



# THE HSBC CHINA FUND LIMITED

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

**(Hong Kong Stock Code : 504)**

## PRELIMINARY ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2004

The Directors of The HSBC China Fund Limited announce the following unaudited interim results of the Company for the six months ended 30 June 2004:—

	<b>Six months ended 30 June</b>	
	<b>2004</b>	<b>2003</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>US\$</b>	<b>US\$</b>
<b>GROSS REVENUE</b>		
Interest income	----- <b>232</b>	-----16,593
<b>EXPENSES</b>		
Investment manager's fee	—	(65,932)
Other operating expenses	<b>(233,544)</b>	(160,296)
	----- <b>(233,544)</b>	----- <b>(226,228)</b>
<b>LOSS BEFORE TAX</b>	<b>(233,312)</b>	(209,635)
<b>TAX</b>	—	—
<b>NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>(233,312)</b>	<b>(209,635)</b>
<b>LOSS PER SHARE</b>	<b>(0.0096)</b>	<b>(0.0086)</b>
<b>SPECIAL INTERIM DIVIDEND PER SHARE</b>	—	0.1429
<b>NET ASSET VALUE PER SHARE</b>	<b>0.0025</b>	0.1369

### BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) and Statement of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

Pursuant to the Board meeting held on 5 September 2001, at which it was decided to wind up the Company as soon as practical, the Board has been taking steps to achieve this since then. Accordingly, the condensed financial statements for the interim period ended 30 June 2004 and 2003 have been prepared on the net realisation basis, with all assets and liabilities being classified as current assets and liabilities.

## SEGMENT INFORMATION

During the period, the Company did not carry out any investment activity. Accordingly, no analysis of segmental information by principal activity is presented.

An analysis of the Company's revenue and assets by geographical area for the financial period is as follows:—

	Six months ended 30 June	
	2004 (unaudited) US\$	2003 (unaudited) US\$
Gross revenue:		
Hong Kong	2	10
The People's Republic of China, except Hong Kong	—	5,474
Elsewhere	230	11,109
	<u>232</u>	<u>16,593</u>
Segment assets:		
Hong Kong	260,349	82,474
The People's Republic of China, except Hong Kong	—	5,912,100
Elsewhere	—	3,059,818
	<u>260,349</u>	<u>9,054,392</u>

The Directors consider that it is not practical to analyse the operating expenses by the geographical area of the operations, no analysis of loss before tax by geographical area is presented.

## TAX

Under the current laws of the Cayman Islands, the Company is not required to pay any taxes in the Cayman Islands on either income or capital gains. The Company has received an undertaking from the Governor in Council of the Cayman Islands pursuant to the provisions of Section 6 of the Tax Concessions Law (Revised), which exempts the Company from any such tax at least until the year 2012.

No provision for Hong Kong profits tax has been made for the period as the Company did not generate any assessable profits in Hong Kong during the period (six months ended 30 June 2003: Nil).

## LOSS PER SHARE

The calculation of basic loss per share is based on the net loss for the period from ordinary activities attributable to the shareholders of US\$233,312 (six months period ended 30 June 2003: loss of US\$209,635) and on the 24,374,813 (six months ended 30 June 2003: 24,374,813) ordinary shares in issue during the period.

Diluted loss per share has not been presented as no diluting events existed during either period.

## NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on net assets of US\$60,639 (30 June 2003: US\$3,337,744) and the 24,374,813 (30 June 2003: 24,374,813) ordinary shares in issue at 30 June 2004.

## DIVIDENDS

The Directors do not recommend a payment of any interim dividend in respect of the six months ended 30 June 2004 (six months ended 30 June 2003: US\$0.1429 per ordinary share, being a distribution in specie of the Company's investment in A-S China Plumbing Products Limited of US\$3,482,074).

	<b>Six months ended 30 June</b>	
	<b>2004</b>	2003
	<b>(unaudited)</b>	(unaudited)
	<b>US\$</b>	US\$
Special interim — Nil (six months ended 30 June 2003: US\$0.1429 per ordinary share)	<u>—</u>	<u>3,482,074</u>

## COMPARATIVE AMOUNTS

Certain comparative amounts in the segmental information have been reclassified to conform with the current period's presentation.

## 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 period.

## COMPLIANCE WITH 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 for the six months ended 30 June 2004, 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 89(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.

The Audit Committee has reviewed with management the Company's financial reporting process and discussed accounting and internal control matters, including a review of these interim financial statements which have not been audited.

## **DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

All the information required by paragraphs 46(1) to 46(6) inclusive of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange in force prior to 31 March 2004, which remain applicable to results announcements in respect of accounting periods commencing before 1 July 2004 under the transitional arrangements, will be published on the website of the Stock Exchange in due course.

### **STATEMENT FROM THE BOARD OF DIRECTORS AND BUSINESS REVIEW**

On behalf of the Board, I am pleased to present the preliminary announcement of The HSBC China Fund Limited (“HCF” or “the Company”) for the six months period ended 30 June 2004.

The Company’s 2003 annual report and 2004 announcements have repeatedly informed Shareholders that HCF completed the realisation of its investments, and initiated steps to wind up the Company since January 2004.

As at 30 June 2004, the Net Asset Value (“NAV”) of the Company net of the provision for winding up costs was US\$60,639, being US\$0.0025 (equivalent to HK\$0.02) per share, representing a decrease of 79.3% compared with the NAV per share as at 31 December 2003 of US\$0.0121 (equivalent to HK\$0.09). As the Company has no operating income, the NAV of the Company, primarily cash, is expected to decline over time.

The share price of the Company closed at HK\$1.03 on 30 June 2004, representing a substantial premium to the NAV of HK\$0.02 per share as at that date. The Directors of the Company are not aware of any reason why the share price should reflect such a significant premium to the NAV. Since the completion of the realisation of the Company’s entire portfolio in December 2003, the Directors have also noted that HCF’s share price has been trading at a significant premium to the published NAV. The Directors are not aware of any reasons for such premium to NAV.

Notwithstanding the results of the first Extraordinary General Meeting held on 2 March 2004 (of which the resolution proposed by the Company 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 (collectively the “Exchanges”) was not passed), the Directors continue to believe that it is appropriate for the Company to withdraw the listings of the shares from the Exchanges, followed by the winding-up of the Company.

However, the Directors are also exploring possible courses of action to be adopted by the Company including, but not limited to, the prospects of recapitalising the Company by third party investors and also considering different views which the shareholders have expressed to the Company recently. Accordingly, the Directors propose that a second extraordinary general meeting be held as soon as practicable.

Following the resignation of Mr. Donald Liao as a Director of the Company on 16 June 2004, the Board of Directors as at 30 June 2004 comprises of Mr. Vincent Warner, being an executive director, Dr. K.S. Lo, Sir Alan Donald and Mr. Nigel Tulloch, being independent non-executive directors and Mr. Jack Mayer, being a non-executive director.

By Order of the Board

**Dr K S Lo**

*Director*

2 September 2004, Hong Kong

*The board of directors of the Company as at the date of this announcement comprises of Mr. Vincent Warner, being an executive director, Dr. K. S. Lo, Sir Alan Donald and Mr. Nigel Tulloch, being independent non-executive directors and Mr. Jack Mayer, being a non-executive director.*

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