



The HSBC China Fund Limited

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

Preliminary announcement of audited results for the year ended 31 December 2002

The Directors of The HSBC China Fund Limited announce that the audited results of the Company for the year ended 31 December 2002 are as follows:-

	2002 US\$	2001 US\$
GROSS REVENUE		
Interest income	38,965	148,845
Realised loss from sales of listed securities	(5,130)	-
Unrealised gain on unlisted investment	2,345,762	-
Dividend income from listed securities	-	20,618
	<u>2,379,597</u>	<u>169,463</u>
EXPENSES		
Investment manager's fee	(130,806)	(166,248)
Provision for impairment of securities	(1,732,100)	(2,412,588)
Other operating expenses	(265,712)	(427,160)
	<u>(2,128,618)</u>	<u>(3,005,996)</u>
PROFIT/(LOSS) BEFORE TAX	250,979	(2,836,533)
TAX	87,260	144,510
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES		
ATTRIBUTABLE TO SHAREHOLDERS	338,239	(2,692,023)
EARNINGS/(LOSS) PER SHARE	0.0139	(0.1104)
NET ASSET VALUE PER SHARE	0.288	0.295

SEGMENT INFORMATION

During the year, the Company was principally involved in investing in companies with significant business involvement in the People's Republic of China. Accordingly, no analysis of segment 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 year is as follows:

	2002 US\$	2001 US\$
Gross revenue:-		
The People's Republic of China	2,372,894	113,876
Elsewhere	6,703	55,587
	<u>2,379,597</u>	<u>169,463</u>
Segment assets:-		
The People's Republic of China	6,491,058	7,154,707
Elsewhere	1,936,672	310,469
	<u>8,427,730</u>	<u>7,465,176</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 profit/(loss) before tax by geographical area of the operations of the investee companies is presented.

TAXATION

No provision for Hong Kong profits tax has been made as the Company did not generate any assessable profits in Hong Kong during the year (2001: US\$Nil).

EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders of US\$338,239 (2001: loss of US\$2,692,023) and on the weighted average of 24,375,243 (2001: 24,375,813) ordinary shares in issue during the year.

Diluted earnings per share have not been presented as no diluting events existed during either year.

NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on net assets of US\$7,029,452 (2001: US\$7,179,112) and the 24,374,813 (2001: 24,375,813) ordinary shares in issue at the balance sheet date.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2002 (31 December 2001: US\$0.02 per ordinary share).

During the year, the Board proposed a special dividend by a distribution in specie of the Company's investment in A-S China Plumbing Products Limited ("ASPPL") to the Company's shareholders. The recommendation was approved by the shareholders at the extraordinary general meetings held on 17 June 2002 and 4 November 2002, subject to the satisfaction of the following conditions:

- (i) the approval of the Growth Enterprise Market ("GEM") listing committee for the listing of ASPPL shares on the GEM and the delivery of the listing document to The Stock Exchange of Hong Kong Limited pursuant to Rule 12.24(2) of the GEM Listing Rules on or before 30 April 2003; and
- (ii) the completion of a reorganization of the capital of ASPPL on or before 30 April 2003.

Since the above conditions have not yet been satisfied as at 31 December 2002, the proposed special dividend has not been recognised in these financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

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

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

CLOSURE OF TRANSFER BOOKS AND REGISTERS OF MEMBERS

The Transfer Books and Register of Members will be closed from 23 May 2003 to 27 May 2003, both days inclusive. During this period, no transfer of shares will be effected and registered.

COMPLIANCE WITH THE 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 ended 31 December 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 (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.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The Stock Exchange's website will contain all the information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange within 14 days.

CHAIRMAN'S STATEMENT

I am pleased to present the preliminary results of The HSBC China Fund Limited ("HCF" or the "Company") for the year ended 31 December 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 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 GEM of the Stock Exchange.

