

## Chairman's Statement

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I am pleased to present the twelfth annual report of The HSBC China Fund Limited ("HCF" or the "Company") for the year ended 31 December 2003.

As at 31 December 2003, the Company had fully realised its entire portfolio of investments as described in the Review of Unlisted Portion Investments section. The Board therefore has taken steps to initiate the winding-up of the Company.

As at 31 December 2003, the Net Asset Value ("NAV") per share of the Company was US\$0.012 (equivalent to HK\$0.09) representing a decrease of 95.8% compared with the NAV per share as at 31 December 2002 of US\$0.288 (equivalent to HK\$2.25) following a distribution in specie of shares of A-S China Plumbing Products Limited, and a cash dividend paid during the year, following the completion of the sale of the Company's investment in New World Sun City Limited.

The share price of the Company closed at HK\$3.05 on 31 December 2003, representing a substantial premium to the NAV. The Directors of the Company are not aware of any reason why the share price should reflect such a significant premium to the NAV. During the second half of the year and subsequently, the Directors have also noted that the Company's share price has been trading at a significant premium to the published unaudited NAV. The Directors are not aware of any reasons for such premium to NAV.

The Company held an Extraordinary General Meeting on 2 March 2004 (the "First EGM"). The

resolution proposed by the Directors at the First EGM 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 (the "Exchanges") was not passed. Accordingly, the resolutions in relation to the voluntary winding-up of the Company and the appointment of liquidators of the Company were not proposed to the Shareholders for approval at the First EGM.

Notwithstanding the results of the First EGM, the Directors continue to believe that it is appropriate for the Company and in the best interests of shareholders of the Company to withdraw the listings of the shares from the Exchanges, followed by the winding-up of the Company. The Company has announced that it intends to hold a second EGM on or before 30 June 2004 for the purpose of again seeking shareholders' approval with respect to the withdrawal of the listing of the shares of the Company from the Exchanges, followed by the winding-up of the Company.

By Order of the Board

**Donald P H Liao**  
Chairman

29 March 2004