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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this document or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all of your shares in The HSBC China Fund Limited, you should at once hand this document and the accompanying form of proxy to the purchaser or transferee or to the stock broker or other agent through which the sale or transfer was effected for transmission to the purchaser or transferee.

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**HSBC** 

**THE HSBC CHINA FUND LIMITED**

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

**PROPOSED WITHDRAWAL OF LISTINGS FROM  
THE HONG KONG STOCK EXCHANGE AND  
LONDON STOCK EXCHANGE  
AND WINDING-UP OF THE COMPANY**

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A notice convening an Extraordinary General Meeting of The HSBC China Fund Limited to be held at 11:00 a.m. on 2 March 2004 at Main Board Room, Level 15, 1 Queen's Road Central, Hong Kong is set out at the end of this document. Whether or not you propose to attend the Extraordinary General Meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to K Corporate Services Limited at 11th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong (Attn: Ms. Samantha Suen) as soon as possible and in any event not less than 48 hours before the time appointed for holding the Extraordinary General Meeting.

3 February 2004

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## DEFINITIONS

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*In this document, unless the context otherwise requires, the following expressions have the following meanings:*

“Company”	means The HSBC China Fund Limited
“Companies Law”	means The Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Directors”	means the directors of the Company
“Extraordinary General Meeting”	means an extraordinary general meeting to be held at 11:00 a.m. on 2 March 2004 at Main Board Room, Level 15, 1 Queen’s Road Central, Hong Kong to consider and, if thought fit, to approve the withdrawal of listings, the appointment of liquidators and winding-up of the Company
“Hong Kong Stock Exchange” or “HKSE”	means The Stock Exchange of Hong Kong Limited
“Liquidators”	means any liquidator of the Company to be appointed pursuant to an ordinary resolution to be passed at the Extraordinary General Meeting
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“London Stock Exchange” or “LSE”	means the London Stock Exchange
“PRC”	means the People’s Republic of China
“Shares”	means the ordinary shares of par value of US\$0.01 each in the capital of the Company
“Shareholders”	means the shareholders of the Company
“UK”	means the United Kingdom
“US\$”	means United States dollars, the lawful currency of the United States

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## EXPECTED TIMETABLE

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Latest time for lodging proxy forms for  
the Extraordinary General Meeting ..... on 29 February 2004 11:00 a.m.

Last date for trading of the Shares on the HKSE  
and LSE (assuming special resolution to delist  
is passed at the Extraordinary General Meeting) ..... 1 March 2004

Register of the Shareholders closes:  
from ..... 1 March 2004  
to ..... 2 March 2004

Extraordinary General Meeting (trading in the Shares  
on the HKSE and the LSE would be suspended  
on the day the Extraordinary General Meeting is held) ..... on 2 March 2004 11:00 a.m.

Announcement on the results of the Extraordinary General Meeting ..... 3 March 2004

Shares delisted from the LSE by close of business  
(London time) on ..... 1 April 2004

Shares delisted from the HKSE by close of business  
(Hong Kong time) on ..... 7 April 2004

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## LETTER FROM THE BOARD OF DIRECTORS

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# THE HSBC CHINA FUND LIMITED

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

*Directors:—*

Donald P.H. Liao, CBE, JP (*Chairman*)\*

Vincent J. Warner

Dr. K.S. Lo\*

Sir Alan E. Donald, KCMG, LLD\*

Nigel S. Tulloch\*

Jack N. Mayer

*Registered Office:—*

P.O. Box 309

George Town

Grand Cayman

Cayman Islands

British West Indies

*\* Independent non-executive director*

3 February 2004

Dear Sir or Madam,

### **PROPOSED WITHDRAWAL OF LISTINGS FROM THE HONG KONG STOCK EXCHANGE AND THE LONDON STOCK EXCHANGE AND WINDING-UP OF THE COMPANY**

#### **INTRODUCTION**

As announced on 15 January 2004, the Directors have proposed to withdraw the listings of the Shares from the Hong Kong Stock Exchange and the London Stock Exchange, followed by the proposed winding-up of the Company.

