

The Group's attributable profit was HK\$54 million as compared to a loss of HK\$143 million in 1998. The difference is mainly due to the improvement in performance in most of the investee companies and the substantial provisions made in 1998 for the diminution in value of some investment projects of the Group. The consolidated net asset value as at 31st December, 1999 was HK\$935 million, an increase of HK\$97 million from 1998. The placement of 80 million new shares in July 1999 accounted for most of the increase. The exclusion of the turnover of Goodbaby Child Products Co. Ltd. ('Goodbaby'), which was accounted for in the last quarter of 1999 as a jointly controlled entity, explained the decrease in turnover to HK\$719 million in 1999.

OPERATION REVIEW

Financial Services

Hong Kong's economy is on its way to recovery. In 1999, GDP recorded a 2.9% growth over 1998 and the Hang Seng Index shot pass the peak level of 1997. Performance of the Financial Services Division in 1999 was encouraging. During the year the Division remained an active player in the corporate finance field. Having introduced the stockbroking business in September 1999, the Division can offer a complete financial service to clients.

Financial Information Services

The Group entered into an agreement to acquire a 42% equity interest in Shenzhen Genius Information Technology Co Ltd ('Genius') in 1999. Genius is the market leader in providing securities financial information in China. A stable growth in revenue was recorded during the year under review.

Child Products

Goodbaby had a record year as a result of improvement in production efficiency and increase in export sales. Its production capacity had been further expanded in order to meet the increasing overseas orders.

RBI Holdings Ltd recorded an increase in profit in 1999 due to the fact that no further provision for diminution in value of property was required.

Container Transportation

Shanghai Zhong Chuang International Container Storage & Transportation Co Ltd ('ZCIC') returned to profitability in 1999. Steps had been taken to improve its operating efficiency and service quality.

Autoparts

Keen competition and bad debt problems had affected the performance of Zhejiang Shaoxing Betung Instrument Co Ltd. Yet being a market leader in the industry it could still manage to maintain a profit level similar to that of 1998.

Others

China Assets (Holdings) Ltd recorded a loss of approximately US\$1.4 million in 1999 as a result of provisions made for the investments in the toll road projects.

CHAIRMAN'S STATEMENT

FUTURE PROSPECTS

To stay in the forefront of the industry, the Financial Services Division has stepped up its efforts in the development of e-finance business including the provision of Internet stockbroking and e-merchant banking services. Being a qualified sponsor for the IPO both on the Main Board and the Growth Enterprise Market, it is well positioned to serve companies from small to medium size. The Internet stockbroking service will be launched in May 2000 in conjunction with a leading European securities dealing platform provider.

In order to further enlarge its market share, Genius will continue to expand its sales network especially in the eastern part of China. Starting from June 2000, it will provide multi-media financial information to customers through cable TV network in certain major cities in China.

As announced on 10th March, 2000, the Group has invited two investors namely, The China Retail Fund, LDC (a direct investment fund advised by AIG Investment Corporation) and SB China Holdings Pte Ltd (a subsidiary of Softbank Corporation), to invest US\$20 million in total in Goodbaby. With the support of these investors, Goodbaby can further enlarge its sales network and develop internet/e-commerce operations.

ZCIC, being the largest container transportation and freight forwarding company in Shanghai, is well positioned to benefit from the rapid growth in container transportation turnover in the region. With the existing operation support and taking advantage of the existing transportation network

and storage facilities, the Group can provide quality logistic services to future e-commerce activities.

The Group's existing core business including child products and container transportation will provide a solid logistic foundation for the development of e-commerce. In the coming year, the Group will further its efforts in increasing the competitiveness of the existing business by introducing more IT related technology. With a buoyant stock market and a growing economy spearheaded by the development of high-tech industries, we are more optimistic than ever in the business outlook of the Group. I would like to take this opportunity to express my sincere thanks to the employees and the shareholders for their valuable contribution and support.

Lao Yuan-Yi

Chairman and Managing Director

Hong Kong, 25th April 2000