

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2000

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 32.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

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

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

Goodwill

Negative goodwill, which is classified as capital reserve and represents the excess of the Group's share of the fair value ascribed to the separable net assets of a subsidiary acquired over the consideration paid, is credited directly to reserves.

Any premium arising on the acquisition of interest in an associate, representing the excess of the purchase consideration over the Group's share of the fair value ascribed to the separable net assets of the associate at the date of acquisition, is capitalised as part of the Group's interests in associates and amortised over a period of ten years.

On the disposal of investments in subsidiaries and associates, the attributable amount of unamortised goodwill/goodwill or premium previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the subsidiary and associate.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has been passed.

Commission income is recognised when services are rendered.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the terms of the relevant leases.

Dividend income from investments is recognised when the Group's right to receive payment is established.

Interest income is accrued on a time basis by reference to the principal outstanding and

at the interest rate applicable.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of the reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance of the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On subsequent disposal of an investment property, any revaluation surplus attributable to that property is included in the determination of the profit or loss on disposal.

No depreciation is provided in respect of investment properties which are held on leases with unexpired terms, including the renewable period, of more than twenty years.

Property, plant and equipment

Property, plant and equipment is stated at cost or valuation less depreciation and amortisation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Certain of the Group's leasehold land and buildings were revalued at 31st December, 1991. The surplus arising on revaluation of land and buildings was credited to the property revaluation reserve. The Group has adopted the transitional relief provided by paragraph 72 of the SSAP 17 "Property, plant and equipment" issued by the Hong

Kong Society of Accountants from the requirement to make revaluation on a regular basis of the Group's leasehold land and buildings and, accordingly, no further revaluation of leasehold land and buildings will be carried out. On subsequent disposal of such properties, the attributable revaluation surplus not yet transferred to retained profits in prior years is transferred to retained profits.

Depreciation and amortisation is provided to write off the cost or valuation of items of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the remaining term of the lease
Buildings	2% to 2.5% or over the remaining term of the lease, whichever is the shorter
Furniture, fixtures and equipment	16% to 20%
Motor vehicles	16% to 25%
Plant and machinery	20%
Computer equipment	20% to 33 ¹ / ₃ %

Subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any decline in the value of the subsidiary that is other than temporary.

Associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of its associate for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the premium paid on acquisition in so far as it has not already been written off or amortised.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised loss provide evidence of an impairment of the asset transferred.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the relevant lease.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of overseas subsidiaries are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

Cash equivalents

Cash equivalents represent short term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advances.

3. TURNOVER AND CONTRIBUTIONS TO PROFIT FROM OPERATIONS

The turnover and contributions to profit from operations of the Group for the year ended 31st December, 2000, analysed by principal activity and by geographical market, are as follows:

	<u>Turnover</u>		<u>Contributions to profit from operations</u>	
	<u>2000</u> HK\$'000	<u>1999</u> HK\$'000	<u>2000</u> HK\$'000	<u>1999</u> HK\$'000
By principal activity:				
Sales of chemicals and metals	1,023,216	820,237	35,355	28,227
Sales of electronic and video parts	202	356,680	10	10,762
Property investment - rental income	19,712	27,733	16,381	1,555
Other activities	10,574	18,405	2,090	44,586
	<u>1,053,704</u>	<u>1,223,055</u>	<u>53,836</u>	<u>85,130</u>
Interest income from bank deposits				
			7,824	7,285
			<u>61,660</u>	<u>92,415</u>
By geographical market:				
Hong Kong	635,337	891,464	33,303	71,207
Taiwan	222,158	143,821	7,442	4,181
Elsewhere in the People's Republic of China	114,199	109,285	21,474	7,210
Others	82,010	78,485	(559)	9,817
	<u>1,053,704</u>	<u>1,223,055</u>	<u>61,660</u>	<u>92,415</u>

4. OTHER REVENUE

Other revenue comprises:

