REVIEW OF RESULTS

The Company's operating profit for the first half of 2002 was US$483,695 *(2001: US$6,122,551)*, attributable to dividends from listed and unlisted investments and realized gain on sale of listed investments. Such results seemed dwarfed when compared with that of the same period last year, in which an exceptional high profit was primarily attributable to a US$6 million dividend distribution from Concord Greater China pursuant to its joint venture with Auchan S.A.. Nonetheless, the Company was entitled to an aggregate dividend income of US$833,682 from three of its unlisted investments in 2002, details of which are elaborated below.

Listed investments experienced a drop in market values during the first half of this year resulting in a negative 1.4% return on listed investment portfolio. Nevertheless, the results still compared favorably to a 7% drop on Hang Seng Index ("HSI") during the same period. The Company's net asset value ("NAV") per share as at 30 June 2002 was US$5.81 subsequent to a US$1.00 per share declared final and special dividends for 2001 and distributed in June, down 0.34% compared with the ex-div NAV per share at the end of 2001.

UNLISTED INVESTMENTS

Results of unlisted investments in the first half of 2002 were:

- **Suzhou Taihai Automobile Ferry Wharf Co., Ltd. ("Taihai Ferry")**

  A dividend distribution of approximately US$569,965 (equivalent to RMB4,717,654) for the Company was declared by Taihai Ferry in the first half of this year, such dividend was received in August. The performance of Taihai Ferry remained steady and satisfactory; with an unaudited turnover of RMB18.02 million recorded for the period, slightly more than that of the same period last year. Taihai Ferry's management is confident in achieving its targeted profit of RMB13 million in the year 2002.

- **Shanghai Lian Ji Synthetic Fibre Co., Ltd. ("Lian Ji")**

  In April this year, the board of directors of Lian Ji declared dividend distribution for 2001, of which the Company was entitled to US$117,168 and the amount was duly received on 5 August. Lian Ji has begun its third phase expansion for synthetic fibre with production capacity up to 150,000 tons per annum and the entire project is scheduled to complete by mid-2004. The expansion will not only enhance Lian Ji's competitiveness but also its overall performance. Besides, the Company has entered into a share transfer agreement with the other two shareholders to dispose 1.5% of its beneficial interest in Lian Ji to each of them for an aggregate price of US$1.534 million. The shareholders also agreed to enlarge Lian Ji's share capital recommended by the board by applying prior years' undistributed profits for reinvestment on the one hand, and an additional US$3.76 million in RMB equivalence cash injection from the Chinese shareholder on the other. Both share transfer and capital enlargement have been approved by the Foreign Investment Authority of the Shanghai Municipality in August 2002. Pursuant to the capital injection and verification process in the third quarter, the issued share capital of Lian Ji will be increased to US$49.92 million, of which the Company's interest will be US$5.539 million, representing a 11.10% equity stake in Lian Ji.

- **Concord Greater China ("CGC")**

CGC recorded an unaudited turnover of US$297 million for the first half of 2002, approximately 79% of 2001's entire turnover, attributable to the phenomenal growth of RT-Mart Shanghai ("RTMS") and Jinan RT-Mart ("RTMJ"). Half year's unaudited net profit after tax for RTMS and RTMJ were RMB31.03 million and RMB 7.03 million respectively, compared with an aggregated loss of RMB3.98 million in the whole year of 2001. Besides, two new stores in Jiangsu province and one in Zhejiang province were opened during the period.

- **Everflow Capital Ltd. ("Everflow Capital")**

Everflow Capital recorded an unaudited operating profit of approximately US$734,000 in the first half of 2002, a 63% improvement comparing with that of 2001, as a result of reduced finance cost. Occupancy rate of Everflow Capital's office building remained stable and maintained at over 90% level.

- **Harbin Brewery Group Ltd. ("HBGL")**

On 27 June 2002, HBGL was listed on the main board of The Hong Kong Stock Exchange Limited ("Stock Exchange"). The Company subscribed HK$14 million of HBGL's convertible bonds prior to flotation and has six months to decide whether or not to convert into HBGL's ordinary shares at the HK$1.56 per share IPO price. The market price of HBGL on 30 June 2002 registered a 15% increase from its IPO price.

- **Semiconductor Manufacturing International Corporation ("SMIC")**

SMIC became the first semiconductor foundry in China capable of producing 8" wafer of 0.18-micron. SMIC plans to ramp up production to 30,000 wafers/month by end of this year. To ensure its access to technological development, SMIC entered into a long-term research and development ("R&D") relationship with ChipPAC, the world's leading provider of semiconductor packaging and testing services, and with Interuniversitair Micro-elektronica Centrum (IMEC), a leading European R&D center of cutting edge technology on microelectronics. SMIC was reported to have entered into agreements with Chartered Semiconductor Manufacturing of Singapore and Toshiba of Japan by issuing Series B shares to them as strategic investors on the one hand, and to receive advance manufacturing process from them on the other. By the end of June, the Company's US$6 million commitment in SMIC was fully invested.

