Pacific Alliance China Land Limited

(Incorporated in the Cayman Islands with limited liability)

Unaudited Consolidated Interim Financial Statements

For the period ended June 30, 2018

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Contents
for the Period Ended June 30, 2018

Chairperson's Statement

As of June 30, 2018, the net asset value (NAV) of Pacific Alliance China Land Limited (the "Company" or "PACL") was US$65.7 million, or US$2.7985 per share, representing a 2.9% decrease from December 31, 2017.

China's GDP grew at 6.8% year-on-year in the first half of 2018, which was higher than the Government's target of 6.5%. This was largely due to continued state investment in infrastructure on the back of regional development projects including the Belt and Road Initiative. The service sector, which accounts for 54.3% of China's overall economy, expanded 7.6% year-on-year in the first half, outpacing increases in primary and secondary industries. As a result, the government is likely to maintain a stable monetary policy and support reasonable fiscal expansion that should allow China to continue to achieve a moderate and sustainable level of growth.

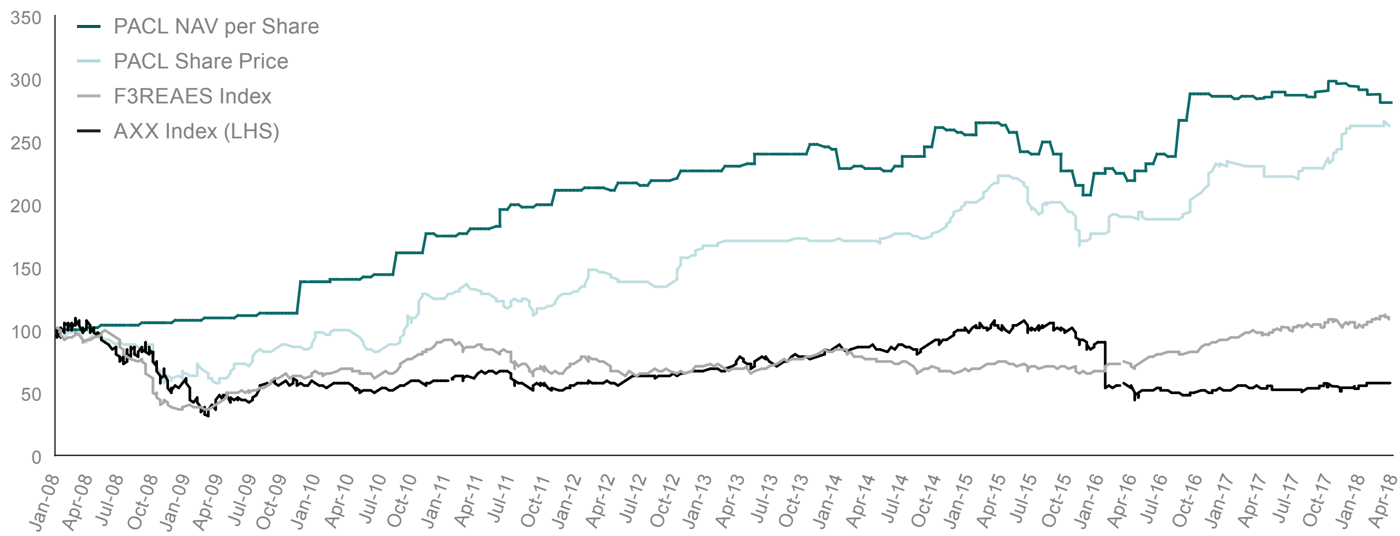
Most tier-one and tier-two cities saw moderate growth in terms of both price and transaction volumes, given the Chinese government's stricter property tightening measures. New-home prices increased in 41 of the 70 cities tracked by the government during May, compared with 40 in April. New home prices increased 0.2% in Shanghai during May, while new home prices in Beijing and Shenzhen declined 0.2% and 0.6% month-on-month, respectively. Investment in real estate development gained 8.5% in the first six months of 2018. The Manager expects that the central government will continue to adopt differentiated housing policies for different cities. The government will continue to tighten controls in tier-one and tier-two cities where housing inventories are low, and continue to loosen controls in lower-tier cities in order to boost demand and help facilitate a reduction of inventories in those oversupplied markets.

As all of the Company's investments have been exited we will continue to focus all our efforts on the timely repatriation of RMB and the distribution of repatriated proceeds to shareholders. On behalf of the Board of Directors, I would like to thank you for your continued commitment and support.

Margaret Brooke
Chairperson

Investment Manager's Report

On June 30, 2018, the Company's share price closed at US$2.61, representing a 10.5% increase from December 31, 2017 and a 7.2% discount to the unaudited NAV per share. The Company's NAV and share price have both outperformed major benchmark indices including the FTSE 350 Real Estate Index (F3REAES) and the FTSE AIM All-Share Index (AXX) on a consistent basis since inception.



Investment Manager's Report
(continued)

Portfolio Summary

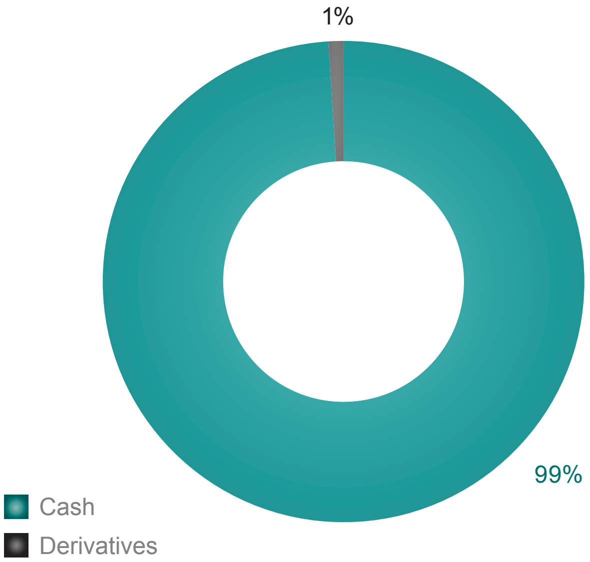
As at June 30, 2018, the Company held cash of US$68.7 million (of which US$63.5 million was held onshore in RMB, pending repatriation), as well as investments with a cost of approximately US$1.8 million and a fair value of US$0.2 million.