As at 31 December 2002, the Company held two active investments with a net book value of US\$6.44 million. At the Board meeting held on 14 January 2003, the Board resolved to increase the valuation of the Company's investment in New World Sun City Limited ("NWSC"), to make a further provision against the Company's investment in ASPPL and not to recommend the payment of a dividend for the six months ended 31 December 2002.

Subject to the listing of the shares of ASPPL, the Directors believe that it will be possible to realise the balance of the Company's investment portfolio during 2003, 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 31 December 2002, the Net Asset Value ("NAV") per share of the Company was US\$0.288 (equivalent to HK\$2.25) representing a decrease of 2.4% compared to the NAV per share as at 31 December 2001 of US\$0.295 (equivalent to HK\$2.30). The share price fell by 49.9% from HK\$3.375 at 31 December 2001 to HK\$1.69 at 31 December 2002.

By Order of the Board
Donald P H Liao
Chairman
Hong Kong, 12 March 2003

REVIEW OF THE UNLISTED PORTION INVESTMENTS

As at 31 December 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 several joint ventures in China. The company is a subsidiary of American Standard Inc. ("ASI"). ASI is based in the US and is listed on the New York Stock Exchange. ASI manufactures products for various industries, including: air conditioning; bathroom and kitchen fixtures and fittings; automotive braking; and, vehicle control systems. ASI's brands include Trane, American Standard, Ideal Standard, Standard, Porcher, Jado, Armitage Shanks, Dolomite and Wabco. ASI has granted to ASPPL the exclusive rights to license trademarks owned by ASI for plumbing products in China.

At the Board meeting held on 14 January 2003, it was resolved that, in light of a decline in market conditions and the financial performance of ASPPL, an additional 25% provision be made against the Company's investment in ASPPL. As a result, a provision of 50% of the cost of the investment is reflected in the accounts of the Company as at 31 December 2002.

ASPPL is expected to achieve a listing of its shares on the GEM in Hong Kong during 2003.

NEW WORLD SUN CITY LIMITED ("NWSC")

NWSC was incorporated in Hong Kong 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.

In October 2002, the Company agreed to sell its investment in NWSC and NWSC's undertaking to realise and distribute to its shareholders, their pro-rata share of its remaining assets. Based on proceeds receivable from the sale, and future expected cashflow from the investment (the "Proceeds"), the Board resolved that the valuation of the investment should be increased. As a result, the valuation was increased to US\$2.96 million compared with a cost of US\$0.61 million as at 31 December 2002.

At 31 December 2002, the Company has received US\$9.5 million, including US\$1.2 million of the Proceeds, compared with its original cost of US\$7.3 million.

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting of The HSBC China Fund Limited will be held at Level 15, Central Meeting Room, 1 Queen's Road Central, Hong Kong on 27 May 2003 at 11:00 a.m. for the following purposes:-

Ordinary Business

1. To receive and adopt the Audited Accounts of the Company for the year ended 31 December 2002 and the reports of the Directors and Auditors thereon.
2. To re-elect Directors.
3. To authorise the Directors to fix the Directors' remuneration.
4. To re-appoint Ernst & Young as Auditors and authorise the Directors to fix their remuneration.

Special Business

5. To consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:-

(1) "THAT:-

- (i) Subject to paragraph (iii) below, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue or otherwise deal with any unissued shares in the capital of the Company pursuant to the Companies Laws (Cap. 22) (as amended) of the Cayman Islands and to make or grant offers, agreements, options and/or warrants which may require the exercise of such powers be and is hereby generally and unconditionally approved;
- (ii) the approval in paragraph (i) above shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and/or options which may require the exercise of the powers of the Company referred to in that paragraph at any time during or after the end of the Relevant Period;
- (iii) the aggregate nominal amount of unissued shares in the capital of the Company which may be allotted, issued or otherwise dealt with by the Directors of the Company during the Relevant Period pursuant to paragraph (i) above, otherwise than pursuant to a Rights Issue or the exercise of subscription rights attaching to any warrants issued by the Company, shall not exceed the aggregate of 20 per cent of the aggregate nominal amount of shares in the capital of the Company in issue as at the date of passing this resolution;
- (iv) for the purpose of this resolution:-
 - (a) "Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:-
 - (1) the conclusion of the next annual general meeting of the Company;
 - (2) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or by law to be held; and
 - (3) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and
 - (b) "Rights Issue" means an offer of shares in the capital of the Company open for a period fixed by the Directors of the Company to holders of shares in the capital of the Company whose names appear on the Register of Members on a fixed record date in proportion to their holdings of shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws or regulations in any territory outside the Cayman Islands)."

