



## 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 2003

The Directors of The HSBC China Fund Limited announce that the audited results of the Company for the year ended 31 December 2003 are as follows:

	2003 US\$	2002 US\$
<b>GROSS REVENUE</b>		
Interest income	26,849	38,965
Realised losses from sales of listed securities	(13)	(5,130)
Realised gain from sales of unlisted investment	1,541,517	—
Unrealised gain on unlisted investment	—	2,345,762
	<u>1,568,353</u>	<u>2,379,597</u>
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<b>EXPENSES</b>		
Investment managers' fee	(132,621)	(130,806)
Provision for impairment of securities	—	(1,732,100)
Other operating expenses	(301,693)	(265,712)
	<u>(434,314)</u>	<u>(2,128,618)</u>
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<b>PROFIT BEFORE TAX</b>	<b>1,134,039</b>	250,979
<b>TAX</b>	<b>—</b>	87,260
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<b>NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>1,134,039</b>	338,239
	<u>1,134,039</u>	<u>338,239</u>
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<b>EARNINGS PER SHARE</b>	<b>0.0465</b>	0.0139
	<u>0.0465</u>	<u>0.0139</u>
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<b>NET ASSET VALUE PER SHARE</b>	<b>0.012</b>	0.288
	<u>0.012</u>	<u>0.288</u>
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## 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:

	<b>2003</b> <i>US\$</i>	2002 <i>US\$</i>
Gross revenue:—		
People's Republic of China	<b>1,546,991</b>	2,372,894
Elsewhere	<b>21,362</b>	6,703
	<u><b>1,568,353</b></u>	<u>2,379,597</u>
Segment assets:—		
People's Republic of China	<b>173,160</b>	6,491,058
Elsewhere	<b>287,908</b>	1,936,672
	<u><b>461,068</b></u>	<u>8,427,730</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 before tax by geographical area of the operations of the investee companies is presented.

## TAX

No provision for Hong Kong profits tax has been made as the Company had available tax losses brought forward to set-off the assessable profits generated in Hong Kong during the year (2002: US\$Nil).

## EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders of US\$1,134,039 (2002: US\$338,239) and on the weighted average of 24,374,813 (2002: 24,375,243) ordinary shares in issue during the year.

Diluted earnings per share has not been presented as no diluting events exist during either year.

## NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on net assets of US\$293,951 (2002: US\$7,029,452) and the 24,374,813 (2002: 24,374,813) ordinary shares in issue at the balance sheet date.

## DIVIDENDS

	2003 US\$	2002 US\$
First special interim — US\$0.14 per ordinary share (2002: Nil)	3,482,074	—
Second special interim — US\$0.18 per ordinary share (2002: Nil)	<u>4,387,466</u>	<u>—</u>
	<u><u>7,869,540</u></u>	<u><u>—</u></u>

The Board does not recommend the payment of a final dividend for the year ended 31 December 2003 (31 December 2002: Nil).

During the year ended 31 December 2002, the Board proposed a special dividend comprising the distribution in specie of the Company's investment in A-S China Plumbing Products Limited ("ASPPL") to the Company's shareholders. This recommendation was subject to the satisfaction of the following conditions:

- (i) the approval of the Growth Enterprise Market ("GEM") listing committee of the listing of the ASPPL shares on the GEM, and the delivery of the listing documents to The Stock Exchange of Hong Kong Limited pursuant to Rule 12.24(2) of the GEM Listing Rules; and
- (ii) the completion of a reorganisation of the capital of ASPPL.

The above conditions were satisfied during the year ended 31 December 2003 and the Company's investment in ASPPL of US\$3,482,074 was distributed in specie to the shareholders as the first special interim dividend.

The second special interim dividend of US\$4,387,466 was paid in cash.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

The Company did not purchase, redeem or sell any of its own listed securities during the year.

## **CLOSURE OF TRANSFER BOOKS AND REGISTERS OF MEMBERS**

The Transfer Books and Register of Members will be closed from 25 June 2004 to 29 June 2004, 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 has 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 year ended 31 December 2003, 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 in 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 2003.