Investments and Cash	Fair value (gross) US$	Type	% of Total
FX Hedging	189,032	Derivatives	1.00%
Cash	68,722,753	Cash[2]	99.00%
Total[1]	**68,911,785**		**100.00%**

(1) The gross investment value includes an amount attributable to the PACL II shareholders.

(2) Of the total cash of US$68.7 million, US$63.5 million was held as RMB in PRC banks.

Breakdown of unlisted investments by strategy, listed investments and cash



Distribution

The timeline below is the Manager's best estimate of amounts and timing regarding future distributions to shareholders. The repatriation process involves many steps and requires numerous approvals. As always, the Manager will work to speed up the process where possible.

Investment Manager's Report
(continued)

Project	Source	Estimated distribution amount	Estimated distribution timing
Auspice*	Net profit from the sale of Wanda shares	US$78 million	June 2018 (completed)
Auspice**	The original invested capital for Auspice and other on-shore projects	US$64.6 million***	December 2018
Estimated Total		**US$142.6 million**	

* Project Auspice proceeds (net profit portion) were successfully repatriated in early June and a further distribution was completed on June 22, 2018.

** Currently the RMB cash assets are held by a Tianjin Wholly Foreign Owned Enterprise (WFOE), a statutory tax and liquidation audit is required as part of the liquidation process. The manager is currently working on speeding up the liquidation process of the WOFE.

*** The distribution is calculated based on the current NAV and estimated future operating expenses to be incurred, FX rate of 6.621 as of June 29, 2018 was adopted for the calculation. NAV of US$65.7m- operating expenses of US$1.1m.

Conclusion

In the second half of 2018, we expect China's economy and property market to further stabilize. The Manager will continue to focus on the timely repatriation of RMB and distribution of repatriation proceeds to shareholders.

Investment Manager's Report
(continued)

	June 30, 2018 US$	December 31, 2017 US$
Realized Gain		
Investment income	(2,081,274)	(1,284,378)
Dividend income	-	-
Deposit interest	1,443,228	1,960,007
	(638,046)	**675,629**
Change in Unrealized Gains/(Losses)		
Derivatives	(92,439)	(5,419,594)
Other real estate investments	-	(1,513,834)
Listed stock	-	-
Share of (gains payable to)/losses receivable from PACL II	(274,286)	295,415
Foreign exchange	479,111	11,690,979
	112,386	**5,052,966**
	(525,660)	**5,728,595**

Unaudited Consolidated Statement of Assets and Liabilities

as at June 30, 2018

	Note	As at June 30, 2018 US$	As at December 31, 2017 US$
Assets			
Derivative contracts, at fair value (Cost: US$1,761,200; 2017: US$3,468,680)	5	189,032	281,471
Prepayment and other receivables	6	517,085	1,165,130
Cash and bank balances		68,722,753	176,563,063
Total assets		**69,428,870**	**178,009,664**
Liabilities			
Provision for taxation	8	2,577,763	9,986,124
Amounts due to PACL II Limited	12(a)	216,626	1,142,339
Performance fee payable	10	133,162	133,162
Provision for investment agency fees	11	-	1,415,585
Accrued expenses and other payables		775,404	54,171
Total liabilities		**3,702,955**	**12,731,381**
Net assets		**65,725,915**	**165,278,283**
Analysis of net assets			
Share capital	7	234,865	573,564
Retained earnings		65,491,050	164,704,719
Net assets (equivalent to US$2.7985 per share based on 23,486,409 outstanding shares; 2017: US$2.8816 per share based on 57,356,356 outstanding shares)		**65,725,915**	**165,278,283**

Approved by the Board of Directors

The accompanying notes on pages 11 to 26 are an integral part of these consolidated financial statements.

Unaudited Consolidated Condensed Schedule of Investments

as at June 30, 2018

	As at June 30, 2018				As at December 31, 2017			
Investments – Assets	**% of net assets**	**% of effective equity interest held**	**Cost/ principal US$**	**Fair value US$**	**% of net assets**	**% of effective equity interest held**	**Cost/ principal US$**	**Fair value US$**
Derivatives	**0.29%**				**0.17%**			
Others[1]	0.29%		1,761,200	189,032	0.17%		3,468,680	281,471
			1,761,200	**189,032**			**3,468,680**	**281,471**

The accompanying notes on pages 11 to 26 are an integral part of these consolidated financial statements.