#### **REASONS FOR WITHDRAWAL OF LISTINGS AND WINDING-UP**

The Company is an investment company which was incorporated in May 1992 to provide investors with a vehicle to benefit from emerging investment opportunities in the PRC. The Shares are presently, and have been, listed on the HKSE since June 1992. The Company has also since November 1994 maintained a secondary listing of its Shares on the LSE. The investment objective of the Company is to achieve long term capital appreciation through investments in companies and other entities with significant assets, investments, production activities, trading or other business interests in the PRC or which derive a significant part of their revenue from the PRC. The Directors believe that this investment objective has been achieved and, as advised by the investment manager to the Company, the Company has been realising its investments since 1994. The Company has in its 2003 interim report and previous announcements mentioned that it will take steps to wind up the Company after completing the realisation of its investments. The Company has now completed the realisation of its investments and all of its assets are currently in the form of cash and cash equivalents. The investment manager to the Company has also in the past several months been clarifying whether a special

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## LETTER FROM THE BOARD OF DIRECTORS

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purpose vehicle, Figure Eight Capital Limited, in which the Company formerly held an approximate 22 per cent. interest and which was used to hold a number of the Company's previous investments had been struck off from the Register of International Business Companies maintained under the British Virgin Islands International Business Ordinance and the Company had recently received confirmation that such striking-off had taken place. The Company has not changed its investment status since its previous announcement dated 10 October 2003. Accordingly, the Directors consider now an appropriate time to withdraw the listings of the Shares from the HKSE and the LSE and to wind up the Company.

An application for the withdrawal of the listings of the Shares from the HKSE and the LSE will be made to, respectively, the HKSE and the LSE. The Company intends to apply for suspension of trading of the Shares on the HKSE and the LSE on the day the Extraordinary General Meeting is held and if the resolution for the withdrawal of the listings is approved, trading of the Shares on the HKSE and the LSE shall remain suspended until the listings are withdrawn. Accordingly, assuming the special resolution to approve the withdrawal of listings is approved at the Extraordinary General Meeting, the proposed last day of trading in the Shares on the HKSE and the LSE is 1 March 2004.

### **PROPOSED WITHDRAWAL OF LISTINGS**

As required by the Listing Rules, the proposed withdrawal of listings from the HKSE must be approved by the Shareholders. Shareholders' approval of the proposal will be sought by way of special resolution to be tabled at the Extraordinary General Meeting of the Company to be held on 2 March 2004. The special resolution will be passed if a majority in number representing three-fourths in value of the Shareholders present and voting either in person or by proxy at the Extraordinary General Meeting vote in favour. The Directors and their respective associates will abstain from voting on the special resolution regarding the proposed withdrawal of listings.

### **PROPOSED WINDING-UP**

As required by Cayman Islands law, the proposed winding-up of the Company must be approved by the Shareholders. Accordingly, resolutions relating to the proposed winding-up of the Company will also be tabled at the Extraordinary General Meeting. Under the Companies Law and the articles of association of the Company, the proposed winding-up of the Company must be approved by the Shareholders by way of a special resolution, which would be passed if a majority in number representing three-fourths in value of the Shareholders present and voting either in person or, where proxies are allowed, by proxy at the Extraordinary General Meeting vote in favour. An ordinary resolution for the purpose of appointing Ms. Samantha Suen and Mr. Iain Ferguson Bruce as the Liquidators will also be tabled at the Extraordinary General Meeting.

The special resolution to place the Company in voluntary winding-up and the ordinary resolution to appoint Ms. Samantha Suen and Mr. Iain Ferguson Bruce as liquidators of the Company are conditional on the special resolution to delist the Shares from the HKSE and the LSE being passed. Should the proposed special resolutions in relation to the withdrawal of listings of the

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## LETTER FROM THE BOARD OF DIRECTORS

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Company and the proposed winding-up of the Company be passed and the proposed ordinary resolution to appoint Ms. Samantha Suen and Mr. Iain Ferguson Bruce as liquidators be passed, Ms. Samantha Suen and Mr. Iain Ferguson Bruce will be appointed as liquidators of the Company and the realised assets shall be distributed in accordance with applicable laws. Prior to any distribution being made to you, the Liquidators will determine the amount of cash and other assets which they consider sufficient to provide for all outstanding liabilities of the Company, including the expenses of the Company in relation to the winding-up (which are currently estimated to be approximately HK\$120,000.00 and such costs may increase as a result of unforeseen circumstances) and any other contingencies and creditors of the Company. After settling all such outstanding liabilities, the balance, if any, will be distributed in cash to Shareholders. The precise timing of the distribution would depend upon the progress of the winding-up (including the obtaining of any tax clearance) and will be subject to any unforeseen circumstances but is expected to take place no later than the end of December 2004. Shareholders should be aware that after settlement of the expenses for the winding-up and all other outstanding liabilities, the balance of the assets of the Company, if any, will be minimal and therefore a final distribution may or may not occur. The unaudited net asset value of the Company as at 31 December 2003 is US\$293,951.00 (US\$0.012 per share).

