

## CHAIRMAN'S STATEMENT



I am pleased to present the 2001 annual report. Profit attributable to shareholders for the year ended 31st December 2001 amounted to HK\$64.8 million, up 11% from last year. Earnings per share was HK\$0.0570 (2000: HK\$0.0517) on a fully diluted basis.

### DIVIDEND

The Board recommended a final dividend of HK\$0.015 per share for the year ended 31st December 2001 in the forthcoming Annual General Meeting.

### BUSINESS REVIEW

2001 was a challenging year for the financial services industry. The collapse of the technology bubble followed by the terrible events of September 11 has contracted the Hong Kong stock market both in terms of liquidity and volatility. Revenue from securities and futures broking activities declined in line with the overall slowdown of the market. Despite the contraction of the capital raising market and the increasing competition in the Hong Kong corporate finance market, the Corporate Finance Division completed two sponsorships of IPO in 2001. The Division also provided financial advisory services and was involved in a number of placements, rights issues and underwriting of securities.

Our subsidiary, Shanghai Zhong Chuang International Container Storage and Transportation Co. Ltd. ("ZCIC"), is one of the largest container transportation and freight forwarding companies in Shanghai. Despite keen market competition, the operating results of ZCIC in 2001 were satisfactory.

Notwithstanding the slowdown in economy in most part of the world in 2001, the export sales of Goodbaby Child Products Co. Ltd. ("Goodbaby") and RBI Holdings Co. Ltd. still experienced a healthy growth. This shows the high potential of the children products' market which is much less affected by the economic downturn.



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### BUSINESS REVIEW *(Cont'd)*

China Assets (Holdings) Ltd. ("China Assets") achieved a stable operating profit for 2001 as it continued its cautious investment strategy. Negotiation with the Zhong Shan government authorities regarding early settlement of China Assets' investments in two toll roads has made progress, it is expected that the transaction could be completed in the next few months. Due to the illegitimate and unauthorised unilateral action of the Chinese partner of Shenzhen SPEC Plastic Holdings Co. Ltd. ("SPPC"), SPPC was led to provide guarantees for the bank loans of the Chinese partner and its group companies. As the Chinese partner had defaulted in loan repayments, SPPC might have to honour the contingent liabilities. China Assets has taken steps to push the Chinese partners to take remedial actions to solve the problem in 2002.

The Group had disposed of three non-core investments in 2001 and recorded a satisfactory return. Interest income fell from HK\$16 million in 2000 to HK\$10 million in 2001 mainly due to the significant reduction in interest rates in Hong Kong. The Group has taken measures to improve the return from the Group's surplus fund.

### PROSPECTS

The performance of the Group's financial services operation will continue to be affected by market conditions including the economic outlook, market sentiment and movements in interest rates. The Group will work to enhance its position in the Hong Kong stock market and to strengthen its capability in serving small to medium size companies particularly for PRC enterprises. During the first quarter of 2002, the Corporate Finance Division had already completed two sponsorships of IPO. The Group will continue its efforts to improve its online securities trading services to better serve its clients especially those who station in the Chinese Mainland. Measures have been taken to centralise the Group's research operations to focus on providing quality reports and analysis on red chips and H shares.

ZCIC is applying for an air freight forwarding licence in Shanghai in order to provide a full range of cargo transportation and freight forwarding services. The move will help to increase its profit margin.

Goodbaby is planning to expand its sales network in China by the opening of more franchise stores. It is expected that the retail business environment will continue to remain very challenging in 2002. Goodbaby will strive to sustain its dominant market position by offering differentiated and cost-saving products. It will also look for business partners to expand the European market.



### PROSPECTS *(Cont'd)*

China Assets will focus on disposing of its existing direct investments in 2002. For identifying new investment opportunities, it plans to focus on a few selected value-added industries that employ new technologies for synergy and strategic monitoring reasons.

The Group is cautious about the outlook for the year ahead. Much will depend on the pace of recovery in the U.S. The Group is well able to weather the remainder of the downturn in economy and is in a strong position to benefit from any improvement in economic conditions that may occur in 2002.

I would like to take this opportunity to express thanks on behalf of the Board to all our clients for their support and to our fellow directors and staff members for their dedication and contribution.

**LAO YUAN YI**

*Chairman and Managing Director*

Hong Kong, 19th April 2002