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## The HSBC China Fund Limited

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

### DISPOSAL OF ENTIRE INTEREST IN NEW WORLD SUN CITY LIMITED

The Company has entered into the Transfer of Shares Agreement to dispose of its entire 16.7% interest in NWSC, one of its unlisted portion investments. The maximum net proceeds to be received by the Company will exceed 15% but will be less than 50% of its net tangible asset value as at 30th June, 2002.

Trading in the Company's shares was suspended at 2:33 pm on 28th October, 2002 pending the release of this announcement and an application will be made to The Stock Exchange of Hong Kong Limited for the resumption of trading in the Company's shares with effect from 9:30 am on 1st November, 2002.

#### Transfer of Shares Agreement

- Date : 26th October, 2002
- Parties : The Company and all other shareholders of NWSC as vendors and other third parties (who are independent from, and not connected to, the Company, its directors, substantial shareholders or any of their associates (as defined in the Listing Rules) as purchasers.
- Assets to be sold : 167 ordinary shares of NWSC, representing 16.7% of the issued share capital of NWSC.
- Net proceeds : The Company will receive a cash payment over three instalments. (November 2002, May 2003 and December 2003). The amount of such payment will be determined on 31st December, 2002 and the Company currently estimates that such amount will be approximately US\$1.88 million.
- The amount of net proceeds was determined as a result of arms' length negotiations between the vendors and the purchasers with reference to the value of the assets of NWSC as at the date of the Transfer of Shares Agreement.
- Completion : Completion is scheduled to take place on 31st December, 2003 subject to the vendors' obtaining all necessary approvals and consents from any company, court, government department or third party before 31st December, 2002.

#### Information on NWSC

NWSC is a property development company engaged in developing residential houses and apartments in Dongguan, Guangdong Province, PRC. Please refer to the interim report of the Company for the six months ended 30th June, 2002 for further details. NWSC's audited net profit after tax for the two years ended 30th June, 2001 and 30th June, 2000 are HK\$12.9 million and HK\$28.7 million respectively.

#### Information on the Company

The Company is an investment holding company. As mentioned in its interim report for the six months ended 30th June, 2002, the Company will be wound up as soon as practicable after it has realised the balance of its investments. The Company currently does not have any specific timetable with respect to its winding up or withdrawal of the listing of its securities on The Stock Exchange of Hong Kong Limited. The winding up will be conducted in accordance with applicable laws and the requirements of the Listing Rules (including Listing Rule 6.12).

#### Reasons for the Disposal

The Directors consider that the Disposal is in the best interests of the Company and would assist in achieving the objective of winding up the Company.

#### Use of Proceeds

The net proceeds to be received by the Company from the Disposal will form part of the Company's assets which will be available for distribution to shareholders as part of its winding up subject to, and in accordance with, applicable law.

#### General

The aggregate net proceeds to be received by the Company from the Disposal will exceed 15%, but will be less than 50% of its net tangible asset value of US\$6,615,019 as at 30th June, 2002.

The Company wishes to clarify that the Disposal is not a major transaction (as defined under the Listing Rules) as certain cash and fixed assets which would be distributed to the Company under the Transfer of Shares Agreement do not form part of the net proceeds arising from the Disposal. Such cash and fixed assets will be distributed to the Company and other shareholders of NWSC before completion and do not form part of any payment made by the purchasers to the vendors under the Transfer of Shares Agreement.

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#### Definitions

- "Company" means The HSBC China Fund Limited
- "Disposal" means the disposal of the entire interest of the Company in NWSC pursuant to the Transfer of Shares Agreement
- "Listing Rules" means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
- "NWSC" means New World Sun City Limited, a company incorporated in Hong Kong
- "PRC" means the People's Republic of China
- "US\$" means the lawful currency of the United States of America

By order of the board of  
The HSBC China Fund Limited  
**Donald P H Liao**  
Director  
Hong Kong, 31st October, 2002