

CHAIRMAN'S STATEMENT

I am pleased to report the annual results of CNT Group Limited for the year ended 31 December 2000.

RESULTS

The consolidated net profit of the Group amounted to HK\$23.88 million (1999: HK\$226.61 million). The net profit of 1999 was wholly attributable to the gain on disposal of Citybus investment. The operating profit of the year was HK\$32.90 million, showing an encouraging improvement from the loss of HK\$63.36 million in 1999.

The Group's turnover for the year was HK\$444.55 million, a marginal decrease of 4.8% from 1999 figure of HK\$467.00 million. This was mainly due to the drop in property business caused by reduced rental income following the liquidation of properties.

BUSINESS REVIEW

Paint manufacturing

Paint manufacturing under the China Paint banner continued to be the key contributor of the Group's profit. Both turnover and gross profit fell by 1.2% and 13.0% respectively as a result of reduced selling prices due to strong market competition coupled by a rise in oil and raw material prices. However, this was partially compensated for by the successful control in operating costs recording a saving of 20.8% from 1999. The operation achieved a net profit of HK\$78.93 million, a moderate increase of 1.2% over 1999 figure of HK\$78.03 million.

Property

In light of the sluggish property market, the Group took a prudent approach and continued to liquidate its local property portfolio at reasonable market prices. Turnover was down by 18.2% due to the fall in rental income. The Group still incurred a loss of HK\$12.95 million but much better than last year's loss of HK\$110.05 million. The loss included provisions of HK\$6.35 million (1999: HK\$72.59 million) for diminutions in values of properties.

Residential development projects in Sai Kung and Mui Wo were still in the pipeline with re-grant being processed by the Government authorities. The Sai Kung project at Tui Min Hoi has a potential value to bring a good return to the Group. Projects in Mainland China were progressing according to schedules but harvest time would be after 2001.

Although there were signs of recovery in the property market sparked by the downturn of interest rate and the Government policies to stabilize the market, the Group would remain cautious in formulating its strategy on property investment until more solid indications are seen.

CHAIRMAN'S STATEMENT (continued)

Trading

Business was operated in Mainland China and comprised mainly iron and steel trading. Turnover amounted to HK\$13.04 million (1999: HK\$14.29 million). The 8.8% fall was mainly due to less market activities. Operating profit amounted to HK\$0.20 million (1999: HK\$0.31 million).

Strategic investments and others

Turnover of HK\$6.64 million (1999: HK\$9.20 million) represented trading in listed securities in Hong Kong. The drop in turnover was due to less market activities. Operating loss was reduced to HK\$1.59 million from a loss of HK\$7.63 million in 1999. The loss in last year included a provision of HK\$4.27 million for long term investments, but no such provision was made for the year.

Granite and marble mining and trading

In January 2000, the Group acquired a 33.33% interest in Elegant Stone International Ltd. at a consideration of HK\$113.27 million. The company through its wholly-owned subsidiary, Wilfred Marble Engineering Limited, is engaged in granite and marble mining and trading with its major business in Mainland China and Hong Kong. Wilfred Marble turned into a profit of HK\$21.90 million this year from consecutive heavy losses in 1998 and 1999. A rights issue at the year end increased our holding to 44.44% at an additional cost of HK\$18.36 million. We envisage there is a potential market for granite and marble business in the PRC especially after it joins the WTO. Wilfred Marble has secured certain significant contracts in 2001 and is expected to achieve better results.

Information technology

In April 2000, the Group purchased a 10% equity interest in Treasure Auctioneer International Limited for a consideration of HK\$35.00 million. The Group bought a further 10% for the same amount subsequently. The company is engaged in the provision of a comprehensive range of specialist auction services in Hong Kong and in trading business selling mostly jewellery and watches to retailers and consumers through physical transactions and via its unique bilingual auction portal - www.treasure-auction.com.

In August 2000, the Group bought a 20% shareholding in Worldwide Education Limited at a cost of HK\$40.00 million. Worldwide owns Hong Kong Education Web Limited and the two companies hold two websites - www.education.com.hk and www.courselocator.com. The websites provide online services covering promotion and advertising, course registration and student recruitment for institutions and education services providers. Since incorporation in 1999 and 2000, the companies sustained losses but are budgeted to turn into profit in 2001. The appraisal valuation of Worldwide at 31 May 2000 was HK\$261.00 million.

CHAIRMAN'S STATEMENT (continued)

Environmental projects

The Group has acquired options to invest in two environmental projects. The first one is an investment of RMB18.00 million involving the acquisition of a 20% equity interest in a company holding the intellectual right for the production, selling and distribution of a product called catalytic converter used by motor vehicles for environmental purpose with its major market in Mainland China. The second investment is US\$3.00 million for a 25% equity interest in an environmental company engaged in the production, selling and distribution of GAIA Automotive Fuel in Mainland China, Hong Kong, Macau and Canada.

PROSPECTS

The PRC is likely to join WTO in 2001 following which there would be increased business opportunities. In addition, the Go West Campaign of China will create opening for new investments. With well established business foundation and relationship in Mainland China, we are confident that the Group's business will benefit from this economic growth. The Group would continue to look for opportunities on investments and expansion.

APPRECIATION

On behalf of the board, I would like to take this opportunity to express our sincere thanks to our customers, suppliers, business associates and shareholders for their continuous participation and support to the Group. I would also like to thank the management and staff for their devotion and hard work.

Tsui Tsin Tong

Chairman

Hong Kong

9 April 2001