深圳本鲁克斯实业股份有限公司

SHENZHEN BENELUX ENTERPRISE CO., LTD.

1999 Annual Report

Important: The Board of Directors of SHENZHEN BENELUX ENTERPRISE CO., LTD. (hereinafter referred to as the Company) hereby confirms that there are no important omissions, fictitious statements or serious misleading carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and integrity of the whole contents. The auditor's report submitted by Shenzhen Zhongtian Certified Public Accountants is a report "with reserved opinion". The Board of Directors as well as the Supervisory Committee of the Company have made the detailed explanation about the related matters, to which the Company hereby specially reminds the investors of paying necessary attention in reading this report.

I. Company Profile

- Legal Name of the Company in Chinese: 深圳本鲁克斯实业股份有限公司
  In English: Shenzhen Benelux Enterprise Co., Ltd.
- Legal Representative: Mr. Zhao Congzhao
- Secretary of the Board of Directors: Mr. Shen Yanlei
  Address of the Secretariat of the Board of Directors: 11/Blck., Zhongxing Industrial City, Nanyou, Nanshan District, Shenzhen
  Post Code: 518062
  Tel: 0755-6521014, 6649025 Fax: 0755-6649031
  E-mail: szshbshi@sz.gd.cninfo.net
- Registered Address and Head Office Address: 11/Blck., Zhongxing Industrial City, Nanyou, Nanshan District, Shenzhen Post Code: 518062
  E-mail of the head office: beneluxs@public.szptt.net.cn
- Information disclosure media: Security Time (Shenzhen); Wen Wei Po (Hong Kong)
  Official website appointed by the National Stock Supervisory Committee to publish the annual reports on Internet: http://www.cninfo.com.cn
  The Place Where the Annual Report is Prepared and Placed: Secretariat of the Board of Directors
- Stock Exchange Listed in: Shenzhen Stock Exchange
  Short Form of the Stock: SHENBENSHI – B
  Share Code: 2041

II. Summary of Financial & Business Data

1. Major Profit Indexes (RMB)

Total of profit	-11,476,347.39
Net profit	-11,446,567.18
Profit of major business	-8,581.42
Profit of operation	-4,405,730.03
Investing revenue	-6,956,535.83
Net income of extra-operation	-114,081.53
Net cash flow generated by operation activities	1,860,105.21
Net increase of cash and cash equivalence	70,148.23

2. The net profit of 1999 fiscal year is RMB-11,446,567.18 according to the domestic accountant standard. And HKD-7,561,000.00 according to the International Accountant Standard. The deference is caused by:
   The reserves for bad debt is counted at the ratio of 0.3% over the account receivable at the end of year in the previous domestic auditor’ s report. And it is counted according to account age over the sum of account receivable, prepaid account and other receivables less associated transaction in the overseas auditor’ s report. For this year, the counting method has been unified to the overseas method.

3. Major accountancy data and financial index

Indexes	1999	1998	1997
Revenue of major business	14,137,888.57	53,824,289.90	164,167,042
Net profit	-11,446,567.18	1,908,266.91	11,833,298
Total asset	236,437,343.47	266,204,409.37	245,076,508
Shareholders’ equity	130,210,739.01	145,316,330.29	144,648,579
Revenue per share	-0.19	0.0315	0.20
Net asset per share	2.15	2.40	2.39
Adjusted net asset per share	1.21	2.26	2.20
Net cash flow per share generated by operation	0.03	-0.01	
Net income/net asset ratio (%)	-8.79	1.31	8.18

Notes：

(1) The above data were extracted from the domestic auditor’ s report.

(2) Accounting equation：

- Earnings per share = net profit / total number of common shares at the end of the year
- Net assets per share = shareholders' equity at the end of the year / total number of common shares at the end of the year
- Ratio of revenue/net asset = net profit / shareholders' equity at the end of the year×

100%

- Net asset value per share after adjustment = (shareholders' equity at the end of the year － accounts receivable over more than three years － expenses to be apportioned － net assets losses in suspense （current and fixed） － initial expenses – long term expenses to be apportioned – balance of accommodation building found (negative)) / total number of common shares at the end of the year

(3) Earnings and net assets value per share calculated by means of the weighted method is respondent with those by means of the amortization method during this year.

（4） The accountancy policy of our company has been changed this year, we adjusted some accountancy data , the change of major accountancy data and financial index ：

Indexes	1998		1997	
	Before adjust	After adjust	Before adjust	After adjust
Revenue of major business	53,824,289.90	53,824,289.90	164,167,042	164,167,042
Net profit	1,908,266.91	1,823,323.40	11,833,298	10,811,565
Total asset	266,204,409.37	232,293,408.44	245,076,508	244,055,000
Shareholders’ equity	145,316,330.29	141,802,692.53	144,648,579	143,627,071
Revenue per share	0.0315	0.0301	0.20	0.18
Net asset per share	2.40	2.34	2.39	2.37
Adjusted net asset per share	2.26	2.21	2.20	2.18
Net cash flow per share generated by operation	-0.01	0.03		
Net income/net asset ratio (%)	1.31	1.29	8.18	7.53

4. Changes of sharholders’ equity during 1999

Items	**Beginning of period**	**Changes of this period**	**End of period**
Capital share (x 10,000)	6,050	0	6,050
Capital public reserves(x10,000)	2,984.7	0	2,984.7
Surplus public reserves(x10,000)	3,127.6	0	3,127.6
Stipulated public welfare(x10,000)	753.9	0	753.9
Distributable profit(x10,000)	1,231.7	-1,486.2	-254.5
Total of shareholders’ equity(x10,000)	14,531.6	-1,510.5	13,021.1

