

NOTES TO THE FINANCIAL STATEMENTS

(For the six months ended 30 June 2002)

1. CORPORATE INFORMATION

The Company was incorporated on 20 May 1992 as an exempted company in the Cayman Islands with limited liability. The Company was listed on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) on 18 June 1992. The Company obtained a secondary listing on the London Stock Exchange on 23 November 1994.

The principal place of business of the Company is located at 15/F., Citibank Tower, 3 Garden Road, Hong Kong.

During the period, the Company was involved in investing in companies with significant business involvement in the People’s Republic of China.

Pursuant to the Board meeting held on 5 September 2001, the Board is taking steps to wind up the Company during 2002. The Company continues to realise all of its existing investments, in an orderly manner, and to distribute the funds realised to the shareholders.

2. BASIS OF PRESENTATION AND IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”)

Basis of presentation

The condensed financial statements have been prepared in accordance with the requirements of the Main Board Listing Rules of the Stock Exchange and SSAP 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

The financial information relating to the financial year ended 31 December 2001 included in the interim financial report does not constitute the Company’s statutory accounts for that financial year but is derived from those accounts. Statutory accounts for the year ended 31 December 2001 are available from the Company’s principal place of business. The auditors have expressed an unqualified opinion on those accounts in their report dated 20 March 2002.

At the Board meeting held on 5 September 2001, the Board discussed the operation and prospects of the Company and resolved that it would be in the best interests of the shareholders to take steps to wind up the Company during 2002. Accordingly, the condensed financial statements for the interim period ended 30 June 2002 and 2001 have been prepared on the net realisation basis.

Impact of new and revised SSAPs

In the current period, the Company has adopted, for the first time the following revised SSAPs:-

SSAP 1 (revised)	Presentation of Financial Statements
SSAP 15 (revised)	Cash Flow Statements

The adoption of the above SSAPs resulted in a change in the presentation of the financial statements by replacing the statement of recognised gains and losses with a new statement of changes in equity, and also a change in the format of presentation of the cash flow statement.

The accounting policies and methods of computation adopted in the 2001 annual accounts have been consistently applied to the interim financial statements.

3. SEGMENTAL INFORMATION

During the period, the Company was principally involved in investing in companies with significant business involvement in the People's Republic of China. Accordingly, no analysis of segmental information by principal activity is presented.

An analysis of the Company's revenue and assets by geographical area of the operations of the investee companies for the financial period is as follows:-

	Six months ended 30 June	
	2002	2001
	(unaudited)	(unaudited)
	US\$	US\$
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Gross revenue:		
The People's Republic of China, including Hong Kong	14,364	79,208
Elsewhere	2,799	47,604
	<hr/>	<hr/>
	17,163	126,812
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Segment assets:		
The People's Republic of China, including Hong Kong	6,202,430	7,164,569
Elsewhere	626,453	1,070,280
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	6,828,883	8,234,849
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The directors consider that it is not practical to analyse the operating expenses by the geographical area of the operations of the investee companies and, accordingly, no analysis of loss before tax by geographical area of the operations of the investee companies is presented.

4. LOSS BEFORE TAX

The Company's loss before tax is arrived at after charging:-

	Six months ended 30 June	
	2002	2001
	(unaudited)	(unaudited)
	US\$	US\$
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Auditors' remuneration	4,500	4,500
Directors' remuneration	42,378	42,378
Exchange losses, net	6,985	37
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The Company had no staff costs other than directors' remuneration during the period (period ended 30 June 2001: US\$Nil).

5. TAX

Under the current laws of the Cayman Islands, the Company is not required to pay any taxes in the Cayman Islands on either income or capital gains. The Company has received an undertaking from the Governor in Council of the Cayman Islands pursuant to the provisions of Section 6 of the Tax Concessions Law (Revised), which exempts the Company from any such tax at least until the year 2012.

No provision for Hong Kong profits tax has been made for the period as the Company did not generate any assessable profits during the period (six months ended 30 June 2001: US\$Nil).

Tax credit for the current period represents the write-back of deferred tax liabilities.

No deferred tax has been provided as there were no significant timing differences at 30 June 2002. The principal component of the Company's deferred tax provision at 31 December 2001 was attributable to tax at 16% on the unrealised gains / (losses) in investments in securities.

6. DIVIDENDS

The directors do not recommend the payment of a dividend for the period ended 30 June 2002. (30 June 2001: subsequent to last year's interim reporting date on 5 September 2001, a special interim dividend of US\$0.03 per share was declared, this interim dividend had not been recognised as a liability in the interim financial statements as at 30 June 2001.)

During the period, the directors have proposed a special dividend by way of a return of capital of US\$0.2139 per share by a distribution in specie of the Company's investment in A-S China Plumbing Products Limited ("ASPPL"). The recommendation was approved by the shareholders at the Extraordinary General Meeting held on 17 June 2002, subject to the satisfaction of the following conditions:-

- (i) approval of the Growth Enterprise Market ("GEM") listing committee for the listing of ASPPL shares on GEM and delivery of the listing document to the Stock Exchange pursuant to Rule 12.24(2) of the GEM Listing Rules on or before 30 September 2002; and
- (ii) completion of a reorganisation of capital of ASPPL on or before 30 September 2002.

Since the above conditions have not been satisfied at the interim reporting date of 30 June 2002, the proposed distribution in specie has not been recognised in these interim financial statements.

7. LOSS PER SHARE

The calculation of loss per share is based on the net loss from ordinary activities for the period attributable to the shareholders of US\$76,194 (six months ended 30 June 2001: loss of US\$115,204) and on the weighted average of 24,375,680 (six months ended 30 June 2001: 24,375,813) shares in issue during the period.

Diluted loss per share has not been presented as no diluting events exist.

8. CREDITORS

All amounts payable to the creditors are aged within one month (31 December 2001: one month).

9. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on net assets of US\$6,615,019 (31 December 2001: US\$7,179,112) and 24,374,813 (31 December 2001: 24,375,813) ordinary shares in issue at 30 June 2002.

10. RELATED PARTY TRANSACTIONS

The Company had the following material transactions with a related party during the period:-

	Six months ended 30 June	
	2002	2001
	(unaudited)	(unaudited)
	US\$	US\$
Management fee paid to HSBC Asset Management (Bahamas) Limited	66,216	93,450

HSBC Asset Management (Bahamas) Limited is a related company of which Mr Paul M Y Chow, a director of the Company, is also a director. The management fee payable is calculated at 1.25% to 2% of the net asset value of securities, in accordance with the Investment Management Agreement.

11. AUDIT COMMITTEE

The Audit Committee has reviewed with management the Company's financial reporting process and discussed auditing and internal control matters, including a review of these interim financial statements which have not been audited.

12. COMPARATIVE AMOUNTS

Certain comparative amounts in respect of the segmental information have been reclassified to conform with the current period's presentation.

As further explained in note 2 to the interim financial statements, due to the adoption of the revised SSAP 15 during the current period, the presentation of the cash flow and certain supporting notes have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current period's presentation.