Unaudited Consolidated Statement of Operations

for the Period Ended June 30, 2018

	Note	Period from January 1, to June 30, 2018 US$	Period from January 1, to June 30, 2017 US$
Income			
Interest income		1,443,228	979,993
Total income		**1,443,228**	**979,993**
Expenses			
Management fees	10	(1,569,260)	(1,877,219)
Legal and professional fees		(178,577)	-
Other expenses		(278,875)	(658,741)
Total expenses		**(2,026,712)**	**(2,535,960)**
Net investment losses		**(583,484)**	**(1,555,967)**
Realized and unrealized gains/(losses) from investments and foreign currency			
Net realized gains from investments and foreign currency transactions		-	241,486
Tax expense	9	(2,081,274)	(203,680)
Net change in unrealized losses from investments and losses on translation of assets and liabilities in foreign currencies	4	386,672	(857,381)
Net increase/(decrease) in payable to PACL II Limited from losses/(gains) attributable to PACL II Limited	12(a)	(274,289)	112,734
Net realized and unrealized losses from investments and foreign currency		**(1,968,891)**	**(706,841)**
Net decrease in net assets from operations		**(2,552,375)**	**(2,262,808)**

The accompanying notes on pages 11 to 26 are an integral part of these consolidated financial statements.

Unaudited Consolidated Statement of Changes in Net Assets

for the Period Ended June 30, 2017

	Note	Share capital and share premium US$	Capital surplus US$	Retained earnings US$	Total US$
At January 1, 2017		615,967	-	176,129,666	176,745,633
Repurchase of tendered shares	7	(42,403)	-	(11,957,595)	(11,999,998)
Net increase in net assets from operations		-	-	532,648	532,648
At December 31, 2017 and January 1, 2018		573,564	-	164,704,719	165,278,283
Repurchase of tendered shares	7	(338,699)		(96,661,294)	(96,999,993)
Net decrease in net assets from operations		-	-	(2,552,375)	(2,552,375)
At June 30, 2018		**234,865**	**-**	**65,491,050**	**65,725,915**

The accompanying notes on pages 11 to 26 are an integral part of these consolidated financial statements.

Unaudited Consolidated Statement of Cash Flows

for the Period Ended June 30, 2017

	Note	Period from January 1, to June 30, 2018 US$	Period from January 1, to December 31, 2017 US$
Net (decrease)/increase in net assets from operations		(2,552,375)	532,648
Adjustments to reconcile net (decrease)/increase in net assets from operations to net cash generated from operating activities			
Purchase of investments		-	(105,000)
Change in unrealized gain/(loss)		92,439	6,162,573
Receivable/(payable) from gain/(loss) attributable to PACL II Limited		274,286	(295,415)
Change in prepayment and other receivables		648,045	27,942,852
Change in amounts due to PACL II Limited		(1,200,000)	1,200,000
Change in performance fees payable	10	-	(478,419)
Change in provision for taxation		(7,408,361)	(10,258,568)
Change in accrued expenses and other payables		(694,351)	(794,825)
Net cash generated from operating activities		**(10,840,317)**	**23,905,846**
Cash flows from financing activities			
Repurchase of shares	7	(96,999,993)	(11,999,998)
Net cash used in financing activities		**(96,999,993)**	**(11,999,998)**
Net (decrease)/increase in cash and cash equivalents		**(107,940,310)**	**11,905,848**
Beginning balance		176,563,063	164,657,215
Ending balance, representing cash and bank balances		**68,722,753**	**176,563,063**

Supplementary information to statement of cash flows

Interest income received		1,443,228	1,960,007
Tax Paid		(9,148,880)	(11,625,321)

The accompanying notes on pages 11 to 26 are an integral part of these consolidated financial statements.

Notes to the Unaudited Consolidated Financial Statements
for the Period Ended June 30, 2018

1. Organization

Pacific Alliance China Land Limited (the "Company") was incorporated on September 5, 2007 in the Cayman Islands. It is a closed-end Cayman Islands registered, exempted company. The address of its registered office is PO Box 472, 2nd Floor, Harbour Place, Grand Cayman KY1-1106, Cayman Islands.

The Company's ordinary shares are traded on the AIM market of the London Stock Exchange. The Company can raise additional capital up to the authorized share capital as described in Note 7.

The principal investment objective of the Company and its subsidiaries (collectively, the "Company") is to provide shareholders with capital growth and a regular level of income from investments in existing properties, new developments, distressed projects and real estate companies in Greater China.

The Company's investment activities are managed by Pacific Alliance Real Estate Limited ("PARE" or the "Investment Manager"). The Company appointed Sanne Fiduciary Services Limited to act as the custodian of certain assets of the Company, and as the administrator and registrar pursuant to the Administration Custodian and Registrar Agreement.

On July 25, 2014, the Company's investment policy was changed to (a) restrict new investments solely to supporting existing investments, (b) allow the use of renminbi cash assets (which are subject to exchange controls) for low risk short-term investments, and (c) focus future investment management efforts on the realization of the portfolio and the return of net realization proceeds to shareholders.

As of June 30, 2018, all investments under management were realized and all the sale proceeds had been received by underlying special purpose vehicles. For project Auspice, the profit and invested capital is expected to be repatriated by the end of 2018. The Company will not be liquidated until the repatriation process is fully completed.

The unaudited consolidated financial statements were approved by the Board of Directors on September 25, 2018.

2. Summary of significant accounting policies

The following significant accounting policies are in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). The Company applies the provisions of Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") 946-10, Financial Services - Investment Companies (the "Guide"). The Company is an investment company under the Guide. Such policies are consistently followed by the Company in the preparation of its consolidated financial statements.

(a) Principles of consolidation

These consolidated financial statements include the financial statements of the Company. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and deconsolidated from the date that control ceases. Inter-company transactions between group companies are eliminated upon consolidation.

The Company uses wholly and partially owned special purpose vehicles ("SPVs") to hold and transact in certain investments. The Company's policy is to consolidate, as appropriate, those SPVs in which the Company has control over significant operating, financial or investing decisions of the entity.

