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

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**If you are in any doubt** about this circular or as to the action to be taken, you should consult a stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in The HSBC China Fund Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale 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)*

(Hong Kong Stock Code: 504)

**PROPOSED GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES  
AND  
AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

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A notice convening an Annual General Meeting of The HSBC China Fund Limited to be held at Main Board Room, Level 15, 1 Queen's Road Central, Hong Kong on 29 June 2004 at 11:00 a.m. is set out in this circular. Whether or not you propose to attend the 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 Annual General Meeting. Completion and return of the form of proxy will not prevent shareholders from attending and voting at the meeting if they so wish.

28 April 2004

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## DEFINITIONS

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

“Annual General Meeting”	means an annual general meeting of the Company to be held on 29 June 2004 at 11:00 a.m.
“Articles of Association”	means the Company’s Articles of Association
“Companies Law”	means The Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Company”	means The HSBC China Fund Limited
“Directors”	means the directors of the Company
“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Latest Practicable Date”	20 April 2004, being the latest practicable date prior to the printing of this circular
“Listing Rules”	means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“London Stock Exchange”	means the London Stock Exchange
“Share(s)”	means the ordinary share(s) of US\$0.01 each in the capital of the Company
“Shareholder(s)”	means the shareholders of the Company
“US\$”	means United States dollars, the lawful currency of the United States

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## LETTER FROM THE BOARD

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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*

28 April 2004

Dear Sir or Madam,

### **PROPOSED GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

#### **INTRODUCTION**

On 29 March 2004 and 16 April 2004 respectively the Directors of the Company announced the audited results of the Company for the year ended 31 December 2003 and the proposals to seek general mandates at the Annual General Meeting to be held on 29 June 2004 for the Directors to issue Shares and repurchase Shares and to amend the Company's Articles of Association. This circular gives you details of those mandates and the proposed amendments to the Articles of Association and seeks your approval of such proposals at the Annual General Meeting.

#### **GENERAL MANDATE TO ISSUE SHARES**

In order to ensure flexibility to the Directors, in the event that it becomes desirable to issue any Share, approval is to be sought from the Shareholders, pursuant to the Listing Rules, for a general mandate to issue Shares. At the Annual General Meeting, the resolutions as set as Resolutions 5(1) and 5(3) in the notice convening the Annual General Meeting which will be proposed as ordinary resolutions at the Annual General Meeting, relate to the granting of a general mandate to the Directors to allot, issue or otherwise deal with any unissued shares in the share capital of the Company up to a limit equal to 20 per cent. of the aggregate nominal amount of the Company in issue as at the date of passing of such resolutions and the nominal amount of any shares repurchased by the Company pursuant to the mandate referred below.

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## LETTER FROM THE BOARD

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### GENERAL MANDATE TO REPURCHASE SHARES

In addition, the resolution set out as Resolution 5(2) in the notice of Annual General Meeting which will be proposed as an ordinary resolution at the Annual General Meeting, relates to the granting of a general mandate to the Directors to repurchase on either the Hong Kong Stock Exchange or the London Stock Exchange, Shares representing up to the maximum of 10 per cent. of the Shares in issue as at the date of the passing of such Resolution.

As at 20 April 2004, the latest practicable date prior to the printing of this document for determining such figure, the number of Shares in issue was 24,374,813. On the basis of this figure (and assuming no further shares are issued or repurchased up to the date of passing such Resolution at the Annual General Meeting) the Directors would be authorised to repurchase Shares up to a limit of 2,437,481 Shares.

An explanatory statement required by the Listing Rules to be sent to the Shareholders in connection with the Proposed Repurchased Mandate is set out in the Appendix to this circular. This explanatory statement contains all information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the relevant resolutions at the Annual General Meeting.

### AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In order to bring the Articles of Association of the Company in line with the recent amendments to the Listing Rules which came into effect on 31 March 2004, a special resolution will be proposed to amend the Company's Articles of Association so that:

- (i) a director shall abstain from voting at the board meetings on matters in which any of his associates has a material interest and shall not to be counted towards the quorum of such meeting;
- (ii) a shareholder's vote cast in contravention of the requirements or restrictions of the Listing Rules should not be counted.

### ACTION TO BE TAKEN

Please find enclosed a form of proxy relating to the Annual General Meeting. Whether or not you intend to attend the Annual 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 Annual 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.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors consider that the proposed resolutions for the granting to the Directors of the general mandate to issue Shares, to repurchase Shares and for the amendments to the Company's Articles of Association are in the best interests of the Company and the Shareholders as a whole. The Directors therefore recommend the Shareholders to vote in favour of all the resolutions to be proposed at the Annual General Meeting.

Yours faithfully,  
For and on behalf of the Board  
**Donald P. H. Liao**  
*Chairman of the Board*

## **LISTING RULES FOR REPURCHASE OF SHARES**

### **Reasons for Repurchase**

The Directors believe that the ability to repurchase Shares is, in the appropriate circumstances, in the best interests of the Company and its Shareholders.

