

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2002

1. BASIS OF PREPARATION AND PRINCIPAL 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 ("HKSA").

The interim financial statements have been prepared under the historical cost convention, modified to include the valuation of investments.

The accounting policies adopted for the preparation of the interim financial statements are consistent with those followed in the Company's published annual financial statements for the year ended 31 December 2001 except that the Company has adopted the following revised SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised) : Presentation of financial statements
SSAP 15 (revised) : Cash flow statements

The adoption of these revised SSAPs has no material impact on the Company's interim financial statements.

2. INVESTMENT INCOME

	Six months ended 30 June	
	2002 US\$	2001 US\$
Dividend Income		
– Listed securities	136,187	515,405
– Unlisted investments	833,682	6,701,601
Interest income	152,114	99,626
	<u>1,121,983</u>	<u>7,316,632</u>

Save as disclosed above, no other segment information was presented as the Company has only one business activity and operates in one geographical location.

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.

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 2002 (2001: nil).

During the period, the Company has paid out the following dividends:

	2002 US\$	2001 US\$
2001 final dividend @US\$0.40 per share (2000 final dividend: US\$0.30 per share)	3,562,000	2,671,500
2001 special final dividend @US\$0.60 per share (2000 special final dividend: nil) deducted from share premium account	5,343,000	—
	<u>8,905,000</u>	<u>2,671,500</u>

5. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the net earnings for the six months ended of US\$483,695 (2001: US\$6,122,551) and on the weighted average number of 8,905,000 (2001: 8,905,000) 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 2002 of US\$51,733,429 (31 December 2001: US\$60,806,189) and on the 8,905,000 ordinary shares in issue as at both dates.

7. INVESTMENT IN LISTED SECURITIES

	30 June 2002 US\$	31 December 2001 US\$
Listed securities, at fair value:		
Shares listed on the Hong Kong stock exchange	7,186,802	6,001,409
Shares listed on the Taiwan stock exchange	629,806	548,728
	<u>7,816,608</u>	<u>6,550,137</u>

8. SHARE CAPITAL

There were no movements in the share capital of the Company either in the current or the prior interim reporting period.

9. RESERVES

	Share premium US\$	Capital reserve US\$	Accumulated profits US\$	Total US\$
At 1 January 2002	63,715,935	(11,162,518)	7,362,272	59,915,689
Net unrealized losses on revaluation of investments in listed securities	—	(651,455)	—	(651,455)
Net profit for the period	—	—	483,695	483,695
Transfers to capital reserve:				
– Gain on disposal of investments in securities	—	280,153	(280,153)	—
– Impairment loss recognized in respect of an unlisted investment	—	(135,455)	135,455	—
Dividend paid	(5,343,000)	—	(3,562,000)	(8,905,000)
At 30 June 2002	<u>58,372,935</u>	<u>(11,669,275)</u>	<u>4,139,269</u>	<u>50,842,929</u>

10. CAPITAL COMMITMENT

At 30 June 2002, the Company had the following commitments:

	30 June 2002 US\$	31 December 2001 US\$
Commitments in respect of investment in unlisted investments:		
– contracted for but not provided in the financial statements	—	1,500,000
– authorised but not contracted for	500,000	—
	<u>500,000</u>	<u>1,500,000</u>

11. RELATED PARTY TRANSACTIONS

During the period, the Company paid to the Investment Manager a management fee of US\$605,735 (2001: US\$615,562). Certain unlisted investments held by the Company are jointly invested with Ruentex companies and Bank SinoPac Limited.

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 entered into a Subordination Agreement in favour of a bank in respect of a term loan facility 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. At 30 June 2002, 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.