listing Rules of the Stock Exchange throughout the accounting period for the six months ended 30 June 2002, except that the independent non-executive directors are not appointed for specific terms, but are subject to retirement by rotation in accordance with Articles 89(B) and 89(C) of the Company's Articles of Association.

AUDIT COMMITTEE

The Company established an audit committee on 4 September 1998 in accordance with paragraph 14 of the Code of Best Practice. The Audit Committee has reviewed with management the Company's financial reporting process and discussed auditing and internal control matters, including a review of these interim financial statements which have not been audited.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED ("HKSE")

The HKSE's website will contain all the information required by paragraphs 46(1) to 46(6) inclusive of Appendix 16 of the Rules Governing the Listing of Securities on HKSE within 21 days.

CHAIRMAN'S STATEMENT

I am pleased to present the preliminary announcement of The HSBC China Fund Limited ("HCF" or the "Company") for the six months ended 30 June 2002.

On 10 May 2002, the Company paid the final dividend for 2001 of US\$0.49 million representing US\$0.02 per share. On 17 June 2002, the Company's shareholders approved a distribution in specie of the Company's investment in A-S China Plumbing Products Limited ("ASPPL") on a basis of two ASPPL shares for every five HCF shares. This in specie distribution is contingent upon a listing of the shares of ASPPL on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

As at 30 June 2002, the Company held two active investments with a net book value of US\$6.17 million.

Subject to the listing of the shares of ASPPL, the Directors believe that it is possible to realise the balance of the Company's investment portfolio within 6 months thereof, resulting in distributions to its shareholders, which will include cash and may include an in specie distribution of listed shares of ASPPL. The Company will be wound up as soon as practicable thereafter.

As at 30 June 2002, the Net Asset Value ("NAV") per share of the Company was US\$0.271 (equivalent to HK\$2.11), representing a decrease of 8.1% compared to the NAV as at 31 December 2001 of US\$0.295 (HK\$2.30). The share price fell by 18.5% from HK\$3.375 at 31 December 2001 to HK\$2.75 at 30 June 2002.

By Order of the Board

Donald P H Liao

Chairman

4 September 2002, Hong Kong

REVIEW OF THE UNLISTED PORTION INVESTMENTS

As at 30 June 2002, the Unlisted Portion comprised two active investments as set out below.

A-S China Plumbing Products Limited (“ASPPL”)

ASPPL was established in 1994 to produce and distribute a complete line of sanitary ware products through the acquisition of seven joint ventures in China. ASPPL is a subsidiary of American Standard Inc. (“ASI”), a US based international manufacturer of plumbing products, air-conditioners, automobile and medical systems products. ASI has granted to ASPPL the exclusive right to license trademarks owned by ASI for plumbing products in China.

ASPPL is expected to achieve a listing of its shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited during 2002. The Company expects to realise its investments in ASPPL through a distribution in specie to the Company's shareholders following the listing.

New World Sun City Limited (“NWSC”)

NWSC was established in 1992 to develop Dongguan New World Gardens (the “Project”) near Dongguan, Guangdong Province. The Project involves the development and sale of detached houses, semi-detached houses, low-rise and high-rise apartments and 93,000 square metres of commercial and retail space on a 466,666 square metre site near Dongguan. The Project has total permissible floor area of approximately 1.12 million square metres and is being developed over several phases.

Negotiations regarding the sale of the Company's interest in NWSC are being pursued and the Investment Manager expects to be able to complete the sale of this investment during 2002.

As at 30 June 2002, the Company has received from NWSC repayment of 87% of the principal cost of investment. However, if interest received is included, the total cost of investment of US\$7.30 million has been recovered.

UNLISTED PORTION (93.2%) (note 1)

NON-TRADING SECURITIES - EQUITY

SECURITIES	Shareholding	Cost US\$	Unrealised gain/(loss) US\$	Provision for diminution US\$	Market value / Fair value US\$	% of Net Assets
Unlisted securities						
A-S China Plumbing Products Limited	6.4% (note 2)	6,964,200	–	(1,750,000)	5,214,200	78.8%
New World Sun City Limited - ordinary shares	167	84,238	–	–	84,238	1.3%
Total Non-Trading Equity Securities		7,048,438	–	(1,750,000)	5,298,438	80.1%

NON-TRADING SECURITIES - DEBT SECURITIES

SECURITIES	Shareholding	Cost US\$	Unrealised gain/(loss) US\$	Provision for diminution US\$	Market value / Fair value US\$	% of Net Assets
Unlisted securities						
New World Sun City Limited - loan	16.7%	869,944	–	–	869,944	13.1%
Total Non-Trading Debt Securities		869,944	–	–	869,944	13.1%
Total Non-Trading Securities		7,918,382	–	(1,750,000)	6,168,382	93.2%

SHORT TERM INVESTMENTS - TIME DEPOSIT

					500,000	7.6%
Total Investments					6,668,382	100.8%
OTHER NET LIABILITIES					(53,363)	(0.8%)
Total Net Assets					6,615,019	100.0%

Notes :

1. Pursuant to the Company's investment policies, the listed securities remain as part of the unlisted portion of the Company
2. A provision of US\$1.75 million has been made against the cost of investment in A-S China Plumbing Products Limited.

Please also refer to the published version of this announcement on 5 September 2002 in the Standard.