III. Changes in Capital Share and Introduction to the Shareholders

(I) Changes in Capital Share

1. Changes in shares

	Before the Changing	Increase / Decrease (+, -)						After the changes
		Shares Allotted	Distributed shares	Shares transferred from public reserves	Share placed	Others	Subtotal	
I. Shares not listed								
1. Promoter's shares								
Including:								
State shares								
Domestic legal person	28,031,078							28,031,078
Overseas legal person	15,286,922							15,286,922
Others								
2. Legal person shares by financing activities	1,452,000							
3. Employees' shares								1,452,000
4. Preference shares and others								
Including: shares transferred and allotted	44,770,000							
Total of shares not listed								44,770,000
II. Shares listed								
1. Regular shares in RMB	15,730,000							
2. Foreign shares listed domestic								15,730,000
3. Foreign shares listed overseas								
4. Others	15,730,000							
Total of shares listed								15,730,000
III. Total shares	60,500,000							60,500,000

2. Situation of shares listing and placing

(1) The Company placed 13,000,000 B shares in March 1994. The listed price was HKD3.26 per share. The shares were put into circulation in Shenzhen Stock Exchange on May 30, 1994. In the same time, 1,200,000 shares were placed to the employees on the price of RMB3.67 per share.
(2) When 1 bonus shares was placed to every 10 shares during the dividend distribution in 1995, the total share capital was increased from 50,000,000 shares to 55,000,000 shares, and the listed shares was increased to 14,300,000 shares.
(3) When 1 bonus shares was placed to every 10 shares in 1997, the total share capital was increased to 60,500,000 shares and the shares listed were increased to 15,730,000 shares.

(II) Introduction to the shareholders.

1. At December 31,1999, there were totally 1869 shareholders of the Company, including 119 A share holders and 1750 B share holders.

2. Situation of major shareholders (B shares except specified)

Shareholders' name	**Shares held at the end of year**	**Changes**
Shekou Hansheng Electronics Ltd.	(A shares)19,558,077	0
H.K. Benelux Manufacturing Ltd.	14,247,290	0
Wuhan Huaxing Electronics Ltd.	(A shares) 8,473,001	0
Jolly Sound Ltd.	1,039,632	0
Wang Weiming	910,400	106,400
KOTO TRANSPORT LTD	726,000	0
PETO VENTURES LTD	681,500	11,500
LIU JUN QI	496,200	496,200
Huang Youjing	453,300	0
Chen Yichang	451,000	451,000

3. Introduction to the legal person shareholders which are holding 10% or more than 10% of the total shares:

(1) Shekou Hansheng Electronics Ltd.
Legal representative: Mr. Zhao Congzhao
Major business range: Computer software and hardware, electronics

(2) H.K. Benelux Manufacturing Ltd.
Legal representative: Mr. Zhou Jiapin
Major business range: Magnetism record material manufacturing, integrity project planning and equipment supplying

(3) Wuhan Huaxing Electronics Ltd.

Legal representative: Mr. Zhao Congzhao
Major business range: Developing, manufacturing and selling of electronic devices.

IV. Introduction of the Shareholders' Meeting

The 6th Shareholders' Meeting was held in the Fuyuan meeting room of the Company (11/Blck., Zhongxing Industrial City, Nanyou, Nanshan District, Shenzhen) on May 6th, 1999. 9 shareholders presented the meeting, representing 29,603,110 shares which take 50.45% of the total capital share of the Company (including 29,483,078 of A shares, take 48.93% of the total shares; 1,039,732 B shares, take 1.72% of the total shares. The meeting was notarized by Shenzhen Nanshan Notarial Office and was proved as meeting the relative regulations and laws and the article of association of the Company. The following resolutions was adopted.

1. The 1998 Annual Report of the General Manager
2. The 1998 Annual Report of the Supervisory Committee
3. The Divident Proposal of 1998. The net profit of the year was RMB1,908,266.91. After withdrawn of public reserves of RMB190,286.69 on the ratio of 10% and public welfare reserves of RMB95,413.35 on the ratio of 5%, the balance of RMB1,622,026.87 will be transferred to the next year. Neither divident distribution nor capitalizing of public reserves will be implemented this year.
4. 1998 Annual Financial Settlement
5. The proposal of supplementing a director: Mr. Lin Binjun was nominated as the new director of the Company.

The above resolutions was published on the May 7, 1999 issue of Securities Times and Hong Kong Commercial Daily.

V. Report of the Board of Directors

1. Operation situation of the Company

The Company's major business is manufacturing and marketing of 3.5# floppy disks, mini tape cassette and computer monitors. The major turnover of 1999 fiscal year was RMB14,137,900. The net profit was RMB-11,446,600.

The output and sales figures are as follows:

	Annual output	Annual sales
Floppy disks	5,647,000 units	6,482,000 units

Mini tape cassettes	4,227,000 units	6,522,000 units

2. Situation of subsidiaries and holding companies

Benelux Simulation & Control Co., Ltd. enforced it' s researching of simulator market during this year. This company got the contract of simulation project from Shenzhen Future Time after the project of simulation entertainment project of Minsk Carrier. Currently the market of simulation is optimism.

