

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2001

### 1. Accounting Policies

The unaudited condensed interim financial statements (“interim financial statements”) have been prepared in accordance with the requirements of the Listing Rules of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including compliance with the Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

The adoption of new accounting policy in accordance with SSAP 9 (Revised) has resulted in significant impact on the preparation of the interim financial statements. Events after the balance sheet date as defined by this accounting standard are those events that occur between the balance sheet date and the date when the financial statements are approved by the Board. This accounting standard requires that, if dividends are proposed or declared after balance sheet date, an enterprise should not recognise those dividend as a liability at the balance sheet date. After the adoption of this accounting standard, reclassification is required for the Company's accumulated profits and proposed dividend as at 31 December 2000.

Except for the above changes, the accounting policies and methods of computation followed in the preparation of the interim financial statements are consistent with the latest published annual financial statements for the year ended 31 December 2000.

### 2. Investment Income

	<b>Six months ended 30 June</b>	
	<b>2001</b>	2000
	<b>US\$</b>	US\$
Dividend Income		
– Listed securities	<b>515,405</b>	625,836
– Unlisted investments	<b>6,701,601</b>	561,258
Interest income	<b>99,626</b>	677,608
	<b><u>7,316,632</u></b>	<u>1,864,702</u>

### 3. Taxation

No provision for Hong Kong Profits Tax has been made in the interim financial statements for the current period as the Company has no assessable profit for the period.

Hong Kong Profits Tax during the six months ended 30 June 2000, US\$175,000, was calculated at 16% of the estimated assessable profit for that period.

No provision for deferred taxation has been made in the interim financial statements as there were no significant timing differences arising during the period or at the balance sheet date.

### 4. Interim Dividend

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2001 (2000: Nil).

The Company had paid a special dividend of US\$3.00 per share from the share premium account on 7 September 2000.

## 5. Earnings per share – Basic

The calculation of basic earnings per share is based on the profit for the six months ended 30 June 2001 of US\$6,122,551 (2000: US\$2,142,334) and on the weighted average number of 8,905,000 (2000: 9,018,222) ordinary shares in issue during the period.

No diluted earnings per share has been presented as the Company has no dilutive potential shares in issue during the period.

## 6. Net Asset Value Per Share

The calculation of net asset value per share is based on the net asset value of the Company as at 30 June 2001 of US\$67,027,406 (31 December 2000, restated: US\$63,405,600) and on the 8,905,000 ordinary shares in issue as at both dates.

## 7. Investments in Unlisted Securities

	<b>30 June 2001</b>	31 December 2000
	<i>US\$</i>	<i>US\$</i>
Unlisted Investments in China, at fair value	<b><u>33,156,078</u></b>	<u>29,517,282</u>

In the opinion of the directors, as the Company is an investment fund company which acts as a passive investor in the investee companies, it does not exert any significant influence over the financial and operating policy decisions of those unlisted investee companies. Therefore, investment in those unlisted companies are stated as investment in securities in the interim financial statements.

## 8. Investments in Listed Securities

	<b>30 June 2001</b>	31 December 2000
	<i>US\$</i>	<i>US\$</i>
Listed securities, at fair value:		
Shares listed on the Hong Kong stock exchange	<b>25,449,961</b>	27,547,961
Shares listed on the Taiwan stock exchange	<b>1,051,103</b>	137,234
Shares listed on the New York stock exchange	—	1,281,600
Shares listed on the Shenzhen securities exchange	—	468,168
Shares listed on the Shanghai securities exchange	—	330,000
Market value	<b><u>26,501,064</u></b>	<u>29,764,963</u>

## 9. Reserves

	<i>US\$</i>
Share premium As at 31 December 2000 and 30 June 2001	<u>63,715,935</u>
Capital Reserve	
Balance as at 31 December 2000	(5,368,339)
Net unrealised losses on revaluation of investments in listed securities transferred from income statement for the period	(2,529,245)
Realised gains on sale of investments in listed securities transferred from income statement for the period	38,923
Provision for impairment in value of unlisted investments	(335,455)
Increase in value of an unlisted investment	<u>2,700,000</u>
<b>Balance as at 30 June 2001</b>	<b><u>(5,494,116)</u></b>
Accumulated profits	
As at 31 December 2000	
As previously reported	1,496,004
Prior period adjustment – Reclassification of proposed final dividend	<u>2,671,500</u>
As restated	4,167,504
Dividend paid – 2000 final dividend	(2,671,500)
Profit for the six months ended 30 June 2001, retained	<u>6,419,083</u>
<b>Balance as at 30 June 2001</b>	<b><u>7,915,087</u></b>
<b>Total Reserves as at 30 June 2001</b>	<b><u>66,136,906</u></b>

## 10. Capital commitment

	<b>30 June 2001</b>	31 December 2000
	<i>US\$</i>	<i>US\$</i>
Capital expenditure contracted but not provided for in the financial statements	<u>725,750</u>	<u>500,000</u>

The capital commitment as at 30 June 2001 was in respect of unpaid capital contribution relating to an unlisted investment in China.

## 11. Related Party Transactions

During the period, the Company paid to the Investment Manager a management fee of US\$615,562 (2000: US\$918,360). Certain unlisted investments held by the Company are jointly invested with Ruentex companies and Bank SinoPac.

## **12. Subordination**

As at the balance sheet date, the Company together with other shareholders (the “Subordinated Parties”) of an investee company in which the Company holds a 19% equity interest, had renewed a subordination agreement (“Subordination Agreement”) in proportion of their respective shareholdings, in favour of a bank in support of secured loan facilities to the extent of US\$35,000,000 granted to that investee company.

The Subordination Agreement is in respect of loans made by the Subordinated Parties to the investee company, if any. As at the balance sheet date, the Company has not made any advances to that investee company or its subsidiaries.

## **13. Comparative figures**

Certain comparative figures have been reclassified to conform with the current period’s presentation.