Notes to the Unaudited Consolidated Financial Statements
for the Period Ended June 30, 2018 (continued)

2. Summary of significant accounting policies (continued)

(a) Principles of consolidation (continued)

Except when an operating company provides services to the Company, investment in an operating company is carried at fair value (refer to Note 2(c) below for fair value measurement).

(b) Use of estimates

The preparation of consolidated financial statements in conformity with US GAAP requires the Company's management to make estimates and assumptions that affect the reported value of assets and liabilities and disclosures of contingent assets and liabilities as at June 30, 2017 and the reported amounts of income and expenses for the period then ended. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(k).

(c) Investments

The Company may hold both listed securities and unlisted securities, which by nature have limited marketability. The Company also engaged in secured lending transactions.

(i) Recognition and derecognition

Regular purchase and sale of investments are accounted for on the trade date, the date the trade is executed. Costs used in determining realized gains and losses on the disposal of investments are based on the specific identification method for unlisted or unquoted investments. Cost includes legal and due diligence fees associated with the acquisition of investments.

Transfer of investments is accounted for as a sale when the Company has relinquished control over the transferred assets. Any realized gains and losses from investments are recognized in the consolidated statement of operations.

(ii) Fair value measurement

The Company is an investment company under the Guide. As a result, the Company records and re-measures its investments on the consolidated statement of assets and liabilities at fair value, with unrealized gains and losses resulting from changes in fair value recognized in the consolidated statement of operations.

Fair value is the amount that would be received to dispose of the investments in an orderly transaction between market participants at the measurement date, i.e. the exit price. Fair value of investments is determined by the Valuation Committee of the Company, which is established by the Investment Manager and the Board of Directors.

Investments in securities traded on a recognized exchange are valued at the traded price on the exchange in which such security was traded on the last business day of the period.

The fair values of unlisted or unquoted securities are based on the Company's valuation models, including earnings multiples (based on the budgeted earnings or historical earnings of the issuer and earnings multiples of comparable listed companies) and discounted cash flows. The Valuation Committee also considers the relevant developments since acquisition of the investments, the original transaction price, recent transactions in the same or similar instruments, completed third-party transactions in comparable

Notes to the Unaudited Consolidated Financial Statements

for the Period Ended June 30, 2018 (continued)

2. Summary of significant accounting policies (continued)

(c) Investments (continued)

(ii) Fair value measurement (continued)

instruments, reliable indicative offers from potential buyers and rights in connection with realization. Judgement is used to adjust valuation as necessary for factors such as non-maintainable earnings, tax risk, growth stage, and cash traps. Cross-checks of primary techniques are made against other secondary valuation techniques.

The Company's secured loan transactions are recorded at fair value, which is determined based on discounted cash flow analyses. Those analyses consider the position size, liquidity, current financial condition of the borrowers, the third-party financing environment, reinvestment rates, recovery lags, discount rates, and default forecasts.

In determining fair valuation of certain unlisted securities, the Valuation Committee uses as reference valuations made by independent valuers which rely on the financial data of investees and on estimates made by the management of the investee companies as to the effect of future developments. The independent valuers also assist in the selection of valuation techniques and models. Loans receivable are recorded at fair value in accordance with the guidance set forth in Note 4, and the valuation techniques applied usually take into account the estimated future cash flows, liquidity, credit, market and interest rate factors. However, there are inherent limitations in any valuation technique due to the lack of observable inputs.

Currency options are valued by the Investment Manager using observable inputs, such as quotations received from the counterparty, dealers or brokers, whenever available and considered reliable.

Estimated fair value may differ significantly from the value that would have been used had a readily available market for such investments existed and these differences could be material to the financial statements. Additional information about the level of market observability associated with investments carried at fair value is disclosed in Note 4.

(d) Other receivables and payables

Other receivables and payables are initially measured at fair value and subsequently measured at amortized cost.

(e) Cash and cash equivalents

Cash represents cash at banks and does not include restricted cash such as fixed deposits pledged as security for bank loans. Cash equivalents are defined as short-term, highly liquid investments which mature within three months or less of the date of purchase.

(f) Share capital

Ordinary shares are classified as equity. Where the Company purchases the Company's equity share capital, the consideration paid is deducted from equity until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received is included in equity.

Notes to the Unaudited Consolidated Financial Statements

for the Period Ended June 30, 2018 (continued)

2. Summary of significant accounting policies (continued)

(g) Foreign currency translation

The books and records of the Company are maintained in United States Dollars ("US$"), which is also the functional currency. Assets and liabilities, both monetary and non-monetary, denominated in foreign currencies are translated into US$ by using prevailing exchange rates as at financial reporting date, while income and expenses are translated at the exchange rates in effect during the period.

Gains and losses attributed to changes in the value of foreign currencies for investments, cash balances and other assets and liabilities are reported as foreign exchange gain and loss in the consolidated statement of operations.

(h) Taxation

The Company may be subject to taxes imposed in jurisdictions in which it invests and operates. Such taxes are generally based on income and gains earned. Taxes are accrued on investment income, realized gains, and unrealized gains, as appropriate, when the income and gains are earned. The Company accrues for liabilities relating to uncertain tax positions only when such liabilities are probable and can be reasonably estimated in accordance with the authoritative guidance contained in ASC 740 Income Taxes described in Note 8.

The Company files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. The Company uses the asset and liability method to provide income taxes on all transactions recorded in the consolidated financial statements. This method requires that income taxes reflect the expected future tax consequences of temporary differences between carrying amounts of assets or liabilities for book and tax purposes. Accordingly, a deferred tax asset or liability for each temporary difference is determined based on the tax rates that the Company expects to be in effect when the underlying items of income and expense are realized.