Benelux Industry (Wuhan) Co., Ltd. and its subsidiaries, Hubei Jinlong Real Estate Development Co., Ltd., Wuhan Duolun Beer Co., Ltd., Wuhan Xinghai Magnetic & Electronic Co., Ltd. has been suspended since 1998 and did not recovered during this period.

3. Discription of the financial situation of the Company (in RMB)

The total asset of the Company at the end of 1999 was RMB236,437,300, which is RMB29,766,700 less than the asset of previous year. The major profit was RMB-8,600, which is RMB2,077,100 less than the profit of previous year, the decrease ratio is 100.41%. This was caused by the sharp decrease of output and sales revenue of floppy disk. The net profit was RMB-11,446,600, which was RMB13,354,600 decrease than the previous year, the decrease ratio is 669.93%. This is caused by the suspending of Wuhan subsidiary. The booked initial expenses and differed assets of Wuhan subsidiaries were fully amortized during this year. This caused RMB6,956,000 of loss. And the changes of accountancy policy caused the adjustment of reserves for bad debt. The shareholders' equity was RMB130,210,700, which was RMB15,105,300 less than the previous year. This was caused by loss.

4. Business developing plan of the New Year.

In 2000, the Company is planning a wide range reform of the product structure by co-operate with new partners. New product including stereos, portable CD players, ink packages of ink jet printers (and ink), thermo scanning imaging system (CT), and crash-proof system for high way will be developed to replace the old products. (The last 3 project are hi-tech products). Framework contracts have been established with new partners on the above projects. The detail of co-operation is under negotiating. Hopefully, the above mentioned project will be put into operation within 2000. The prospective market is good and the profit margin will be wide. The new products will help the Company to change the negative situation and make a good foundation for the future development.

5. The auditor' s report submitted by Shenzhen Zhongtian Certified Public Accountants this year is a report "with reserved opinion". The explanation of Board of Directors is as follows:

(1) The method of bad debt reserves was in accordance with the decision of withdrawing bad debt reserves for accounts receivable, which was made by the Board of Directors. Considering the account receivable of HKD36,253,658,700 due to HK Hualiao Co., Ltd., because this company has won the law suit action against its debtor, the Hong Kong Court has made a judgement that the real-estate of the debtor will transfer its name to HK Hualiao Co., Ltd.. These real estates are under auction. HK Hualiao Co., Ltd. committed that the found raised by selling of these real estates will return to the Company in preference. The Board of Directors prefers not to withdraw bad debt reserves for this case.

(2) The Company has made up an initial reconstruction plan with the banks refers to the expired

loans.
(3) About the law suit action against HK Benelux Manufacturing Ltd.:
HK Benelux Manufacturing Ltd. is in the process of liquidation. Hopefully the liquidation will be finished within this year. The debts will be recovered in succession.

(4) About the value of land owned by Hubei Jinglong Real Estate Development Co., Ltd.: The Board of Directors agrees that this will not be counted into reserves for inventory price loss because the price has increased since this land was purchased.

6. Daily operation of the Board of Directors

(1) The Board of directors held a meeting on March 16,1999. 3 of the 5 directors attended the meeting. The following resolutions was examined and adopted.

1. 1998 Annual Report of the General Manager
2. The divident proposal for 1998
   The net profit of this year is RMB1,908,266.91, after withdrawing of stipulated surplus public reserves amounted to RMB190,826.69 (on ratio of 10%), and public welfare RMB95,413.35 (on ratio of 5%), the balance is RMB1,622,026.87. The balance will be transferred to the next year. Neither capitalizing of public reserves nor profit allotting will be implemented.
3. The 1998 Financial Settlement
4. The proposal of supplementing a director: approved the resigning requirement of Mr. Liang Minkai from the post of director, and Mr. Lin Binjun was nominated the new director.

The above resolutions was published on the March 24, 1999 issue of Securities Times and Hong Kong Commercial Daily.

(2) Till the end of 1999, all the resolutions adopted by shareholders' meeting has been successfully implemented and completed.

(3) The net profit of the year 1999 was RMB-11,446,567.18 , the Board of Directors suggested neither capitalizing of public reserves not profit allotting will be implemented.

(4) Introduction to directors, supervisors and senior managerial personnel

Name	Sex	Age	Occupation
Zhao Congzhao	Male	60	Chairman
Huang Xianfeng	Male	49	Vice Chairman
Zhou Jiachen	Male	49	Director
Zho Jiapin	Male	51	Director
Lin Binjun	Male	70	Director
Zeng Zhaosen	Male	64	Chairman of Supervisory Committee
He Xiaojuan	Female	33	Supervisor
Hui Shujian	Male	47	Supervisor
Shao Ying	Male	55	Chief Accountant

Jiang Yan	Male	30	Secretary of Board

(5) Annual Salary and shares held by directors and supervisors (shares)

Name	Shares held at the beginning of year	Shares held at the end of year	Changes	Annual salary (RMB)
Zhao Congzhao	12,100	12,100	0	48,000
Huang Xianfeng	24,200	24,200	0	48,000
Zhou Jiachen	0	0	0	0
Zhou Jiapin	0	0	0	0
Lin Binjun	0	0	0	0
Zeng Zhaosen	0	0	0	48,000
He Xiaojuan	0	0	0	0
Hui Shujian	4,840	4,840	0	18,000
Shao Ying	6,655	6,655	0	0
Jiang Yan	0	0	0	24,000

VI. Report of the Supervisory Committee

1. The resolutions of the Supervisory Committee during the period have been published on the March 24, 1999 issue of Security Times and Hong Kong Commercial Daily.