Repurchases may, depending on the circumstances, result in an increase in net assets per share and/or earnings per share. The Directors are seeking the grant of a general mandate to repurchase Shares to give the Company the flexibility to do so if and when appropriate, taking into account that such repurchases may under current English law, result in restrictions being imposed on the Company's ability to promote its Shares in the United Kingdom. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

### **Funding of Repurchase**

It is envisaged that any repurchase would be funded out of funds legally available for the purpose in accordance with the Articles of Association of the Company and the Companies Law.

There could be an adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the Company's most recently published audited accounts for the year ended 31 December 2003) in the event that the proposed repurchases of Shares were to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the share repurchase mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital of the Company or its gearing level which in the opinion of the Directors is from time to time appropriate for the Company.

### **General**

The Directors have undertaken to the Hong Kong Stock Exchange to exercise the power of the Company to make repurchases pursuant to resolution 5(2) in accordance with the Hong Kong Listing Rules and the laws of the Cayman Islands.

None of the Directors nor (to the best of the knowledge of the Directors having made all reasonable enquiries) any associates (as defined in the Hong Kong Listing Rules) of the Directors presently intend to sell shares to the Company in the event that the share repurchase mandate is granted by the Shareholders.

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## APPENDIX — EXPLANATORY STATEMENT

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No connected persons (as defined in the Hong Kong Listing Rules) of the Company have notified it of a present intention to sell shares of the Company to the Company or have undertaken not to sell any of the shares of the Company held by them in the event that the share repurchase mandate is granted by the shareholders.

The Directors are not aware of any consequences which will arise under the Code on Takeovers and Mergers in either Hong Kong or the United Kingdom as a result of the exercise of the share repurchase mandate.

### Share purchase made by the Company

The Company did not purchase, sell or redeem any of the Company's securities (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

### Share Prices

The highest and lowest prices at which the shares of the Company traded on the Hong Kong Stock Exchange in each of the previous twelve months are as follows:

	<b>Highest</b> <i>(HK\$)</i>	<b>Lowest</b> <i>(HK\$)</i>
April 2003	1.6500	1.4800
May 2003	1.8000	1.5000
June 2003	1.7800	1.6800
July 2003	1.7500	1.0800
August 2003	1.5100	1.3900
September 2003	4.7000	1.5000
October 2003	3.9250	2.6000
November 2003	3.7000	2.9250
December 2003	3.2750	2.8000
January 2004	3.1750	1.6000
February 2004	2.0250	1.5500
March 2004	1.6500	0.5000

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## NOTICE OF THE ANNUAL GENERAL MEETING

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### THE HSBC CHINA FUND LIMITED

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

**NOTICE IS HEREBY GIVEN** that the Twelfth Annual General Meeting of The HSBC China Fund Limited will be held at Main Board Room, Level 15, 1 Queen's Road Central, Hong Kong on 29 June 2004 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 2003 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;



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## NOTICE OF THE ANNUAL GENERAL MEETING

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- (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;
      - (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;

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- (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** 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.” *(Note (i))*

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## NOTICE OF THE ANNUAL GENERAL MEETING

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6. To consider and, if thought fit, pass the following resolution as a Special Resolution:—

“**THAT** the Articles of Association of the Company be and are hereby amended in the following manner:—

(A) By adding the following definition in Articles of Association:—

“Associates” as defined by the Listing Rules of the Stock Exchange from time to time

(B) By adding the following new Article 75A after existing Article 75:

“75A Where a Member is required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution as specified by the Listing Rules of the Stock Exchange, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.”

(C) By deleting the existing Article 94(H) and substituting the following new Article 94(H) therefor:

“94 (H) Save as otherwise provided by these Articles, a Director shall not, and shall not be entitled to vote (nor be counted in the quorum in relation to) on any resolution of the Board in respect of any contract or arrangement in which he or any of his Associates has a material interest nor shall he be counted in the quorum at the meeting, but this prohibition shall not apply to any of the following matters namely:

- (i) any contract or arrangement for the giving to such Director or his Associate(s) any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his Associate(s) has or have assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

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## NOTICE OF THE ANNUAL GENERAL MEETING

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- (iii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his Associate(s) is / are or is / are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal concerning any other company in which the Director or his Associate(s) is / are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his Associate(s) is / are beneficially interested in shares of that company, provided that the Director and any of his Associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associates is derived) or of the voting rights;
- (v) any proposal concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his Associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his Associate(s), as such any privilege or advantage not generally accorded to the persons to which such scheme or fund relates.”

(D) By repealing Article 94(J).”

By Order of the Board  
**Samantha Suen**  
*Company Secretary*

Hong Kong, 15 April 2004

*Notes:*

- (i) This resolution will be proposed to Shareholders for approval provided that Ordinary Resolutions 5(1) and 5(2) are passed by the Shareholders.
- (ii) A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote for him in accordance with the Articles of Association of the Company; a proxy need not be a member.

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## NOTICE OF THE ANNUAL GENERAL MEETING

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- (iii) 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.
  
- (iv) To be valid, a form of proxy must be deposited at 11th Floor, Prince's Building, 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.
  
- (v) The Transfer Books and Register of Members will be closed from 25 June 2004 to 29 June 2004 inclusive during which period no share transfers can be registered.