As at 31 December 2003, the Company had fully realised its entire portfolio of investments as described in the Review of Unlisted Portion Investments section. The Board therefore has taken steps to initiate the winding-up of the Company.

As at 31 December 2003, the Net Asset Value ("NAV") per share of the Company was US\$0.012 (equivalent to HK\$0.09) representing a decrease of 95.8% compared with the NAV per share as at 31 December 2002 of US\$0.288 (equivalent to HK\$2.25) following a distribution in specie of shares of A-S China Plumbing Products Limited, and a cash dividend paid during the year, following the completion of the sale of the Company's investment in New World Sun City Limited.

The share price of the Company closed at HK\$3.05 on 31 December 2003, representing a substantial premium to the NAV. The Directors of the Company are not aware of any reason why the share price should reflect such a significant premium to the NAV. During the second half of the year and subsequently, the Directors have also noted that the Company's share price has been trading at a significant premium to the published unaudited NAV. The Directors are not aware of any reasons for such premium to NAV.

The Company held an Extraordinary General Meeting on 2 March 2004 (the "First EGM"). The resolution proposed by the Directors at the First EGM with respect to the withdrawal of the listing of the shares of the Company from The Stock Exchange of Hong Kong Limited and the London Stock Exchange (the "Exchanges") was not passed. Accordingly, the resolutions in relation to the voluntary winding-up of the Company and the appointment of liquidators of the Company were not proposed to the Shareholders for approval at the First EGM.

Notwithstanding the results of the First EGM, the Directors continue to believe that it is appropriate for the Company and in the best interests of shareholders of the Company to withdraw the listings of the shares from the Exchanges, followed by the winding-up of the Company. The Company has announced that it intends to hold a second EGM on or before 30 June 2004 for the purpose of again seeking shareholders' approval with respect to the withdrawal of the listing of the shares of the Company from the Exchanges, followed by the winding-up of the Company.

By Order of the Board  
**Donald P H Liao**  
*Chairman*

29 March 2004

## **REVIEW OF THE UNLISTED PORTION INVESTMENTS**

As at 31 December 2003, the Company had fully realised its entire portfolio of investments, including the two investments described below, which had been held by the Company as at 31 December 2002.

### ***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.

On 11 July 2003, ASPPL obtained a listing of its shares on the Growth Enterprise Market in Hong Kong and the company's shares commenced trading on that date. The conditions of the proposed distribution in specie of shares in ASPPL (the “Distribution”) to the Company's shareholders were satisfied in full shortly before the listing of ASPPL. Accordingly, the Distribution proceeded just prior to the listing of ASPPL in accordance to the announcement (the “Announcement”) made by the Company on 19 June 2003. Under the Distribution, eligible shareholders were allocated two ASPPL shares for every five HCF shares held as described in the Announcement.

As a result of the Distribution, the Company had fully realised its investment in ASPPL as at 3 September 2003.

### ***New World Sun City Limited (“NWSC”)***

NWSC was incorporated in Hong Kong in 1992 to develop Dongguan New World Gardens near Dongguan, Guangdong Province.

In October 2002, NWSC's shareholders, including the Company, entered into an agreement to sell its shares in NWSC and pursuant to the arrangements, NWSC's shareholders were also entitled to distributions of NWSC's remaining cash and assets. The payment of the consideration for the sale of shares and the distributions (collectively the “Proceeds”) were to be made in three instalments scheduled for December 2002, May 2003 and January 2004. As described in the Company's 2002 annual report, the Company had received the first instalment of the Proceeds of US\$1.2 million in December 2002.

The sale of the shares and distributions were completed ahead of time and during 2003, the Company received Proceeds of US\$3.3 million in instalments with the final payment made in November 2003.

Over the life of the investment in NWSC, the Company received total proceeds of US\$12.8 million compared with the original cost of US\$7.3 million.

Please also refer to the published version of this announcement in *The Standard*.