2. In the year of 1999, the Committee has implemented its duty strictly in accordance with the "Company Law" and the Article of Association of the Company. All of the directors and senior managerial personnel were loyalty to their duty. No action of illegal, misuse of authority or activities that against the Article of Association were found. No underground deal or activities which makes harm to the interests of shareholders or loss of company' s asset.

The auditor' s report submitted by Shenzhen Zhongtian Certified Public Accountants is a report "with reserved opinion". The following events are subjects to the notice of the investors

(1) At December 31, 1999, the balance of associated transmit in the account receivable and other receivables was equivalent to RMB106,550,930.30. The account receivable due to HK Hualiao Co., Ltd. was equivalent to RMB3,862,102.26. The above accounts havn' t been recovered till the issuing of this report. We can' t determine the possibility of recovering above accounts.

(2) At December 31, 1999, the loans which expired and not returned were equivalent to RMB64,402,913.00. Till the issuing of this report, the Company has established a initial loan reconstruction plan with the related banks. But the deferring procedure hasn' t been processed and the reconstruction plan hasn' t been adopted.

(3) The liquidation of HK Benelux Manufacturing Ltd. is under processing, the possibility of recovering the account receivable is not determined.

(4) The booking value of land owned by Hubei Jinglong Real Estate Development Co., Ltd. is RMB24,698,492.26. We can' t determine the market price of this land till December 31, 1999.

The Supervisory Committee hereby mentions the investors of the risks.

VII. Major Events

1. There is not any major associated transaction in the Company.

2. The law suit action against HK Benelux Manufacturing Ltd. about the debt and interest of HKD41,230,371.09 (equal to RMB44,025,790.25) has been determined by Hong Kong High Court. HK Benelux Manufacturing Ltd. should pay the debt and its interest (from Oct. 1, 1997 to June 7, 1999) amounted to HKD8,661,953.78 to the Company. This company hasn' t pay this debt yet since the determination. The Company has required for liquidation of HK Benelux Manufacturing Ltd. to the Hong Kong High Court in 1999. Till December 31, 1999, the liquidation was under processing. The above mentioned debt hasn' t been recovered yet.

3. There is not any capital purchasing, merging or reorganizing occurred in this year.

4. Shenzhen Zhongtian Certified Public Accountants and Horwath China (Shenzhen) Certified Public Accountants are still the accountants appointed by the Company.

5. No financing activities undertook during the year. No fund raised by financing activities carried down from the previous years.

6. No major contract was signed for guaranteed, leased or entrusted operations.

7. No entrusted deposit or loan which is expired and hasn' t been recovered in this year.

8. The name and the share abbreviation haven' t been changed in this year.

9. None of the Company, the directors, the supervisors and the senior managerial personnel was punished by the supervisory authorities.

10. The influence to the financial situation and operation results by implementing "The notice of publishing ' supplementary regulations of accountancy treatment of shareholding companies' " (Caikuaizi[1999]35) will be described in the financial statement and notes to financial statements.

11. The personnel, capital and asset of the Company have been completely separated from those of the holding companies. In the other word, the holding company is independent in personnel, integrity in asset and separate in accountancy with the Company.

VIII. Financial Statements

1. Auditor' s report
2. Financial statements: Comaprison Balance Sheet, Comparison Statement of Profit & Profit Allotting and Comparison Statement of Cash Flow
3. Notes to the Fianancial Statements

The above 3 documents are attached with the report.

IX. Other Information about the Company

1. The registration date of the Company: September 25, 1990
2. The registered address of the Company: 11/Blck., Zhongxing Industrial City, Nanyou, Nanshan District, Shenzhen
3. Business License Number: **工商外企合粤深第**101951**号**
4. Taxation Registration Number: Local Tax: 440305618853267
   State Tax: 440301618853267
5. Organization entrusted to manage the shares not listed: Shenzhen Stock Exchange
6. Accountants appointed by the Company:
   Shenzhen Zhongtian Certified Public Accountants
   Address: 6th Floor, Aihua Buiding, Shennanzhong Rd., Shenzhen

   Horwath China (Shenzhen) Certified Public Accountants
   Address: 16th Floor, Aihua Buiding, Shennanzhong Rd., Shenzhen

X. Documents for Reference

1. Financial Statements bearing the signatures and chops of Legal Representative, Chief Financial Administrator and Chief Accountant.
2. Original Copy of Auditor' s reports bearing the signatures and chops of the CPA and Certified Accountant.
3. All the original copies of the documents which have been published by the media appointed by the National Security Supervisory Committee during the period.
4. Article of Association of the Company

Note: This report is prepared both in Chinese and English. In case of any conflict of understanding, the Chinese version shall prevail. The auditor' s report attached to Chinese version is the report of domestic accountants. The auditors' report attached to English version is the report of overseas accountants. Please notice the deference.

Shenzhen Benelux Enterprise Co., Ltd.

