

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2001

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants, except that, in this first year of implementation of the Standard, as permitted by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, no comparative amounts have been presented for the condensed cash flow statement.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Company's and its subsidiaries' (the Group's) annual financial statements for the year ended 31 December 2000, except as described below.

In the current period, the Group has adopted, for the first time, SSAP No. 9 (Revised) issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following revised accounting policy:—

Dividends proposed or declared after the balance sheet date

In accordance with SSAP No. 9 (Revised) "Events after the Balance Sheet Date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity on the face of the balance sheet or in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment (see note 9).

3. TURNOVER

Turnover represents the amounts received and receivable on investments for the six months ended 30 June 2001, were as follows:

	Six months ended 30 June	
	2001 US\$	2000 US\$
Interest income	1,087,121	942,146
Income from contractual joint ventures	750,000	737,484
Dividend income from unlisted investments in securities	938,367	2,107,368
Dividend income from listed investments in securities	105,664	56,035
	2,881,152	3,843,033

4. SEGMENTAL INFORMATION

The Group's turnover and contribution to operating profit for the six months ended 30 June 2001, analysed by principal activity and geographical markets, were as follows:

	Six months ended 30 June			
	2001		2000	
	Turnover US\$	Contribution to profit from operations US\$	Turnover US\$	Contribution to profit from operations US\$
Deposits and short-term notes	1,087,121	1,087,121	942,146	942,146
Contractual joint ventures	750,000	750,000	737,484	737,484
Unlisted investments in securities	938,367	938,367	2,107,368	2,107,368
Listed investments in securities	105,664	832,894	56,035	(410,219)
	2,881,152	3,608,382	3,843,033	3,376,779
Other revenue		4,392		15
Administrative expenses		(1,257,040)		(1,211,633)
Profit from operations		2,355,734		2,165,161

4. SEGMENTAL INFORMATION (continued)

	Six months ended 30 June			
	2001		2000	
	Turnover US\$	Contribution to profit from operations US\$	Turnover US\$	Contribution to profit from operations US\$
By geographical market:				
Hong Kong	511,633	1,244,463	407,266	(557,337)
Other regions in the People's Republic of China ("PRC")	2,236,593	2,236,593	3,435,767	3,934,116
Other	132,926	127,326	–	–
	<u>2,881,152</u>	<u>3,608,382</u>	<u>3,843,033</u>	<u>3,376,779</u>
Other revenue		4,392		15
Administrative expenses		(1,257,040)		(1,211,633)
Profit from operations		<u>2,355,734</u>		<u>2,165,161</u>

5. TAXATION

	Six months ended 30 June	
	2001	2000
	US\$	US\$
The profits tax for the period comprises:		
Company and its subsidiaries:		
Hong Kong	–	(889)
Other regions in the PRC	10,178	4,273
	<u>10,178</u>	<u>3,384</u>
Share of taxation on results of associates:		
Other regions in the PRC	65,469	58,817
	<u>75,647</u>	<u>62,201</u>

5. TAXATION (continued)

No Hong Kong profits tax has been provided in the financial statements as there are no significant assessable profits for the period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

No provision for deferred taxation has been recognised in the financial statements as the amount involved is insignificant.

6. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	Six months ended 30 June	
	2001	2000
Earnings for the purpose of basic earnings per share (US\$)	<u>2,822,611</u>	<u>2,090,289</u>
Number of ordinary shares for the purpose of basic earnings per share	<u>137,145,600</u>	<u>137,145,600</u>

7. ACCOUNTS AND OTHER RECEIVABLES

	30 June 2001 US\$	31 December 2000 US\$
The aging of accounts receivable is analysed as follows:		
Amount accrued but not yet due	807,292	1,146,616
0 – 6 months	766,225	19,380
6 – 12 months	20,285	241,616
Total accounts receivable	<u>1,593,802</u>	<u>1,407,612</u>
Interest receivable	257,330	381,931
Deposits and prepayments	14,927	29,849
	<u>1,866,059</u>	<u>1,819,392</u>

8. SHARE CAPITAL

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

9. RETAINED PROFITS AND DIVIDEND RESERVE

	30 June 2001 US\$	31 December 2000 US\$
At beginning of period/year as previously reported	25,751,318	23,881,484
Effect of adopting SSAP No. 9 (Revised)	1,097,165	1,097,165
At beginning of period/year as restated	26,848,483	24,978,649
Final dividend for the previous year declared/paid	(1,097,165)	(1,097,165)
Profit for the period/year	2,822,611	3,652,727
Interim dividend paid	–	(685,728)
At end of period/year	28,573,929	26,848,483
Analysed by:		
Retained profits	27,888,201	25,751,318
Dividend reserve	685,728	1,097,165
	28,573,929	26,848,483

10. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the following data:

	30 June 2001	31 December 2000
Net asset value (US\$)	<u>123,944,663</u>	<u>122,219,217</u>
Number of ordinary shares outstanding	<u>137,145,600</u>	<u>137,145,600</u>

11. LEASE COMMITMENTS

At 30 June 2001, the Group and the Company had no commitment under non-cancellable operating leases (31 December 2000: Nil).

12. COMMITMENTS

At 30 June 2001, the Group had the following commitments:

	30 June 2001 US\$	31 December 2000 US\$
Commitments in respect of investment in unlisted securities:		
– contracted for but not provided in the financial statements	723,000	–
– authorised but not contracted for	<u>8,237,000</u>	<u>–</u>
	<u>8,960,000</u>	<u>–</u>