(i) Recognition of income and expenses

Interest income on bank balances is accrued as earned using the effective interest method.

Dividend income is recognized on the ex-dividend date and is recorded net of withholding taxes where applicable.

Expenses are recorded on an accrual basis. Provision of deferred expenses is made as if the investments are liquidated and realized at value stated as at the year-end.

(j) Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Fair value of investments

The fair value of unlisted or unquoted securities and loans receivable is determined by using valuation techniques. Judgement is used to select a variety of methods and make assumptions that

Notes to the Unaudited Consolidated Financial Statements
for the Period Ended June 30, 2018 (continued)

2. Summary of significant accounting policies (continued)

(j) Critical accounting estimates and assumptions (continued)

(i) Fair value of investments (continued)

are mainly based on market conditions existing at the end of each reporting period.

Although best judgment is used in estimating fair value, there are inherent limitations in any valuation technique. Estimated fair value may differ significantly from the value that would have been used had a readily available market for such investments existed and these differences could be material to the consolidated statement of assets, liabilities and partners' capital. Additional information about the level of market observability associated with investments carried at fair value is disclosed in Note 4 below.

(ii) Taxation

The Company may be subject to income taxes in jurisdictions it invests and operates. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

3. Concentration of risks

(a) Market risk

Market risk represents the potential loss in value of financial instruments caused by movements in market variables, such as equity prices.

Investments were made with a focus on Greater China. Political or economic conditions and the possible imposition of adverse laws or currency exchange restrictions in that region could cause the Company's investments and the respective markets to become less liquid and also the prices to become more volatile.

The Company's investments had concentration in a particular industry or sector and performance of that particular industry or sector had a significant impact on the Company.

The Company's concentration of investments in a particular industry or sector is presented on the consolidated condensed schedule of investments.

The Company's investments were subject to the risk associated with investing in private equity securities. Investments in private equity securities were illiquid and subject to various restrictions on resale and there can be no assurance that the Company will be able to realize the value of such investments in a timely manner.

(b) Interest rate risk

Interest rate risk arises from the fluctuations in the prevailing levels of market interest rates which affect the fair value of financial assets and liabilities and future cash flows. The Company has bank

Notes to the Unaudited Consolidated Financial Statements
for the Period Ended June 30, 2018 (continued)

3. Concentration of risks (continued)

(b) Interest rate risk (continued)

deposits, restricted cash, loans receivable and bank loans that expose the Company to interest rate risk. The Company has direct exposure to interest rate changes in respect of the valuation and cash flows of its interest bearing assets and liabilities.

(c) Currency risk

The Company has assets and liabilities denominated in currencies other than the US$, the functional currency. The Company is therefore exposed to currency risk as the value of assets and liabilities denominated in other currencies may fluctuate due to changes in exchange rates. The net assets of the Company before the impact of currency hedging are denominated in the following currencies:

	As at June 30, 2018 US$	As at December 31, 2017 US$
Renminbi	157,400,664	158,456,062
Pounds Sterling	(1,234,793)	(1,234,793)
Singapore Dollars	71	72
Hong Kong Dollars	(96,686)	(96,686)

The Investment Manager manages the Company's currency exposure through use of currency options. Refer to Note 5.

(d) Credit risk

The Company is exposed to credit risk, which is the risk that a counterparty to or an issuer of a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As at June 30, 2018 the main concentrations of credit risk to which the Company is exposed arise from derivative contracts, prepayments and other receivables, and cash and bank balances.

Whilst the loans receivable are structured to provide the Company with adequate collateral in the event of default, enforcement may be subject to the legal system of the countries where the relevant agreements are entered. Even when a contract is enforced, the collateral may not be sufficient to fully compensate the Company for default losses. In an attempt to mitigate the losses, the Company, where possible, obtains independent valuations of the collateral on a regular basis and monitors the fair value of collateral relative to the loan amounts plus accrued interest; and where necessary, requires additional cash or collateral from the borrower to manage its exposure.

However, these valuations do not guarantee the ultimate realizable value of the collateral.

The legal system of the countries in which the Company invests vary widely in their development, degree of sophistication, attitude and policies towards bankruptcy, insolvency, liquidation, receivership, default and treatment of creditors and debtors. Furthermore, the effectiveness of the judicial system of the countries in which the Company invests varies,

Notes to the Unaudited Consolidated Financial Statements
for the Period Ended June 30, 2018 (continued)

3. Concentration of risks (continued)

(d) Credit risk (continued)

thus the Company (or any entity in which the Company holds a direct or secondary interest) may have difficulty in successfully pursuing claims in the courts of such countries. To the extent that the Company or an entity in which the Company holds a direct or secondary interest has obtained a judgement but is required to seek its enforcement in the courts of the countries in which the Company invests, there can be no assurance that the court will enforce such judgement.

As at June 30, 2018, the Company has cash and bank balances amounting to US$68,722,753 (2017: US$176,563,063) held in multiple different bank accounts with a number of different financial institutions. The Company attempts to minimize its credit risk exposure on its cash and bank balances by monitoring the size of its credit exposure to any one counterparty and by only entering into banking relationships with reputable financial institutions.

(e) Liquidity risk

The Company was exposed to liquidity risk as the majority of the investments of the Company were illiquid while some of the Company's liabilities were with short maturity as of June 30, 2018. Illiquid investments included any securities or instruments which are not actively traded on any major securities market or for which no established secondary market exists where the investments can be readily converted into cash. As at June 30, 2018, all investments were fully realized and currently assets are held in cash or disposal receivables as of June 30, 2018. Most of the disposal receivables are expected to be received by fourth quarter of 2018. Management considered that there was no such liquidity risk exposed by the Company as of June 30, 2018.