April 25, 2000

SHENZHEN BENELUX ENTERPRISE COMPANY LIMITED

(INCORPORATED IN THE PEOPLE' S REPUBLIC OF CHINA)

REPORT OF THE AUDITORS AND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

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REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF B SHARES OF SHENZHEN BENELUX ENTERPRISE COMPANY LIMITED

(INCORPORATED IN THE PEOPLE' S REPUBLIC OF CHINA)

We have audited the financial statements on pages 4 to 18 which have been prepared in accordance with International Accounting Standards.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company' s directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements, it is fundamental that appropriate accounting policies are selected and applied consistently.
It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

FUNDAMENTAL UNCERTAINTIES

In forming our opinion ,we have considered the adequacy of the disclosures made in the financial statements concerning:

As set out in note 17 to the financial statements, the Company applied a litigation against Benelux Manufacturing Ltd., a shareholder, for the repayment of the amount of HK$41,230,371 due to the Company as at December 31, 1999. The judgment by the High Court of The Hongkong Special Administrative Region is that the Benelux Manufacturing Ltd. should pay the Company the sum of HK$8,661,953.78 with interest thereon from October 1, 1997 to June 7, 1999 at the rate of 13.5% p.a. and thereafter at the judgment rate to the date of payment. The Company applied a compulsory liquidation against Benelux Manufacturing Ltd. in September 1999. As at December 31, 1999, the amount due from shareholders mentioned above was still outstanding. As of the date of this report, we were not provided with sufficient evidence nor were we able to satisfy ourselves as to the collectability of the recivables.

As set out in note 15 to the financial statements, the book investment in subsidiaries of the Company are HK$16,036,681 as at December 31, 1999. The subsidiaries of the Company are Benelux Enterprise(Wuhan) Co., Ltd., Hubei Jinlong Real Estate Developments Co., Ltd. and Wuhan Duolunbao Beer City Ltd., which had ceased operation from 1997 and have no immediate plan to recommence operation. And as at December 31, 1999, the book value of properties under development of the subsidiariy Hubei Jinlong Real Estate Developments Co., Ltd. amounted to HK$24,698,492, because of the Company' s failing to provide us the realisable value of the properties , we are unable to determine whether the provision made to the properties under development is sufficient.

QUALIFIED OPINION ARISING FROM DISAGREEMENT ABOUT ACCOUNTING TREATMENT

As set out in note 9 to the financial statements, as at December 31, 1999, the Company had amount due from shareholders amounting to approximately HK$96,384,117, of which HK$11,185,822 aging within one year, HK$6,876,082 aging 1 to 2 years, HK$39,910,865 aging 2 to 3 years and HK$38,411,348 aging 3 to 5 years; the Company had amount due from subsidiaries amounting to HK$3,635,531, the subsidiaries had ceased operation from 1997; and the Company had receivables from an unrelated company amounting to HK$3,625,366 which aging 3 to 5 years. However, on the basis of the aging profile, in our opinion, a provision for bad dabts approximately HK$19,854,140 should have been made, reducing the net assets at December 31, 1999 and increasing the loss for the year then ended. In the opinion of the Company' s directors, no provision should be made for the debtors had promised to repay the arrears. As at the date of this report, the Company receive no payment and we were not provided with sufficient evidence nor were we able to satisfy ourselves as to the collectability of the above mentioned receivables. In the opinion of the Company' s directors, no collectability problem is anticipated.

Plant and machinery at December 31, 1999 include items with book value of approximately HK$15,243,920 which have been idled since 1995 and no depreciation has been charged since that time. In our opinion, the idled plant and machinery should be written down to their recoverable amount.

As set out in note 11 to the financial statements, the overdue loans of the Company are HK$60,455,189 as at December 31, 1999, of which loans supported by guarantees amounting to HK$ 15,861,691, mortgage loans amounting to HK$ 5,004,900, and documentary letter of credit

amounting to HK$39,588,598.As at the date of the report, the Company has not renewed the above overdue loans and has no obligation restructuring plan. The possible action and penalty which the banks may take against or impose on the Company and the financial consequences thereon for the non-repayment bank loans by the due dates. The financial statements have been prepared on a going concern basis, the validity of which depends upon the continuous funding being provided by the banks. The financial statements do not include any adjustment that would result if the banks demand immediate repayment of the expired bank loans.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine sufficient evidence regarding the collectability of the amount due from shareholders, amuont due from subsidiaries and the current receivables from an unrelated company; the effects of failure to provide an adequate provision for possible lossses on the receivables from the shareholders, the subsidiaries and the unrelated company; and the effect of failure to write down idled plant and machinery to their recoverable amount as described in the proceeding paragraphs, the financial statements give a true and fair view, in all material respects, the financial position of the Company as at December 31, 1999 and its loss and cash flows of the Company for the year then ended.

HORWATH CHINA(SHENZHEN)

CERTIFIED PUBLIC ACCOUNTANTS

February 23,2000

SHENZHEN BENELUX ENTERPRISE COMPANY LIMITED
(INCORPORATED IN THE PEOPLE' S REPUBLIC OF CHINA)

CONSOLIDATED PROFIT AND LOSS ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 1999

		1999	1998
	Notes	HK$' 000	HK$' 000
Turnover	4	13,250	50,369
Share of loss of subsidiaries		(6,215)	(1,330)
Loss before taxation	5	(7,589)	(117)
Taxation	6	---	194
Minority interests		(28)	(10)
Loss for the year retained		(7,561)	(321)
Loss per share	14	HK$(0.125)	HK$(0.005)

(The notes on pages 8 to page 18 form an integral part of the financial statements)

SHENZHEN BENELUX ENTERPRISE COMPANY LIMITED

(INCORPORATED IN THE PEOPLE' S REPUBLIC OF CHINA)

CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED DECEMBER 31, 1999

	Notes	1999 HK$' 000	1998 HK$' 000
Fixed assets	7	49,092	48,268
Amounts due from shareholders	9	96,384	85,198
Amounts due from subsidiaries	10	3,636	3,486
Pre-operating expenses		385	534
Interstests in subsidiaries	15	16,037	22,252
Current assets	8	55,553	53,824
Current liabilities	11	98,996	83,902
Net current (liabilities)/assets		(43,443)	(30,078)
		122,091	129,660
Minority interests		737	745
Net assets		121,354	128,915
		======	======
Share capital	12	79,078	79,078
Reserves	13	42,276	49,837
		121,354	128,915
		======	======

(The notes on pages 8 to page 18 form an integral part of the financial statements)

The consolidated financial statements were approved by the Board of Directors and are signed on its behalf by:

DIRECTOR

SHENZHEN BENELUX ENTERPRISE COMPANY LIMITED

(INCORPORATED IN THE PEOPLE' S REPUBLIC OF CHINA)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 1999

		1999	1998
		HK$' 000	HK$' 000
NET CASH INFLOW FROM OPERATING ACTIVITIES	(a)	1,746	1,123
INVESTING ACTIVITIES			
Acquisition of fixed assets		---	(188)
Proceeds from disposal of fixed assets		17	---
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		17	(188)
NET CASH INFLOW BEFORE FINANCING ACTIVITIES		1,763	935
FINANCING ACTIVITIES			
Interest paid		(1,618)	(1,695)
Increase in short-term loans		8,900	18,105
Repayment of bank and other loans		(8,974)	(18,719)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(1,692)	(2,309)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		71	(1,374)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(3)	337
CASH AT BANK AND IN HAND AT BEGINNING OF THE YEAR		976	2,013
CASH AT BANK AND IN HAND AT END OF THE YEAR		1,044	976
		====	====

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 1999

(a)Reconciliation of operating loss to net cash inflow from operating actibities

	1999	1998
	HK$' 000	HK$' 000
Loss before taxation	(7,589)	(117)
Adjustment for:		
Depreciation	2,216	2,448
Provision for bad debts	1,441	3,122
Interest expenses	(3,258)	(5,389)
Amortization of deferred assets	149	---
Loss on disposal of fixed assets	(21)	(9)
Share of loss of subsidiaries	6,215	1,330
Operating cash flow before movements in working capital	(847)	1,385
Decrease in inventories	1,015	4,445
(Increase) in debtors and prepayments	(2,826)	(38,581)
(Increase)/decrease in debtors due from shareholders	(11,186)	19,432
Increase in creditors and accrued charges	15,582	14,465
Decrease/(increase)in taxes payable	8	(23)
Net cash inflow from operating activities	1,746	1,123
	====	====

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

1.GENERAL INFORMATION

The Company was estiblished on September 25, 1990 as a Sino-foreign joint venture company as approved by the Shenzhen Municipal Government.
Pursuant to the approval granted by the Shenzhen Municipal Government on August 31, 1993, the Company was reorganized from a Sino-foreign joint venture company to a company limited by shares with a registered share capital of RMB50,000,000 and changed its name to Shenzhen Benelux Enterprise Co.Ltd.(深圳本鲁克斯实业股份有限公司).The Company secured a listing on the Shenzhen Securities Exchange for its "B" shares on May 30, 1994. As disclosed in note 11 to the financial statements, the registered share capital of the Company was subsequently increased to RMB60,500,000 by way of two bonus issues.
The principal activities of the Company are the production of computer keyboard, cassette and video tapes and related parts,other plastic products and toys .

2.BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Accounting Standards("IAS") as if those standards had been applied consistently throughout the year. This basis of accounting differs from that used in the statutory financial statements of the Company which were prepared in accordance with the accounting principles and the relevant financial regulations applicable to enterprises in the People' s Republic of China("PRC").
The net impact of the adjustments made to conform to IAS on the results of the Company for the year ended December 31, 1999 and its net assets at that date is included in note 18 to the financial statements.

3.PRINCIPAL ACCOUNTING POLICIES

A.Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to December 31 each year.

B.Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation.
Depreciation is provided to write off the cost or valuation of fixed assets less their estimated residual value over their anticipated useful lives on a straight line basis as follows:

	Useful lives	Estimated residual value as a percentage of cost
Buildings	20-30years	10%
Plant and machinery	5-12years	10%
Electronic equipment	5-6years	10%
Motor vehicles	5-8years	10%
Furniture, fixtures and office equipment	5-10years	10%

C.Inventories

Inventories are valued at the lower of cost and net realisable value.Cost of finished goods and work in progress includes cost of raw materials, direct labour and an appropriate portion of production overheads, calculated using the weighted average method. Net realisable value is calculated as the actual or estimated selling price less all further costs of production and the related costs of marketing ,selling and distribution.

D.Properties under development

Properties under development are valued at the lower of cost and net realisable value. Cost includes interest and other direct costs attributable to such properties, net of any interest income earned, until the properties reach a marketable state. Net realisable value represents the estimated selling price less all costs to completion and costs to be incurred in selling.

E.Taxation

PRC income taxation is provided at the rates applicable to joint venture enterprises in the Shenzhen Special Economic Zone, the PRC, on the income for financial reporting purposes adjusted for income and expense items which are not assessable or deductible for income taxation purposes.

Deferred taxation is provided, using the liability method, on all significant timing differences which are expected with reasonable probability to crystallise in the foreseeable future.