If the resolutions relating to the withdrawal of listings and winding-up are not passed, the Company will make an announcement to inform the Shareholders of its future plans in order to achieve the winding-up of the Company. The results of the Extraordinary General Meeting will be announced on the day next following the day the Extraordinary General Meeting is held.

### **ACTION TO BE TAKEN**

Please find enclosed a Form of Proxy relating to the Extraordinary General Meeting. Whether or not you intend to attend the Extraordinary General Meeting, you are requested to complete and return the enclosed Form of Proxy in accordance with the instructions printed thereon so as to arrive as soon as possible, and in any event not less than 48 hours before the time appointed for holding the Extraordinary General Meeting, at K Corporate Services Limited at 11th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong (Attn: Ms. Samantha Suen). Completion and return of a Form of Proxy will not affect your right to attend and vote at the meeting.

### **RECOMMENDATION**

The Directors believe the withdrawal of listings and the voluntary winding-up of the Company is in the best interests of the Company and the Shareholders as a whole and recommend that you vote in favour of the relevant resolutions whether at the Extraordinary General Meeting or by proxy.

Yours faithfully,  
**Dr. K. S. Lo**  
*Director*

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## ADDITIONAL INFORMATION

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### TAXATION

The following discussion of taxation is based on advice received by the Directors in relation to taxation in the Cayman Islands, the UK and Hong Kong and is included for general information purposes only. The discussion is not exhaustive and does not constitute legal or formal advice. It relates to Shareholders holding Shares as investments and not as securities to be realised in the course of trade and is based on current legislation and practice of the relevant tax authorities. Shareholders are strongly recommended to consult their own tax advisers as to the specific tax consequences for them, including as a result of the winding-up of the Company.

#### *Cayman Islands*

The Cayman Islands currently have no exchange control restrictions and no income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax applicable to the Company or any holder of Shares. Accordingly, the winding-up will not give rise to any liability to taxation in the Cayman Islands (including, without limitation, Cayman Islands' income or capital gains tax). The Cayman Islands are not party to any double taxation treaties.

#### *UK*

The comments below are of a general nature based on the Company's understanding of current law and Inland Revenue practice in the UK and relate only to investors who are resident (or, in the case of individuals only, ordinarily resident) in the UK for UK tax purposes, who are the absolute beneficial owners of Shares in the Company and who own their Shares as a capital investment. In particular, they do not address the position of certain classes of Shareholders such as brokers, dealers or persons who are regarded as having obtained their Shares by reason of their employment. If you are in any doubt as to your tax position, or if you are resident or otherwise subject to tax in any jurisdiction other than the UK, you should consult your own professional advisers.

The winding-up of the Company will give rise to a disposal (or, if the Liquidators makes more than one distribution to the Shareholders, a series of part disposals) by Shareholders of their Shares.

The UK tax treatment of such a disposal or disposals depends on whether, at the time of winding-up, the Company constitutes an "offshore fund" for UK tax purposes. As the question of whether the Company currently does constitute an "offshore fund" for these purposes is not free from doubt, investors who are resident or ordinarily resident in the UK for UK tax purposes are strongly advised to seek independent advice in relation to the tax treatment of their disposal or disposals.



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## ADDITIONAL INFORMATION

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It is the Company's view, given its history, that the Company is not an "offshore fund" for UK tax purposes. Assuming that the Company is not an "offshore fund", a Shareholder will be liable, subject to the Shareholder's individual circumstances and subject to any available exemption or relief, to UK capital gains taxation on any gain or gains realised as a result of his disposal or disposals. Indexation allowance or taper relief (as appropriate) may be available to reduce any taxable gain or reduce the proportion of any gain chargeable to tax. Any loss or losses realised by a Shareholder as a result of his disposal or disposals will be treated as an allowable loss or allowable losses for UK capital gains taxation purposes.

