

## CHAIRMAN'S STATEMENT

I am pleased to present the tenth annual report of The HSBC China Fund Limited for the year ended 31 December 2001.

On 8 June 2001, the Company paid a final dividend for 2000 of US\$ 1.95 million representing US\$ 0.08 per share. On 5 October 2001, the Company paid a first special interim dividend declared on 5 September 2001 of US\$ 0.73 million representing US\$ 0.03 per share. A final dividend of US\$ 0.49 million representing US\$ 0.02 per share was recommended by the Directors to shareholders on the register of members on 30 April 2002. This recommendation has been incorporated in the financial statements as an allocation of retained earnings within the capital and reserves section of the balance sheet and the final dividend will be paid on 10 May 2002.

As at 31 December 2001, the Company held three active investments with a net asset value ("NAV") of US\$6.95 million. At the Board meeting held on 5 September 2001, the Board resolved to take steps to wind up the Company during 2002.

On 6 and 11 March 2002, the Company sold its entire holding in Road King Infrastructure Limited through the stock market for a total consideration of HK\$3.5 million (equivalent to US\$0.45 million).

The Directors believe that it will be possible to realise the balance of the Company's investment portfolio during 2002, resulting in distributions to its shareholders, which will include cash and may include an in specie distribution of listed shares. Subject to this, the Directors expect to be able to wind up the Company before 31 December 2002.

As at 31 December 2001, the NAV per share of the Company was US\$0.295 (equivalent to HK\$ 2.30) representing a decrease of 39.9% compared to the NAV as at 31 December 2000 of US\$ 0.491 (equivalent to HK\$ 3.83). The share price fell by 10 % from HK\$ 3.75 at 31 December 2000 to HK\$ 3.375 at 31 December 2001.

By Order of the Board

**Donald P H Liao**

Chairman

Hong Kong, 20 March 2002

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