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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)

ANNOUNCEMENT

Previous discussions with investors relating to a possible recapitalisation of the Company have terminated and it is unlikely other investors will be interested in pursuing similar proposals.

The Company had net unaudited liabilities of US\$0.00014 per Share as at 31 December 2004.

The Company has been informed by the Hong Kong Stock Exchange that, in the absence of a viable resumption proposal required by the Hong Kong Stock Exchange, the Hong Kong Stock Exchange intends to cancel the listing of the Shares on 3 April 2005. The Company has been further informed that details of the viable resumption proposal required and other relevant information will be set out in an announcement to be issued by the Hong Kong Stock Exchange and published in newspapers on 4 February 2005. Given that any viable resumption proposal will need to demonstrate the Company's compliance with the Listing Rules and that the Company has a business suitable for listing and, in particular, any proposal by a third party investor to effect a fundamental change in the nature of the Company's business or management will be treated as an application for listing from a new applicant, the Directors currently do not expect any viable resumption proposal to be submitted to the Hong Kong Stock Exchange. In the meantime, trading of Shares will remain suspended. The Company has also applied to the London Stock Exchange to have the Shares delisted and it is expected that such delisting would take place on or about 4 March 2005.

Subject to the necessary resources being available, the Directors shall propose an extraordinary general meeting to consider and, if thought fit, approve the voluntary liquidation of the Company. If voluntary liquidation is not approved and in view of the financial situation of the Company, the Directors would need to petition for involuntary liquidation on the basis of outstanding directors' fees. It is currently expected that such liquidation will not result in any monies being available for distribution to Shareholders.

Reference is made to the announcement dated 30 June 2004 (the "**Announcement**"). Terms used in this announcement shall have the same meaning given to them in the Announcement.

It was mentioned in the Announcement that, whilst the Directors had proposed an extraordinary general meeting be held on or before 30 September 2004, the Directors were also exploring possible courses of action to be adopted by the Company including, but not limited to, recapitalisation of the Company by third party investors.

Trading of the Shares was suspended on the Hong Kong Stock Exchange and on the London Stock Exchange on 7 September 2004.

The Directors would wish to report that since the Announcement, the Directors have discussed certain proposals which involved the recapitalisation of the Company with certain third party investors. Whilst most of the discussion was preliminary in nature, discussion with a fund investor reached an advanced stage. However, such discussion was terminated after the Hong Kong Stock Exchange indicated that the recapitalisation proposal submitted to it will be treated as a new listing. All discussions between the Company and third party investors have now terminated as a result of the investors deciding not to proceed with the proposal. The Directors are of the view that given the circumstances of the Company and the possibility that any recapitalisation of the Company will be treated as a new listing by the Hong Kong Stock Exchange, it is unlikely that any investor will be interested in recapitalising the Company. The Directors also understand that the Investment Manager to the Company, HSBC Asset Management (Bahamas) Limited, would be resigning from its position if the Company were to proceed with any recapitalisation plan. Since the termination of discussions with the third party investors, the Directors have not been approached by any other investors involving any proposals in relation to the Company.

As mentioned in previous announcements by the Company, the net asset value of the Company has declined and, as at 31 December 2004, the Company had unaudited net liabilities per Share of US\$0.00014.

The Company has been informed by the Hong Kong Stock Exchange that, in the absence of a viable resumption proposal required by the Hong Kong Stock Exchange, the Hong Kong Stock Exchange intends to cancel the listing of the Shares on 3 April 2005. The Company has been further informed that details of the viable resumption proposal required and other relevant information will be set out in an announcement to be issued by the Hong Kong Stock Exchange and published in newspapers on 4 February 2005. Given that any viable resumption proposal will need to demonstrate the Company's compliance with the Listing Rules and that the Company has a business suitable for listing and, in particular, any proposal by a third party investor to effect a fundamental change in the nature of the Company's business or management will be treated as an application for listing from a new applicant, the Directors currently do not expect any viable resumption proposal to be submitted to the Hong Kong Stock Exchange. In the meantime, trading of Shares will remain suspended. The Company has also applied to the London Stock Exchange to have the Shares delisted and it is expected that such delisting would take place on or about 4 March 2005.

Subject to the necessary resources being available, the Directors shall propose an extraordinary general meeting to consider and, if thought fit, approve the voluntary liquidation of the Company. If voluntary liquidation is not approved and in view of the financial situation of the Company, the Directors would need to petition for involuntary liquidation on the basis of outstanding directors' fees. It is currently expected that such liquidation will not result in any monies being available for distribution to Shareholders. The Company will issue a further announcement if appropriate.

Based on the view that it is unlikely any viable resumption proposal will be submitted to the Hong Kong Stock Exchange, the Directors believe that the best course of action for the Company is to have the Shares delisted from the Hong Kong Stock Exchange and the London Stock Exchange to be followed by liquidation of the Company. Based on the financial position of the Company, the Directors also believe that the Company does not have the necessary resources to survive for more than 60 days and therefore delisting of the Shares shall take place as soon as possible.

In June 1992 the Company raised approximately US\$90 million, following its flotation on the Hong Kong Stock Exchange. The Shares were subsequently listed on the London Stock Exchange in 1994. During the life of the Company, distributions to the value of US\$120,965,199 were made. Since September 2001, the Company has been realizing its investments with a view to having the Company wound up.

The board of directors of the Company as at the date of this announcement comprises 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
The HSBC China Fund Limited
Dr K. S. Lo
Director

3 February 2005

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