

CHAIRMAN'S STATEMENT

I am pleased to present the tenth interim report of The HSBC China Fund Limited ("HCF" or the "Company") for the six months ended 30 June 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 30 June 2002, the Company held two active investments with a net book value of US\$6.17 million.

Subject to the listing of the shares of ASPPL, the Directors believe that it is possible to realise the balance of the Company's investment portfolio within 6 months thereof, 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 30 June 2002, the Net Asset Value ("NAV") per share of the Company was US\$0.271 (equivalent to HK\$2.11), representing a decrease of 8.1% compared to the NAV as at 31 December 2001 of US\$0.295 (HK\$2.30). The share price fell by 18.5% from HK\$3.375 at 31 December 2001 to HK\$ 2.75 at 30 June 2002.

By Order of the Board

Donald P H Liao

Chairman

4 September 2002, Hong Kong

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