	<u>2000</u> HK\$'000	<u>1999</u> HK\$'000
Interest income from bank deposits	7,824	7,285
Sundry income	1,838	883
Dividend income from an unlisted investment	228	94
Gain on disposal of property, plant and equipment	32	1,552
	-----	-----
	9,922	9,814
	=====	=====

5. PROFIT FROM OPERATIONS

	<u>2000</u> HK\$'000	<u>1999</u> HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	1,076	1,078
Rental payments in respect of properties under operating leases	1,955	1,965
and after crediting:		
Dividend income from listed investment	4,966	2,572
Gross rental income from properties under operating leases after outgoings of HK\$74,000 (1999: HK\$75,000)	19,638	27,658
Interest income from investments	1,601	2,406
	<u> </u>	<u> </u>

6. FINANCE COSTS

The finance costs represent interest on bank borrowings wholly repayable within five years.

7. DIRECTORS' EMOLUMENTS

	<u>2000</u> HK\$'000	<u>1999</u> HK\$'000
Directors' fees	530	630
Other emoluments to directors:		
Salaries and other benefits	2,909	2,764
Performance related incentive payments	323	307
	<u>3,232</u>	<u>3,071</u>
Total directors' emoluments	<u>3,762</u>	<u>3,701</u>

The amounts disclosed above include directors' fees of HK\$230,000 (1999: HK\$230,000) and other emoluments of HK\$170,000 (1999: HK\$170,000) payable to independent non-executive directors.

The emoluments of each of the directors for both years were within the emoluments band ranging from nil to HK\$1,000,000.

There was no compensation for loss of office paid to directors or former directors.

8. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group included two directors (1999: two directors), details of whose emoluments are included in the amounts disclosed in note 7 above. The emoluments of the remaining highest paid employees, other than directors of the Company, are follows:

	<u>2000</u> HK\$'000	<u>1999</u> HK\$'000
Salaries and other benefits	3,172	3,051
Performance related incentive payments	314	275
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	3,486	3,326
	<hr/> <hr/>	<hr/> <hr/>

Their emoluments were within the following bands:

	<u>2000</u> Number of employees	<u>1999</u> Number of employees
Nil to HK\$1,000,000	-	1
HK\$1,000,001 to HK\$1,500,000	3	2
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9. TAXATION

	<u>2000</u> HK\$'000	<u>1999</u> HK\$'000
The tax charge attributable to the Company and its subsidiaries comprises:		
Current taxation		
Hong Kong Profits Tax	3,002	3,681
Profits tax outside Hong Kong	1,476	1,571
	<hr/>	<hr/>
	4,478	5,252
Deferred taxation		
Hong Kong Profits Tax (note 22)	(1,558)	1,558
	<hr/>	<hr/>
	2,920	6,810
Share of taxation attributable to associates	26	-
	<hr/>	<hr/>
	2,946	6,810
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Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the year.

Taxation outside Hong Kong is calculated at the rates prevailing in the respective jurisdictions.

Details of the deferred taxation are set out in note 22.

10. NET PROFIT FOR THE YEAR

Of the Group's net profit for the year of HK\$43,878,000 (1999: HK\$78,032,000), a profit of HK\$50,751,000 (1999: HK\$53,009,000) has been dealt with in the financial statements of the Company.

11. DIVIDENDS

	<u>2000</u> HK\$'000	<u>1999</u> HK\$'000
Interim dividend paid of 2 cents (1999: 2.5 cents) per ordinary share	8,910	11,138
Final dividend proposed of 3 cents (1999: 4 cents) per ordinary share	13,365	17,820
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	22,275	28,958
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The final dividend of 3 cents (1999: 4 cents) per ordinary share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

12. EARNINGS PER SHARE

The calculation of the earnings per share is based on the net profit for the year of HK\$43,878,000 (1999: HK\$78,032,000) and on 445,500,000 ordinary shares (1999: 445,500,000 ordinary shares) in issue during the year.