China currently has foreign exchange restrictions, especially in relation to the repatriation of foreign funds. Any unexpected foreign exchange control in China may cause difficulties in the repatriation of funds. The Company invests in China and is therefore exposed to the risk of repatriating funds out of China on a timely basis to meet its obligations. Please refer to Note 3(c) above for the Company's exposure to renminbi. The Company is closed-end and, thus, not exposed to redemptions of shares by its shareholders.

4. Investments

The Company discloses the fair value of its investment in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (Level 3 measurements). Three levels of the fair value hierarchy are as follows:

Level 1
Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2
Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not considered to be active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Notes to the Unaudited Consolidated Financial Statements
for the Period Ended June 30, 2018 (continued)

4. Investments (continued)

Level 3
Unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including the Company's own assumptions used in determining the fair value of investments).

Inputs to measure fair values broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. An asset or a liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment. The Valuation Committee considers observable data to be such market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an asset or a liability within the hierarchy is based upon the pricing transparency of the asset or liability and does not necessarily correspond to the Valuation Committee's perceived risk of that asset or liability.

In determining an instrument's placement within the hierarchy, the Valuation Committee follows the following:

Level 1
Investments in listed stocks and derivatives that are valued using quoted prices in active markets and are therefore classified within Level 1 of the fair value hierarchy.

Level 2
Investments in illiquid listed stocks are valued using the last traded prices of the listed stocks after factoring in discounts for liquidity. Such investments are generally classified within Level 2 of the fair value hierarchy.

Level 3
Assets are classified within Level 3 of the fair value hierarchy if they are traded infrequently and therefore have little or no price transparency. Such assets include investments in unlisted stocks, bonds, derivatives and loans receivable. Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. When observable prices are not available for these securities, the Valuation Committee uses one or more valuation techniques (e.g., the market approach or the income approach) for which sufficient and reliable data is available. Within Level 3, the use of the market approach generally consists of using comparable market transactions, while the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

The inputs used by the Valuation Committee in estimating the value of Level 3 investments include the original transaction price, recent transactions in the same or similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows. Valuation of Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability with the amount of such discount estimated by the Valuation Committee in the absence of market information.

Notes to the Unaudited Consolidated Financial Statements
for the Period Ended June 30, 2018 (continued)

4. Investments (continued)

The following table summarizes the fair value of all instruments within the fair value hierarchy:

	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
As at June 30, 2018				
Investments – derivatives	-	189,032	-	189,032
	-	**189,032**	**-**	**189,032**
As at December 31, 2017				
Investments – derivatives	-	281,471	-	281,471
	-	**281,471**	**-**	**281,471**

As at June 30, 2018, derivatives of US$189,032 (December 31, 2017: US$281,471) were held directly by the Company.

All Level 3 investments held had been disposed as at December 31, 2017, therefore there was no valuation review of Level 3 investments as at June 30, 2018.

Notes to the Unaudited Consolidated Financial Statements
for the Period Ended June 30, 2018 (continued)

5. Derivative instruments

The Company transacts in derivative instruments including options with each instrument's primary risk exposure being equity, credit and foreign exchange. The Company enters into currency options to hedge itself against foreign currency exchange rate risk for its foreign currency denominated assets and liabilities due to adverse foreign currency fluctuations against the US dollar.

The fair value of these derivative instruments is included within the consolidated statement of assets and liabilities with changes in fair value reflected as net realized gains/(losses) from investments or net change in unrealized gains/(losses) from investments within the consolidated statement of operations. The Company does not designate derivatives as hedging instruments under FASB ASC 815. The Partnership held Level 2 derivative contracts as follows:

	Fair value		Contractual/notional amounts	
	Assets US$	**Liabilities US$**	**Assets US$**	**Liabilities US$**
As at June 30, 2018				
Currency options	189,032	-	74,000,000	-
	189,032	**-**	**74,000,000**	**-**
As at December 31, 2017				
Currency options	6,339,045	-	159,000,000	-
	6,339,045	**-**	**159,000,000**	**-**

Notes to the Unaudited Consolidated Financial Statements
for the Period Ended June 30, 2018 (continued)

5. Derivative instruments (continued)

The following table indicates the gains and losses on derivatives, by contract type, as included in the consolidated statement of operations.

	Period ended June 30, 2018			
	Average notional US$	Average number of contracts US$	Change in unrealized gains/(losses) US$	Gains/ (losses) US$
Currency options	74,000,000	-	(92,439)	-
	74,000,000	**-**	**(92,439)**	**-**

	Period ended December 31, 2017			
	Average notional US$	Average number of contracts US$	Change in unrealized gains/(losses) US$	Gains/ (losses) US$
Currency options	128,000,000	-	(5,419,594)	(742,980)
	128,000,000	**-**	**(5,419,594)**	**(742,980)**

The above gains/losses on derivatives are included in realized/change in unrealized gain from investments in the consolidated statement of operations.

