

REGULATORY INFORMATION AND NOTES FOR SHAREHOLDERS

The directors are pleased to present the Company's Interim Report and condensed financial statements for the period from 16th January 2002 (date of incorporation) to 30th June 2002. The income statement, cash flows statement and statement of changes in equity for the Company for the period from 16th January 2002 (date of incorporation) to 30th June 2002, and the balance sheet as at 30th June 2002 of the Company, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 5 to 13 of this report.

Business review and prospects

In the brief period since listing on 8th April, 2002, the fund has gained 4.2%¹. It is too early to comment on this result, achieved in less than three months, since the aim is to achieve good long-term performance, rather than short-term gain. At the end of June, the fund remained about 15% in cash and a bond investment.

Research and investment in small companies, outside the mainstream of fund-management activities, has always been one of our specialities. For this new fund, we have already put money in a variety of small enterprises, many of them listed in Hong Kong, that represent a play on China's growth. Some of these companies are in manufacturing, with China factories making goods for export. Others are related to China's domestic consumer market, in automobiles, for example. To us, it is clear that participating in these dynamic, privately-owned businesses is a smarter play on China, as compared with the conventional approach of investing in the large Chinese state-owned enterprises.

We believe we have acquired shares very cheaply, typically with high dividends and healthy growth prospects. Because these are small stocks, liquidity is thin, and research from brokers scanty. This is actually beneficial to a specialist, long-term investor like us. We have our own, original research, which makes us a better educated investor than others. Poor liquidity can result in sellers offering distressed prices, providing opportunities.

The fund is allowed to put up to 30% of its net assets in private-equity investments. So far, no private-equity investment has been made, despite much effort in investigating various offers. We will continue to act with caution.

Liquidity and financial resources

As at 30th June 2002, the Company had bank balances of HK\$29,495,658 and had no borrowing. The Board of Directors believes that the Company has sufficient financial resources to satisfy its commitments and working capital requirements.

1 Calculated based on the Company's NAV as at 28th June 2002, last valuation day in June, and the NAV as at 8th April 2002, the day the Company was listed on The Stock Exchange of Hong Kong Limited. In determining the NAVs, the investments are valued using their closing prices.

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Capital structure of the Company

Details of movements in the share capital of the Company during the period are set out in note 6 of the condensed financial statements.

Purchase, sales or redemption of shares

Up to the date of this report, the Company has not purchased, sold or redeemed any of its own shares.

Dividend

The Board of Directors does not recommend the payment of interim dividend for the period from 16th January 2002 (date of incorporation) to 30th June 2002.

Directors' interest

As at 30th June 2002, the interests of the directors in the shares of the Company as recorded in the register maintained by the Company under Section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance or as notified to the Company were as follows:

	Number of shares
Mr. Cheah Cheng Hye	200,000 <i>(Note 1)</i>

Note 1: These shares are registered in the name of Value Partners Limited, the Manager of the Company. Value Partners Ltd. is 33.2% beneficially owned by Mr. Cheah Cheng Hye. Mr. Cheah Cheng Hye is therefore deemed to be interested in these shares by virtue of the Hong Kong Securities (Disclosure of Interests) Ordinance.

Save as disclosed in respect of the shares held by the above director, none of the other directors or their respective associated corporations had any interests in the equity or debt securities of the Company. None of the directors, their spouses or children under the age of 18 have been granted, or have exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company.

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Substantial shareholders

The register of substantial shareholders maintained under Section 16(1) of the Hong Kong Securities (Disclosure of Interests) Ordinance shows that as at 30th June 2002, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors.

Name of shareholder	Number of shares
Stichting Shell Pension Funds	4,000,000

Compliance with the Code of Best Practice of the Listing Rules

None of the directors of the Company is aware of any information which would indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules of The Stock Exchange of Hong Kong Limited at any time during the period from 16th January 2002 (date of incorporation) to 30th June 2002.

Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters including a review of the unaudited condensed financial statements for the period from 16th January 2002 (date of incorporation) to 30th June 2002.

By order of the Board
Cheah Cheng Hye
Chairman

26 August, 2002