For exit and recovery of invested capital, the Company had taken actions on the following investments:

- **Shanghai Hua Xin High Biotechnology Inc. ("Hua Xin")**

  The Company's sale of 5% of its beneficial interest in Hua Xin to another company was given final approval by the relevant authorities and the US$266,053 sales proceed therefrom was received in May 2002.

- **Shanghai Asia Pacific Club Co., Ltd. ("Asia-Pacific Club")**

  Liquidation procedure of Asia-Pacific Club was completed, the Company expects to recover US$1.86 million (including interest) from this investment shortly. A ruling from the tax authority was received stating that the interest income was deemed taxable. Asia-Pacific Club is in the process of applying for de-registration and relevant permit to remit hard currency from the Bureau of Industrial and Commercial Administration and Bureau of Foreign Currency Administration respectively.

- **Zhejiang Huguang Heat and Power Co., Ltd. ("Zhejiang Huguang")**

  Reached understandings with the Chinese shareholder of Zhejiang Huguang on the disputed guaranteed return for remaining years of the cooperative venture and was in process of amending relevant sections in the cooperative venture agreement and articles of association towards that end.

- **GSMC International Ltd ("GSMCI")**

  Entered into a buyback agreement with the chairman of GSMCI on 27 March, and has since received full payment of the accrued interest on invested amount up to June. Approximately 34% of the invested capital has been received as of this reporting date, and the Company awaits to receive repayment of the US$330,000 balance plus accrued interest by the end of this year.

- **Shanghai Well Bright Food Co., Ltd. ("Well Bright")**

  Despite Well Bright has finally resolved in June to distribute its first dividend for 2001, the Company nevertheless filed a petition for arbitration with China International Economics and Trade Arbitration Committee, Shanghai Branch in late June against the joint venture partner on grounds of irreconcilable differences on the management and operation of Well Bright. The petition was accepted and arbitration proceedings are likely to take place in the third quarter. The Company's entitlement to the first dividend was approximately US$146,549 and has been recorded as dividend income in June.

LISTED SECURITIES

Most of the Asian stock markets continued to rally in the first quarter of 2002 as exports to the US significantly improved. Due to the lack of export-related companies in the major constituent stocks of the HSI, the Hong Kong market continued to lag behind most of the Asian markets in the period. Export-related stocks like Li and Fung and Johnson Electric were the favorite mid-cap stocks in the first quarter. But uncertainties in China's mobile communications sector affected the performance of China Mobile and China Unicom, whereas concerns over the earning prospects of Hutchison's 3G telecommunication businesses dimmed the performance of Cheung Kong and Hutchison.

The Hang Seng China Enterprises Index ("HSCEI") was up 16% in the first quarter, propelled by the surge in cyclical stocks. Yearnings for a global economic recovery provided impetus to a rally in China's natural resources and petrochemical sector. The transportation sector also benefited from the boom in tourism and the recovery of the shipping industry.

In the second quarter of 2002, concerns over accounting irregularities in corporate America coupled with a deceleration of global growth rate sent shock waves and plunged the major stock market indices sharply lower in the US and Europe. Investors became more skeptical on the outlook of technology, media and telecom ("TMT") stocks as demand for personal computers and handsets remained weak. Despite the weakness in global and Asian equity markets, the HSI rallied in mid-April and briefly broke above 12,000 in mid-May. Investors continued to bid up the prices of mid and small cap export-related stocks until late May when the continuous decline in overseas markets began to affect the Hong Kong market. Investors started profit taking or loss cutting and selling pressure intensified in June on the back of a feared slowdown in the US economy. As a result, export-related and TMT stocks were most affected during the sharp correction period that lasted from late May to late June. The HSI was finally down 7% in the first half of 2002.

Contrary to the US and European stock markets, China-related stocks appeared esoteric and continued to perform well in the second quarter, as liquidity in China remained strong. The HSCEI was up 6.5% in the second quarter, driven mainly by the rally in power companies and airlines. The power sector benefited from favorable government policy, whereas the aviation sector benefited from industry restructuring.

The Company continued its conservative approach in managing a de-emphasized portfolio of listed securities throughout the first half of 2002 as uncertainty still looms over the global economic recovery. The Company reduced some weighting in China-related stocks and blue chips during the rally and by the end of June 2002, a 1.4% loss on the listed investment portfolio was registered in the first half.