F.Foreign curreney translation

The financial records of the Company are maintained in Hong Kong dollars. Transactions in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising are dealt with in the profit and loss accounts. The financial statements of subsidiaries expressed in Renminbi are translated at the rates of exchange ruling at the balance sheet date. Any differences arising on exchange are dealt with as movements in reserve.

G. Revenue recognition

Revenue from the sale of goods is recognized when:

(i)the significant risk and rewards of ownership of the goods are passed to the customers;
(ii)the amount of services can be measured reliably;
(iii)the revenue has been received or is certain to be received;
(iv)the Company no longer retains effective control over the goods.

H. Pre-operating expenses

Pre-operating expenses relating to the set up of production operations are amortized over a period of 5 years commencing from the date of production.

4.TURNOVER

Turnover represents the invoiced value of goods supplied to customers, net of discounts and returns.

5. LOSS BEFORE TAXATION

	1999	1998
	HK$' 000	HK$' 000
Loss before taxation is arrived at after charging/(crediting):		
Depreciation	2,216	2,448
Interest expenses	110	1,801
Provision for bad debts	1,441	3,122
Interest income	(3,368)	(7,190)
	=====	=====

6. TAXATION

In accordance with the relevant income taxation laws applicable to joint venture enterprises in Shenzhen Special Economic Zone, the PRC, the Company has been granted a 50% exemption from joint venture income taxation for the current year. Accordingly, PRC income tax is provided at the rate of 7.5% on the estimated taxable income for the year.
Shenzhen Benelux Simulation & Control Ltd., the subsidiary of the Company, is subject to income tax rate of 15% on its assesable profit.

No deferred taxes have been provided in the financial statements as there are no material timing differences.

7.FIXED ASSETS

	1999.12.31	1998.12.31
	HK$' 000	HK$' 000
Cost/Valuation		
Buildings	44,957	41,978
Plant and machinery	24,979	24,976
Electronic equipment	560	560
Motor vehicles	812	1,191
Furniture ,fixtures and office equipment	4,882	4,882
	76,190	73,587
Accumulated depreciation		
Buildings	12,554	11,235
Plant and machinery	11,091	10,478
Electronic equipment	318	278
Motor vehicles	650	950
Furniture, fixtures and office equipment	2,485	2,378
	27,098	25,319
Net book value	49,092	48,268
	= = = = =	= = = = =

The Company' s fixed assets, together with other assets and liabilities ,as at December 31, 1992 were revalued by former ZHONGHUA(SHENZHEN) CERTIFIED PUBLIC ACCOUNTANTS.

8.CURRENT ASSETS

		1999.12.31	1998.12.31
		HK$' 000	HK$' 000
Inventories	(a)	4,219	5,234
Debtors and prepayments		50,290	47,614
Cash at bank and cash in hand		1,044	976
		55,553	53,824
		= = = = =	= = = = =

(a)Inventories

	1999.12.31	1998.12.31
	HK$' 000	HK$' 000
Raw materials	138	502,
Work in progress	1,757	470
Finished goods	1,644	3,877
Spare parts	680	385
	4,219	5,234
	= = = =	= = = =

9.AMOUNT DUE FROM SHAREHOLDERS

	1999.12.31	1998.12.31
	HK$' 000	HK$' 000
Benelux Manufacturing Ltd.	41,230	41,230
Shekou Hansheng Electronic Co., Ltd.	25,265	17,866
Wuhan Huaxing Electronic Co., Ltd.	2,666	2,271
Jingloong Investments Co., Ltd.	27,223	23,831
	96,384	85,198
	= = = = =	= = = = =

The amount due from Benelux Manufacturing Ltd., Shekou Hansheng Electronic Co., Ltd and Jingloong Investments Co., Ltd. is unsecured ,interest bearing at normal commercial rate and with no fixed terms of repayment. The amounts due from the other shareholders are unsecured ,interest free and with no fixed terms of repayment .As disclosed in note 17 to the financial statements, the Company has taken legal action to recover the amount due from Benelux Manufacturing Ltd..

10.AMOUNT DUE FROM SUBSIDIARIES

	1999.12.31	1998.12.31
	HK$' 000	HK$' 000
Benelux Enterprise(Wuhan) Co., Ltd.	3,636	3,486

11.CURRENT LIABILITIES

		1999.12.31	1998.12.31
		HK$' 000	HK$' 000
Bank loans	**(a)**	**65,505**	**66,000**
Creditors and accrued charges		**33,348**	**17,766**
Provision for taxation		**143**	**135**
		98,996	**83,901**
		= = = = =	= = = = =

(a)Bank loans

At December 31, 1999, the Company had short-term bank loans amounting to approximately HK$65,505,190 of which US$1,312,100, RMB2,000,000 and HK$3,850,000 are loans supported by guarantees ,US$130,000 and HK$9,050,000 are mortgage loans, and HK$39,588,598 are documentary letter of credit.

All bank loans bear interest at commercial rates.

The Company had short-term bank loans which supported by guarantees amounting to HK$3,850,000 which expired in October 1999, RMB2,000,000 and US$960,000 which expired in August 1997, US$350,000 which expired in May 1997. The Company had mortgage loans amounting to HK$2,000,000 and US$130,000 which expired in May 1999 , HK$2,000,000 which expired in October 1999, and the Company had documentary letter of credit amounting to HK$39,588,598 which expired in 1997. All the overdue loans of the Company are still outstanding and no payment extension has been handled in respect of them. Since the penalty interest rate is unknown, no provision for penalty has been made for the late repayment of the bank loans.
The above loans of HK$9,050,000 and US$130,000 are secured on certain of the Company properties with book value totaling HK$23,607,864.