13. INVESTMENT PROPERTIES

	<u>THE GROUP</u> HK\$'000
VALUATION	
At 1st January, 2000	218,792
Surplus arising on revaluation	1,354

At 31st December, 2000	220,146
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The Group's investment properties comprise:

	<u>2000</u> HK\$'000	<u>1999</u> HK\$'000
Properties held under medium-term leases:		
- in Hong Kong	9,000	9,000
- elsewhere in the People's Republic of China	166,686	165,618
	-----	-----
	175,686	174,618
Properties held under long leases:		
- elsewhere in the People's Republic of China	44,460	44,174
	-----	-----
	220,146	218,792
	=====	=====

All of the investment properties of the Group were revalued as at 31st December, 2000 by Knight Frank, an independent firm of professional valuers, on an open market value existing use basis. The resulting surplus arising on revaluation which amounted to HK\$1,354,000 has been credited to the consolidated income statement.

All the investment properties of the Group are rented out under operating leases.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold <u>buildings</u>	Furniture, and fixtures <u>equipment</u>	Motor <u>vehicles</u>	Plant and <u>machinery</u>	Computer <u>equipment</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP						
COST OR VALUATION						
At 1st January, 2000	43,139	13,165	4,241	1,387	2,445	64,377
Currency realignment	(344)	(14)	(60)	-	(6)	(424)
Additions	-	676	256	17	206	1,155
Disposals	-	(399)	(337)	-	(473)	(1,209)
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At 31st December, 2000	42,795	13,428	4,100	1,404	2,172	63,899
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Comprising:						
At cost	12,790	13,428	4,100	1,404	2,172	33,894
At valuation - 1991	30,005	-	-	-	-	30,005
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	42,795	13,428	4,100	1,404	2,172	63,899
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
DEPRECIATION AND AMORTISATION						
At 1st January, 2000	4,682	9,805	2,166	1,269	1,918	19,840
Currency realignment	(37)	(14)	(37)	-	(5)	(93)
Provided for the year	875	1,337	834	55	302	3,403
Eliminated on disposals	-	(323)	(252)	-	(427)	(1,002)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2000	5,520	10,805	2,711	1,324	1,788	22,148
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK VALUES						
At 31st December, 2000	37,275	2,623	1,389	80	384	41,751
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 1999	38,457	3,360	2,075	118	527	44,537
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Certain of the leasehold land and buildings of the Group were revalued at 31st December, 1991. Had all the leasehold land and buildings been carried at cost less accumulated depreciation and amortisation, the carrying value of these properties would have been stated at HK\$23,585,000 (1999: HK\$24,467,000).

	<u>Furniture, fixtures and equipment</u> HK\$'000	<u>Computer equipment</u> HK\$'000	<u>Total</u> HK\$'000
<u>THE COMPANY</u>			
COST			
At 1st January, 2000	2,401	1,865	4,266
Additions	167	52	219
Disposals	(20)	(283)	(303)
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At 31st December, 2000	2,548	1,634	4,182
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DEPRECIATION			
At 1st January, 2000	2,341	1,426	3,767
Provided for the year	47	220	267
Eliminated on disposals	(19)	(276)	(295)
	-----	-----	-----
At 31st December, 2000	2,369	1,370	3,739
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NET BOOK VALUES			
At 31st December, 2000	179	264	443
	=====	=====	=====
At 31st December, 1999	60	439	499
	=====	=====	=====

The Group's leasehold land and buildings comprise:

	<u>Leasehold land and buildings</u>	
	<u>2000</u> HK\$'000	<u>1999</u> HK\$'000
Properties held under medium-term leases:		
- in Hong Kong	25,961	26,570
- elsewhere in the People's Republic of China	3,347	3,430
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	29,308	30,000
Properties held under long leases:		
- overseas	7,967	8,457
	-----	-----
	37,275	38,457
	=====	=====

15. INVESTMENTS IN SUBSIDIARIES

	<u>THE COMPANY</u>	
	<u>2000</u>	<u>1999</u>
	HK\$'000	HK\$'000
Unlisted shares, at cost	38,587	38,587
	<u><u> </u></u>	<u><u> </u></u>

Particulars of the subsidiaries at 31st December, 2000 are set out in note 32.

