

## CHAIRMAN'S STATEMENT

I am pleased to present the eleventh annual report of The HSBC China Fund Limited ("HCF" or the "Company") for the year ended 31 December 2002.

On 10 May 2002, the Company paid the final dividend for 2001 of US\$ 0.49 million representing US\$ 0.02 per share. On 17 June 2002, the Company's shareholders approved a distribution in specie of the Company's investment in A-S China Plumbing Products Limited ("ASPPL") on a basis of two ASPPL shares for every five HCF shares. This in specie distribution is contingent upon a listing of the shares of ASPPL on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

As at 31 December 2002, the Company held two active investments with a net book value of US\$ 6.44 million. At the Board meeting held on 14 January 2003, the Board resolved to increase the valuation of the Company's investment in New World Sun City Limited, to make a further provision against the Company's investment in ASPPL and not to recommend the payment of a dividend for the six months ended 31 December 2002.

Subject to the listing of the shares of ASPPL, the Directors believe that it will be possible to realise the balance of the Company's investment portfolio during 2003, resulting in distributions to its shareholders, which will include cash and may include an in specie distribution of listed shares of ASPPL. The Company will be wound up as soon as practicable thereafter.

As at 31 December 2002, the Net Asset Value ("NAV") per share of the Company was US\$ 0.288 (equivalent to HK\$ 2.25) representing a decrease of 2.4% compared to the NAV per share as at 31 December 2001 of US\$ 0.295 (equivalent to HK\$ 2.30). The share price fell by 49.9% from HK\$ 3.375 at 31 December 2001 to HK\$ 1.69 at 31 December 2002.

By Order of the Board  
**Donald P H Liao**  
Chairman  
12 March 2003