6. Prepayment and other receivables

	As at June 30, 2018 US$	As at December 31, 2017 US$
Interest receivable	450,000	710,605
Prepayment and other receivables	67,085	454,525
	517,085	**1,165,130**

Notes to the Unaudited Consolidated Financial Statements
for the Period Ended June 30, 2018 (continued)

7. Share capital, share premium, capital surplus and tendered shares

	Number of shares outstanding	Share capital US$	Share premium US$	Capital surplus US$	Tendered shares US$	Total US$
As at January 1, 2017	61,596,638	615,967	-	-	-	615,967
Re-purchase of tendered shares	(4,240,282)	(42,403)	-	-	-	(42,403)
As at December 31, 2017 and January 1, 2018	57,356,356	573,564	-	-	-	573,564
Re-purchase of tendered shares	(33,869,947)	(338,699)	-	-	-	(338,699)
As at June 30, 2018	**23,486,409**	**234,865**	**-**	**-**	**-**	**234,865**

As at June 30, 2018, the total number of authorized ordinary shares was 10,000,000,000 (2017: 10,000,000,000) with par value of US$0.01 (2017: US$0.01) per share. As at June 30, 2018, the Company had 23,486,409 (2017: 57,356,356) ordinary shares in issue.

8. Taxation

The Company adopted the authoritative guidance contained in FASB ASC 740 on accounting for and disclosure of uncertainty in tax positions, which required the Directors to determine whether a tax position of the Company is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements is reduced by the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant taxing authority.

The uncertain tax positions identified by the Directors mainly include:

(a) Whether any of the Company and its offshore SPVs would be deemed as a China Tax Resident Enterprise (“TRE”) under the China Corporate Income Tax (“CIT”) Law. If an offshore entity is deemed as a China TRE, its income would be subject to China CIT at 25%.

(b) Whether any of the Company and its offshore SPVs that may derive income would be deemed as having an establishment or place in China.

Notes to the Unaudited Consolidated Financial Statements
for the Period Ended June 30, 2018 (continued)

8. Taxation (continued)

If an offshore entity has an establishment or place in China, income derived by the offshore entity that is derived from China by the establishment or place or income that is effectively connected to the establishment or place would be subject to China CIT at 25%.

(c) Whether any of the Company and its offshore SPVs is subject to Hong Kong profits tax. An entity would be subject to Hong Kong profits tax if (i) the entity carries on a trade, profession or business in Hong Kong; (ii) profits are derived from that trade, profession or business carried on in Hong Kong (excluding gains of a capital nature); and (iii) the profits arise in or are derived from Hong Kong, i.e. have a Hong Kong source.

The Investment Manager has assessed that the Company and its offshore SPVs are not TREs in China and do not have any establishment or place of business in China. Gains from the disposal of investments in China by the Company or its SPVs may be subject to China withholding tax at 10% without considering the potential relief that may be available under any tax treaty between the tax jurisdiction of the transferor and China. In addition, where Chinese equity investments are held via an offshore intermediate holding company, exit of the Chinese equity investment disposal of shares in the offshore intermediate holding company could be regarded as an indirect transfer of the Chinese equity investment. According to the General Anti Avoidance Rules under the China CIT Law, if an investment holding structure and investment exit via indirect transfer do not have a reasonable commercial purpose, the Chinese tax authority is empowered to disregard such arrangement and impose withholding tax on the gains from such an indirect transfer. The directors have reviewed the structure of the investment portfolio and assessed the potential withholding tax implications and considered adequate provision to China tax has been made on the Company's financial statements.

As at June 30, 2018, the Investment Manager has analyzed the open tax years of all jurisdictions subject to tax examination and the provision deferred tax and uncertain tax amounted to US$1,834,430 (2017: US$9,242,791) and US$743,333 (2017: US$743,333) respectively. The Investment Manager has reviewed the structure of the investment portfolio and assessed the potential withholding tax implications and considered adequate provision to China tax has been made on the Company's consolidated financial statements.

The Investment Manager has reviewed the structure of the Company's investment portfolio and considered the Company's exposure to countries in which it invests to be properly reflected in the Company's consolidated financial statements.

Under current Cayman Islands legislation applicable to an exempted company, there is no income tax, capital gains or withholding tax, estate duty, or inheritance tax payable by the Company in the Cayman Islands.

9. Tax Expense

A reconciliation of tax expense is as follows:

	Period from January 1 to June 30, 2018 US$
Corporate Income Tax	238,333
Withholding Tax	1,842,941
Tax Expense	**2,081,274**

Notes to the Unaudited Consolidated Financial Statements
for the Period Ended June 30, 2018 (continued)

10. Management fees and performance fees

Pursuant to the Investment Management Agreement dated November 20, 2007, the Investment Manager was appointed to manage the investments of the Company. The Investment Manager will receive an aggregate management fee of 2% per annum of the quarterly Net Asset Value ("NAV"). The management fee is paid quarterly in advance based on the NAV at the first day of each fiscal quarter. For the period ended June 30, 2018, total management fees amounted to US$1,569,260 (June 30, 2016: US$1,877,219); payable amounted to US$742,645 (December 31, 2017: US$Nil).

The Investment Manager is also entitled to receive performance fees from the Company in the event that the year-end NAV is greater than the higher of (a) the year-end NAV for the last year in which a performance fee was payable ("High Water Mark"); and (b) the NAV on Admission increased by a non-compound annual hurdle rate of 8% ("Hurdle").

The performance fees will be calculated as follows:
- 0% of the relevant increase in the year-end NAV if the year-end NAV is at or below the Hurdle;
- 100% of the relevant increase in the year-end NAV above the Hurdle up to a non-compound annual rate of 10% (the "Catch-up"); and
- 20% of the relevant increase in the year-end NAV above the Catch-up.

For the period ended June 30, 2018, total performance fees amounted to US$Nil (June 30, 2017: US$Nil). As at June 30, 2018, performance fees payable amounted to US$133,162 (December 31, 2017: US$133,162).

Under the Investment Management Agreement, the performance fees earned by the Investment Manager shall be paid 75% in cash and 25% in the Company's ordinary shares ("share portion"). The Company may elect to meet its share obligation either by issuing new shares at NAV or purchasing the equivalent number of shares in the market.