16. INTERESTS IN ASSOCIATES

	<u>THE GROUP</u>	
	<u>2000</u> HK\$'000	<u>1999</u> HK\$'000
Share of net assets	24,684	453
Premium arising on acquisition	30,218	-
Amortisation of premium	(3,022)	-
	51,880	453
	51,880	453

Particulars of the associates at 31st December, 2000 are as follows:

<u>Name of associate</u>	<u>Form of business structure</u>	<u>Country of incorporation</u>	<u>Principal place of operation</u>	<u>Class of shares held</u>	Percentage of issued share capital held by the <u>Group</u> %	<u>Principal activities</u>
Asia Commercial Holdings Limited	Incorporated	Bermuda	Hong Kong	Ordinary	18.9	Watch Trading and retailing activities
KSIP (Thailand 1989) Co., Ltd.	Incorporated	Thailand	Thailand	Ordinary	49	Inactive

17. INVESTMENTS IN SECURITIES

THE GROUP

	Investment securities		Other investments		Total	
	2000	1999	2000	1999	2000	1999
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
Equity securities:						
Listed - Hong Kong	-	55,000	122,857	132,798	122,857	187,798
Listed - overseas	3,132	3,132	7,115	3,068	10,247	6,200
Unlisted	3,207	-	18,444	13,284	21,651	13,284
	<u>6,339</u>	<u>58,132</u>	<u>148,416</u>	<u>149,150</u>	<u>154,755</u>	<u>207,282</u>
Debt securities:						
Listed - overseas	-	-	12,676	14,294	12,676	14,294
Total securities:						
Listed	3,132	58,132	142,648	150,160	145,780	208,292
Unlisted	3,207	-	18,444	13,284	21,651	13,284
	<u>6,339</u>	<u>58,132</u>	<u>161,092</u>	<u>163,444</u>	<u>167,431</u>	<u>221,576</u>
Market value of listed securities	<u>3,432</u>	<u>39,432</u>	<u>142,648</u>	<u>150,160</u>	<u>146,080</u>	<u>189,592</u>
Carrying amount analysed for reporting purposes as:						
Noncurrent	6,339	58,132	3,701	3,701	10,040	61,833
Current	-	-	157,391	159,743	157,391	159,743
	<u>6,339</u>	<u>58,132</u>	<u>161,092</u>	<u>163,444</u>	<u>167,431</u>	<u>221,576</u>
<u>THE COMPANY</u>						
Equity securities:						
Listed - Hong Kong	-	-	-	4,417	-	4,417
Market value of listed securities	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,417</u>	<u>-</u>	<u>4,417</u>

Carrying amount analysed for reporting purposes as:

Current	-	-	-	4,417	-	4,417
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Particulars of the Group's investments in equity securities which exceeds 20% of the nominal value of the issued shares of that class disclosed pursuant to Section 129 (1) of the Companies Ordinance are as follows:

<u>Name of company</u>	<u>Place of registration</u>	<u>Type of investment held</u>	<u>Percentage of registered capital held by the Group</u>
Hebei Varwin Gas Propellents Co., Ltd. (note)	Elsewhere in the People's Republic of China	Registered capital	30%
Shenzhen Far East Oil Tools Co., Ltd. (note)	Elsewhere in the People's Republic of China	Registered capital	25%

Note: These companies have not been accounted for as associates as, in the opinion of the directors, the Group is not in a position to exercise significant influence over the management of these companies.

18. INVENTORIES

	<u>THE GROUP</u>	
	<u>2000</u>	<u>1999</u>
	HK\$'000	HK\$'000
Raw materials	226	210
Finished goods	40,623	54,308
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	40,849	54,518
	<hr/> <hr/>	<hr/> <hr/>

Included in inventories are finished goods of HK\$9,283,000 (1999: HK\$17,050,000) carried at net realisable value.

19. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows an average credit period of ranging from cash on delivery to 120 days to its trade debtors. The ageing analysis of trade debtors of HK\$81,023,000 (1999: HK\$95,572,000) which are included in the Group's debtors, deposits and prepayments are as follows:

	<u>2000</u> HK\$'000	<u>1999</u> HK\$'000
0 - 30 days	37,412	43,914
31 - 60 days	24,665	30,077
61 - 90 days	12,628	14,104
91 - 120 days	3,965	4,798
121 -365 days	2,353	2,679
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	81,023	95,572
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The Company did not have any trade debtors at the balance sheet date.

20. SHARE CAPITAL

	<u>Number of shares</u>	<u>Amount HK\$'000</u>
Ordinary shares of HK\$0.05 each		
Authorised:		
At beginning and at end of the years 1999 and 2000	700,000,000	35,000
Issued and fully paid:		
At beginning and at end of the years 1999 and 2000	445,500,000	22,275

21. RESERVES

	Share <u>premium</u> HK\$'000	Capital <u>reserve</u> HK\$'000	Investment property <u>revaluation</u> reserve HK\$'000	Property <u>revaluation</u> reserve HK\$'000	Exchange <u>reserve</u> HK\$'000	Retained <u>profits</u> HK\$'000	<u>Total</u> HK\$'000
<u>THE GROUP</u>							
At 1st January, 1999	153,728	26,090	5,280	16,065	1,504	271,467	474,134
Exchange differences arising on translation of overseas operations	-	-	-	-	11	-	11
Realised on disposal of a Property	-	-	-	(625)	-	625	-
Net profit for the year	-	-	-	-	-	78,032	78,032
Dividends	-	-	-	-	-	(28,958)	(28,958)
At 31st December, 1999	153,728	26,090	5,280	15,440	1,515	321,166	523,219
Exchange differences arising on translation of overseas operations	-	-	-	-	379	-	379
Share of movement of an associate	-	191	302	-	(168)	-	325
Net profit for the year	-	-	-	-	-	43,878	43,878
Dividends	-	-	-	-	-	(22,275)	(22,275)
At 31st December, 2000	153,728	26,281	5,582	15,440	1,726	342,769	545,526
Attributable to:							
Company and Subsidiaries	153,728	26,090	5,280	15,440	2,198	343,645	546,381
Associates	-	191	302	-	(472)	(876)	(855)
	153,728	26,281	5,582	15,440	1,726	342,769	545,526
<u>THE COMPANY</u>							
At 1st January, 1999	153,728	-	-	-	-	93,276	247,004
Net profit for the year	-	-	-	-	-	53,009	53,009
Dividends	-	-	-	-	-	(28,958)	(28,958)
At 31st December, 1999	153,728	-	-	-	-	117,327	271,055
Net profit for the year	-	-	-	-	-	50,751	50,751
Dividends	-	-	-	-	-	(22,275)	(22,275)
At 31st December, 2000	153,728	-	-	-	-	145,803	299,531

The balance of investment property revaluation reserve of the Group at 31st December, 2000 includes an amount of HK\$5,280,000 (1999: HK\$5,280,000), which represents the accumulated amount transferred from the property revaluation reserve as a result of the change in usage of certain previously self occupied leasehold properties to investment properties. Such revaluation reserve has been frozen upon the transfer and will be transferred to retained profits when the relevant properties are disposed of.

The Company's reserves available for distribution to shareholders as at 31st December, 2000 comprised the retained profits of HK\$145,803,000 (1999: HK\$117,327,000).

22. DEFERRED TAXATION

	<u>THE GROUP</u>	
	<u>2000</u>	<u>1999</u>
	HK\$'000	HK\$'000
At beginning of the year	1,558	-
(Credit) charge for the year (note 9)	(1,558)	1,558
	<hr/>	<hr/>
At end of the year	-	1,558
	<hr/> <hr/>	<hr/> <hr/>

The deferred tax liability above is provided on the surplus arising on the Group's unrealised gain on revaluation of investments in securities.

At 31st December, 2000, the Group had an unrecognised deferred tax asset of approximately HK\$14,694,000 (1999: HK\$17,450,000) relating to unutilised tax losses of certain subsidiaries. The deferred tax asset has not been recognised as it is uncertain whether the benefit will crystallise in the foreseeable future.