In determining the amount of any gain or gains or loss or losses accruing to a particular Shareholder, the Shareholder concerned will be treated as disposing of his shares for a consideration equal to the amount of the cash distribution received by such Shareholder, together with the amount of any further distribution or distributions made by the Liquidators.

However, if, in fact, the Company is an "offshore fund" at the time of winding-up, a Shareholder's UK taxation treatment will depend on his individual circumstances and, in particular, whether he has a "material interest" in an "offshore fund" for UK tax purposes. A person's interest in a company is a "material interest" if, at the time when he acquired the interest, it could reasonably be expected that, at some time during the period of seven years beginning at the time of his acquisition, he would be able to realise the value of the interest (whether by transfer, surrender or in any other manner). A person is at any time able to realise the value of an interest if at that time he can realise an amount which is reasonably approximate to that portion which the interest represents (directly or indirectly) of the market value at that time of the assets of the company.

To the extent that any Shares held by a Shareholder who is resident or ordinarily resident in the UK for tax purposes constitute "material interests" in an "offshore fund", the Shareholder will be liable, subject to the Shareholder's individual circumstances, to UK income taxation (rather than UK capital gains taxation) on any gain or gains realised as a result of his disposal or disposals. However, any loss or losses realised by a Shareholder as a result of his disposal or disposals will still be treated as an allowable loss or allowable losses for UK capital gains taxation purposes (rather than as a loss or losses for UK income taxation purposes).

In determining the amount of any gain or gains or loss or losses accruing to a particular Shareholder, the Shareholder concerned will be treated as disposing of his shares for a consideration equal to the amount of the cash distribution received by such Shareholder, together with the amount of any further distribution or distributions made by the Liquidators.

If the Shares constitute "material interests" in an "offshore fund", Shareholders who are subject to the loan relationship legislation in the Finance Act 1996 should note the provisions in Schedule 10 of that act which require a mark to market basis of taxation in respect of certain "material interests" in "offshore funds".

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## ADDITIONAL INFORMATION

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### *Hong Kong*

No tax will be payable by Shareholders in Hong Kong in respect of distributions by the Company or the Liquidators or in respect of any capital gains arising on the sale or other disposal of the Shares except that a charge to Hong Kong profits tax may arise if such distributions or gains are deemed to form part of the chargeable profits of persons carrying on a trade, profession or business in Hong Kong.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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# THE HSBC CHINA FUND LIMITED

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

### NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of the Shareholders of the Company will be held at 11:00 a.m. on 2 March 2004 at Main Board Room, Level 15, 1 Queen's Road Central, Hong Kong for the purpose of considering and voting upon the following resolutions:

#### **SPECIAL RESOLUTION NO.1**

**"THAT** the listings of the Shares of the Company on The Stock Exchange of Hong Kong Limited and the London Stock Exchange be withdrawn."

#### **SPECIAL RESOLUTION NO.2**

**"THAT** the Company shall be placed in voluntary winding-up." (Note 1)

#### **ORDINARY RESOLUTION**

**"THAT** Ms. Samantha Suen and Mr. Iain Ferguson Bruce be appointed as liquidators of the Company jointly and severally for the purpose of such voluntary winding-up and be empowered to charge for their services during the winding-up of the Company at their rate of scale charges for professional services rendered." (Note 2)

By Order Of The Board

**Dr. K. S. Lo**

*Director*

3 February 2004

*Registered Office:*

P.O. Box 309

George Town

Grand Cayman

Cayman Islands

British West Indies

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Notes:*

1. This resolution will be proposed to Shareholders for approval provided that Special Resolution No.1 is passed by the Shareholders.
2. This resolution will be proposed to Shareholders for approval provided that Special Resolutions Nos.1 and 2 are passed by the Shareholders.
3. A member of the Company entitled to attend and vote at the above mentioned meeting may appoint a proxy or proxies to attend and, on a poll, to vote instead of him or her. A proxy need not be a member of the Company. Forms appointing proxies must be lodged with K Corporate Services Limited (Attn: Ms. Samantha Suen) at 11th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong not less than 48 hours before the time appointed for the meeting. The completion and return of a form of proxy shall not preclude a holder entitled to attend and vote in person at the meeting from doing so if he or she so wishes.