



OPERATION REVIEW (Cont'd)

The investee companies of China Assets (Holdings) Limited ("China Assets") have stable performance during the six months ended 30th June 2002. China Assets is still negotiating with the Shenzhen Municipal Government for solving the cross guarantee problem triggered by the parent company of Shenzhen SPEC Plastics Holdings Co., Ltd. China Assets had made a partial provision for potential loss that might arise from this investment.

Despite the pressure of increasing labour cost in Chinese Mainland, RBI Holdings Limited achieved a healthy growth in both turnover and profit attributable to shareholders through the continuous development of innovative items to fulfill customers' demanding requests.

PROSPECTS

Negative economic growth, continued deflationary pressure and rising unemployment rate in Hong Kong are likely to weaken investor sentiment and confidence. Significant declines in most equity markets evidenced the unfavourable environment for the corporate finance and stockbroking business. Following China's accession to the WTO, more enterprises from Chinese Mainland are planning to raise capital by listing in Hong Kong. Our Financial Services Division will utilise our strengths and experiences in serving more small to medium size PRC enterprises to go listing in the second half year.

As the economy in Chinese Mainland is growing steadily, we believed that the various investments in Chinese Mainland will continue contributing a stable and reasonable returns to the Group. Goodbaby has appointed a sponsor and it is expected to be listed in Hong Kong in the first half of 2003.

China Assets will still put effort to find an exit for its existing investments. Negotiation for early disposal of the investment in the two toll roads in Zhongshan has reached the final stage and it is likely to complete within the year.

The development of a four-star hotel in Kunshan Economy & Technology Development District is commenced in the year and it is expected to be completed at the end of 2004. In May 2002, the Group appointed Shangri-La International Hotel Management Limited as the hotel manager to manage and operate the hotel. We are confident that when the hotel comes to operate in future, it will contribute a steady return and cash flow to the Group.

In view of the rising importance of China to the global economy, we strongly believe the Group's business strategy of seeking opportunities to acquire high-potential projects in Chinese Mainland will improve the performance of the Group and ultimately enhance the return to shareholders.