

BUSINESS REVIEW AND PROSPECT

Year 2001 remain a year of business adjustments for the Group. The adjustment emphasis mainly on raising working capital to meet the possible compulsory redemption of the Group's convertible bonds in August 2002. And to get rid of those non-core businesses so as to concentrate resources in developing the two core businesses of the Group namely investment in the PRC property market and investment in infrastructure projects in the PRC. The Directors have confidence in completing these adjustments during the remaining time of the year. Commencing from year 2002, the Directors will redevelop in full speed the two core businesses of the Group.

During the Period under review, the performance of each of the business of the Group is summarized as follow.

Property Investment

During the Period, the Group has injected its investment property known as the south residential block of East Gate Plaza to Beijing East Gate Plaza Development Limited (formerly known as Beijing Huajian Real Estate Co., Ltd.) ("EGP Development"). EGP Development therefore became a subsidiary of the Group. And the Group hold 58.5% equity interest in EGP Development. Subsequent to the Period end date, the Group has acquired in cash payment additional interest in EGP Plaza to further increase its interest in EGP Development to 87.9%.

During the Period under review, the after tax profit of EGP Development was approximately HK\$21.0 million, contributing to the Group recurring income of approximately HK\$12.0 million. In August 2001, EGP Development has commenced works on the property redevelopment project known as the HaiYun Warehouse. Given the due effects of the increased equity interest and the commencement of property redevelopment project, EGP Development will bring in to the Group greater recurring income in the second half year.

The plan to float EGP Development separately in the A share or B share market of the mainland remain in force. Floating timetable is scheduled to be in the first quarter of year 2003. Preparatory works in relation to the floating is in progress. It is expected that EGP Development may enter into the "guidance period" of the listing itinerary next year. The Directors will keep the shareholders of the Company informed of the listing progress at the appropriate time.

Infrastructure Investment

During the Period, the Group's associated company CII Limited ("CIIL") has made no investment in new infrastructure projects. However, the three bridges and six roads in aggregate nine projects of CIIL were all completed and are in use, bringing in stable net cash inflow after loan principal and interest repayment to CIIL. The management of CIIL is emphasizing on strengthen further the effectiveness of road fees and toll collection by means of implementing computerized toll collecting systems and establishing rewarding schemes. CIIL is also negotiating with local government at each project the possibility of raising toll rates, toll income may be increased as a result these negotiations.

The Directors still believe that infrastructure development is fundamental to the PRC's economic growth. This is particularly true after the assessment of China to the World Trade Organization, which will trigger more vigorous economic activities. Therefore the Directors are confident that the investment in CIIL will bring in long term and stable income and cash flow to the Group.

High Technology Investment

The Group has made strategic investment, through its associated company Silvernet, in the Hi-technology field. During the Period under review, Silvernet only recorded after tax loss of approximately HK\$6.0 million which has improved a lot comparing to the loss of approximately HK\$98.0 million last year, significantly lower the pressure on the Group's profit.

The Directors wish that the strategic investment in Silvernet would bring in sizable additional income to the Group.

Other Investment

The Directors have resolved to dispose the Group's investments in PRC retailing, property development in Hong Kong and industrial investments.

For PRC retailing, the Group has reached a basic intention with the other joint venture partner of Beijing Wangfujing Retail Management Co., Ltd. ("Wangfujing") to sell the Group's entire interest in Wangfujing. Both parties are now discussing the terms and other details of the disposal. The Directors believe the disposal is likely to be completed by the end of the year. The Directors expect that such disposal will not cause material gain and loss to the Group.

Regarding property development in Hong Kong, the Group has started negotiation with China Road & Bridge Group (HK) Ltd. ("China Road") to sell the Group's entire interest in CRABEC Company Limited to China Road. The Directors expect that the negotiation can be completed by the end of the year and the disposal will not cause material gain or loss to the Group.

The Group has sold its investment in Chongqing Qingling Casting Co., Ltd. after the Period end date. As the disposal price approximate to the Group's carrying value, the disposal therefore resulted in no material gain or loss to the Group.

Listed Investment

During the Period, the Group has shared approximately, HK\$13.0 million profit from Jiangxi Copper Company Limited ("JCC"). JCC is a 10% indirectly owned associate of the Company which shares are listed on the Stock Exchange and the London Stock Exchange Limited. The profit contribution to the Group from JCC has improved significantly compared to the profit of HK\$3.0 million shared in the previous period. The Directors believe that the investment in JCC will bring in significant returns to the Group.