12.SHARE CAPITAL

	1999.12.31
Registered capital	RMB' 000
29,483,078' A' shares at RMB1.00 each (Unlisted)	29,483
31,016,922' B' shares at RMB1.00each (Listed)	31,017
	60,500
	=====

Paid-up capital	RMB' 000	HK$' 000
29,483,078' A' shares at RMB1.00 each	29,483	42,576
31,016,922' B' shares at RMB1.00 each	31,017	36,502
	60,500	79,078
	=====	=====

Pursuant to the approval granted by the Shenzhen Municipal Government on in August 31, 1993, the Company was reorganised from a Sino-joint venture company to a company limited by shares with a registered share capital of RMB50,000,000 divided into 50,000,000 shares of RMB1.00 each.

Pursuant to the approval granted by SHENZHEN SECURITIES & EXCHANGE COMMISSION ,on July 15,1996 the Company issued 5,000,000 shares by way of a 10 for 1 bonus issue. 4,270,000 shares were issued by the capitalisation of retained profits as at December 31, 1995, 730,000 shares were issued by transfers from share premiun and asset revaluation reserve accounts. Following the bonus issue ,the Company' s share capital increased to RMB55,000,000 as at December 31, 1996.

Pursuant to the approval granted by SHENZHEN SECURITIES & EXCHANGE COMMISSION(深证办复[1997]No.104), on August 21 ,1997the Company issued 5,500,000 shares by way of a 10 for 1 bonus issue by the capitalisation of the Company' s reserves as at December 31, 1996. As at December 31, 1998 and December 31, 1999 the Company' s registered share capital was RMB60,500,000, divided into 60,500,000 shares of RMB1.00 each.

13.RESERVES

	Share premium	Retained profits	Asset revaluation reserve	Exchange difference	Surplus Fund	Total
	HK$' 000	HK$' 000	HK$' 000	HK$' 000	HK$' 000	HK$' 000
Balance as at January 1, 1999	26,066	4,149	7,819	(10,220)	(22,023)	49,837
Loss for the year	----	(7,561)	----	----	----	(7,561)
Balance as at December 31, 1999	26,066	(3,412)	7,819	(10,220)	22,023	42,276

14.LOSS PER SHARE

The calculation of loss per share is based on the loss after taxation of HK$7,561,000 and the 60,500,000 shares in issue at the end of the year.

15.SUBSIDIARIES

Particulars of the Company' s subsidiaries at December 31, 1999 are as follows:

Names	Country of incorporation	Nominal value of issued capital	Percentage of issued capital held by the Company directly	indirectly	Principal activities
Benelux Enterprise(Wuhan)Co., Ltd.	PRC	RMB24,221,925	100%	----	Investment holding
Hubei Jinlong Real Estate Development Co., Ltd.	PRC	RMB30,000,000	----	60%	Property Development
Shenzhen Benelux Simulation & Control Ltd.	PRC	RMB9,000,000	91.11%	----	Technology Development
Wuhan Duolunbao Beer City Ltd.	PRC	RMB4,800,000	----	75%	

The subsidaries of the Company Benelux Enterprise(Wuhan) Co., Ltd., Hubei Jinlong Real Estate DevelopmentsCo., Ltd. and Wuhan Duolunbao Beer City Ltd. had cease operation from 1997, and the subsidiaries has no immediate plan to recommence operation. These subsidiaries are not consolidated for 1999 and 1998.

16. RELATED PARTY TRANSACTIONS

During the year, the Company had the following transactions with shareholders:

	1999	1998
	HK$' 000	HK$' 000
Benelux Manufacturing Limited	----	3,913
Shekou Hansheng Electronic Co., Ltd.	1,556	2,175
Wuhan Huaxing Electronic Company Ltd.	163	232
Jingloong Investments Company Ltd.	3,392	2,963

17. CONTINGENT LOSSES AND LITIGATIONS

The Company took legal proceedings against Benelux Manufacturing Ltd., a shareholder, for the repayment of the amount HK$41,230,371 due to the Company as at December 31, 1999. The judgment by the High Court of The Hongkong Special Administrative Region is that the Benelux Manufacturing Ltd. should pay the Company the sum of HK$8,661,953.78 with interest thereon from October 1, 1997 to June 7, 1999 at the rate of 13.5% p.a. and thereafter at the judgment rate to the date of payment. The Company applied a compulsory liquidation against Benelux Manufacturing Ltd. in September, 1999. And as at December 31, 1999, the amount due from Benelux Manufacturing Ltd. was still outstanding.

18. NET IMPACT OF IAS ADJUSTMENTS ON THE RESULTS AND NET ASSETS

	Loss after taxation for the year ended Dec. 31,1999	Net assets at Dec. 31,1999
	HKD$' 000	HKD$' 000
As reported in the "A" share statutory fianancial statements prepared under PRC accounting principles	(10,728)	122,239
Adjustments to align with IAS:		
Fixed assets	194	(885)
Share of loss of subsidiaries	305	------
Provision for bad debts	2,668	------
As reported in the "B" share financial statements in accordance with IAS	(7,561)	121,354
	= = = = =	= = = = = =

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

20. LANGUAGE

The translated English version of the consolidated financial statements is for reference only. Should any disagreement arised, the Chinese version shall prevail.