11. Investment agency fees

To facilitate the disposal of an investment, the Company entered into a consulting agreement with an unrelated third party (the "Consultant"). Under the agreement, the Company is obligated to pay an investment agency fee to the Consultant based on a percentage of the net realized gain of the investment earned by the Company upon realization.

For the period ended June 30, 2018, investment agency fee of US$1,415,585 (2017: US$Nil) was paid based on the realized and unrealized gain on the investment net of certain expenses and tax attributable to the investment.

12. Related party transactions

Apart from the related party transactions disclosed in Note 10, the Company also had the following significant related-party transactions.

(a) Restructuring with PACL II Limited

On March 2, 2009, the Company held an extraordinary general meeting to approve a tender offer that allowed shareholders to exchange all or part of their shares for shares in PACL II Limited ("PACL II"), a Cayman Islands private vehicle that will be used to realize and distribute cash from exited investments based on the investment and asset positions held by the Company as at December 31, 2008 ("Tender Offer Portfolio"). PACL II is also managed by the Investment Manager. It was due to, without any further action on the part of its shareholders, automatically wind up and dissolve in three years upon when its ordinary shares were first issued. On January 5, 2012, the duration of PACL II was extended by one year to March 2, 2013

Notes to the Unaudited Consolidated Financial Statements
for the Period Ended June 30, 2018 (continued)

12. Related party transactions (continued)

(a) Restructuring with PACL II Limited (continued)

upon the written election by the Investment Manager. On February 28, 2013, the duration of PACL II was further extended by two years to March 4, 2015 upon the written election by the Investment Manager and a majority of the shareholders. On January 30, 2015, the Investment Manager made an election to extend the duration of PACL II by one year to March 4, 2016

As part of this restructuring, the Company repurchased 180,166,107 shares at a tender price of US$1.01 per share in exchange for holders of these shares receiving the same number of shares in PACL II.

Under the terms of the tender offer, PACL II is entitled to receive 50.33% of the proceeds from the Tender Offer Portfolio, which reflects a 5% discount of its proportionate share of the Tender Offer Portfolio. As such, the amount due to PACL II is recorded as a payable by the Company, adjusted at each period end based on the movement in the fair value of the underlying assets and the income and expense attributable to the Tender Offer Portfolio. The amount is unsecured and non-interest bearing. The following table summarizes the movements in amount due from/(to) PACL II.

	As at June 30, 2018 US$	As at December 31, 2017 US$
Opening	(1,142,339)	(237,755)
Distributions to PACL II	-	-
Fund transfer from PACL II to the Fund	1,200,000	(1,200,000)
Net decrease/(increase) in payable from gains/(losses) attributable to PACL II	(274,287)	295,416
Closing	**(216,626)**	**(1,142,339)**

(b) Directors' remuneration

The Company pays each of its Directors an annual fee of US$57,500 (2017: US$30,000). If a Director is a member of the Valuation Committee or Audit Committee, the Director also receives an additional annual fee of US$10,000, and the Chairman of either Committee receives an additional annual fee of US$5,000. During the period ended June 30, 2018, Jon-Paul Toppino agreed to waive his directors' fees and committee fees.

(c) Share capital held by funds managed by fellow subsidiaries of the Investment Manager

In February and June 2018, PAX LP sold 890,644 and 3,681,901 (2017:572,451) ordinary shares of the Fund as part of the Fund's share repurchase transaction (see Note 7) which closed on the same date. As at June 30, 2018, PAX LP held 3,170,736 (2017:7,743,281) shares of the Company, representing 13.5% (2017:13.5%) of total outstanding shares of the Company.

PAX LP is managed by a fellow subsidiary of the Investment Manager.

Notes to the Unaudited Consolidated Financial Statements
for the Period Ended June 30, 2018 (continued)

13. Financial highlights

Net asset value per share at the end of the period is as follows:

	2018 US$	2017 US$
Per share data (for a share outstanding throughout the period)		
Net asset value as at opening of the period	2.8816	2.8694
Net investment gain (loss)	(0.0248)	(0.0564)
Net realized and unrealized gains (losses) from investments	(0.0583)	0.0686
Net asset value as at closing of the period	**2.7985**	**2.8816**

The following represents the ratios to average net assets and other supplemental information:

	From January 1, to June 30, 2018	From January 1, to June 30, 2017
Total return before performance fees[1]	(2.88%)	(1.28%)
Performance fees	0.00%	0.00%
Total return after performance fees[1]	(2.88%)	(1.28%)
Ratios to average net assets[2]		
Total expenses	(1.47%)	(1.57%)
Net investment loss	(0.42%)	(1.01%)

(1) Total return represents the change in NAV (before and after performance fees), adjusted for cash flows in relation to capital transactions for the period.

(2) Average net assets is derived from the beginning and ending NAV, adjusted for cash flows in relation to capital transactions for the period. For the period ended June 30, 2018, the average net assets amounted to US$137,703,388 (2017: US$170,595,207).

14. Commitment and contingency

In the normal course of business, the Company may enter into arrangements that contain a variety of representations and warranties that provide general indemnification under certain circumstances. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company and which have not yet occurred. However, based on experience, the Directors expect the risk of loss to be remote, and, therefore, no provision has been recorded.

15. Subsequent events

The Manager has performed a subsequent events review from July 1, 2018 through to September 25, 2018, being the date that the financial statements were available to be issued, and has determined and has determined there were no subsequent events requiring adjustment or disclosure in the financial statements.

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