(2) "THAT:-

- (i) subject to paragraphs (ii) and (iii) below, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to purchase Shares be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of Shares which may be purchased pursuant to the approval in paragraph (i) above shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution, and the said approval shall be limited accordingly;
- (iii) for the purpose of this Resolution:-
 - (a) "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:-
 - (1) the conclusion of the next Annual General Meeting of the Company;
 - (2) the expiration of the period within which the next Annual General Meeting of the Company is required by the articles of association of the Company or by law to be held;
 - (3) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders in general meeting; and
 - (b) "Shares" means shares of all classes in the capital of the Company and warrants and other securities issued by the Company which carry a right to subscribe or purchase shares of the Company."

(3) "THAT, conditional upon the passing of Resolutions (5)(1) and (2) set out above granting the general mandate to the Directors of the Company to exercise the powers of the Company to allot, issue and otherwise deal with shares in the capital of the Company and to make, issue or grant offers, agreements, options and/or warrants which might require the exercise of such powers be and is hereby extended by the addition to the total nominal amount of share capital which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to such general mandate an amount representing the total nominal amount of shares in the capital of the Company purchased by the Company pursuant to the exercise by the Directors of the Company in accordance with Resolution (5)(2) above of the powers of the Company to purchase such shares, provided that such amount shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution."

By Order of the Board

Graham R Ashford

Secretary

Hong Kong, 12 March 2003

Notes :

- (i) A member entitled to attend and vote at the above meeting is entitled to appoint not more than two proxies to attend and vote for him in accordance with the Articles of Association of the Company; a proxy need not be a member.
- (ii) In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.
- (iii) To be valid, a form of proxy must be deposited at Prince's Building, 8th Floor, 10 Chater Road, Central, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting.
- (iv) The Transfer Books and Register of Members will be closed from 23 May 2003 to 27 May 2003 inclusive during which period no share transfers can be registered.

INVESTMENT PORTFOLIO

NON-TRADING SECURITIES - EQUITY SECURITIES

	Shareholding	Cost US\$	Unrealised gain US\$	Provision for impairment US\$	Fair value US\$	% of Net Assets
Unlisted securities						
A-S China Plumbing Products Limited	6.4%	6,964,200	-	(3,482,100)	3,482,100	49.5%
New World Sun City Limited - ordinary shares	167	84,238	2,345,762	-	2,430,000	34.6%
Total Non-Trading Equity Securities		7,048,438	2,345,762	(3,482,100)	5,912,100	84.1%

NON-TRADING SECURITIES - DEBT SECURITIES

	Shareholding	Cost US\$	Unrealised gain US\$	Provision for impairment US\$	Fair value US\$	% of Net Assets
New World Sun City Limited - loan	16.7%	525,709	-	-	525,709	7.5%
Total Non-Trading Debt Securities		525,709	-	-	525,709	7.5%
Total Non-Trading Securities		7,574,147	2,345,762	(3,482,100)	6,437,809	91.6%

SHORT TERM INVESTMENTS - FIXED DEPOSIT

					1,800,000	25.6%
TOTAL INVESTMENTS					8,237,809	117.2%
OTHER NET LIABILITIES					(1,208,357)	(17.2%)
Total Net Assets					7,029,452	100.0%

Please also refer to the published version of this announcement on 13 March 2003 in the Standard.