A deferred tax liability has not been provided on the surplus arising on revaluation of the Group's properties situated in Hong Kong as profits arising on the disposal of such properties, if any, would not be subject to taxation. Accordingly, the valuation does not constitute a timing difference for tax purposes.

Neither the Group nor the Company had any other significant unprovided deferred taxation for the year or at the balance sheet date.

23. CREDITORS AND ACCRUED CHARGES

The ageing analysis of the trade creditors of HK\$14,338,000 (1999: HK\$34,724,000) which are included in the Group's creditors and accrued charges are as follows:

	<u>2000</u> HK\$'000	<u>1999</u> HK\$'000
0 - 30 days	12,827	30,769
31 - 60 days	1,335	3,500
61 - 90 days	168	102
91 - 120 days	2	182
121 -365 days	6	171
	<hr/>	<hr/>
	14,338	34,724
	<hr/> <hr/>	<hr/> <hr/>

The Company did not have any trade creditors at the balance sheet date.

24. BANK BORROWINGS

	<u>THE GROUP</u>		<u>THE COMPANY</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The bank borrowings, which are all due within one year, comprise:				
Bank loans and overdrafts				
Secured	17,782	17,381	-	-
Unsecured	127,672	125,964	10,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
	145,454	143,345	10,000	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

25. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<u>2000</u> HK\$'000	<u>1999</u> HK\$'000
Profit before taxation	48,208	85,669
Share of loss of associates	850	-
Amortisation of premium arising on acquisition of an associate	3,022	-
Unrealised loss (gain) on investments in securities	16,927	(39,231)
(Surplus) deficit arising on revaluation of investment properties	(1,354)	23,402
Interest income from bank deposits	(7,824)	(7,285)
Interest expenses	12,602	6,746
Depreciation and amortisation	3,403	3,507
Dividend income from an unlisted investment	(228)	(94)
Gain on disposal of property, plant and equipment	(32)	(1,552)
Decrease (increase) in inventories	13,550	(2,181)
Decrease (increase) in debtors, deposits and prepayments	11,917	(5,933)
Increase in bills receivable	(4,685)	(2,416)
Increase in other investments	(17,850)	(51,722)
(Decrease) increase in creditors and accrued charges	(23,178)	3,066
Increase (decrease) in bills payable	1,557	(1,327)
	<hr/>	<hr/>
NET CASH INFLOW FROM OPERATING ACTIVITIES	56,885	10,649
	<hr/> <hr/>	<hr/> <hr/>

26. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	<u>Bank loans</u> HK\$'000	<u>Minority interests</u> HK\$'000
Balance at 1st January, 1999	3,362	33,027
Currency realignment	-	9
Repayment of bank loans	(3,362)	-
Minority interests in the profit of subsidiaries	-	827
Dividends paid to minority shareholder of a subsidiary	-	(5,320)
	-----	-----
Balance at 31st December, 1999	-	28,543
Currency realignment	-	(256)
Minority interests in the profit of subsidiaries	-	1,384
Dividends paid to minority shareholders of subsidiaries	-	(1,154)
Amounts repaid to minority shareholders of a subsidiary	-	(1,260)
	-----	-----
Balance at 31st December, 2000	-	27,257
	=====	=====

27. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	<u>2000</u> HK\$'000	<u>1999</u> HK\$'000
Short term bank deposits	66,099	103,238
Bank balances and cash	96,706	37,655
Bank loans and overdrafts	(145,454)	(143,345)
	<hr/>	<hr/>
	17,351	(2,452)
	<hr/> <hr/>	<hr/> <hr/>

28. MAJOR NON CASH TRANSACTION

During the year, the Group's investment securities amounting to HK\$55,000,000 (1999 : nil) was reclassified as interests in associates.

29. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group and the Company were committed to pay the following amounts within one year in respect of rented premises under non-cancellable operating leases which expire:

	<u>THE GROUP</u>		<u>THE COMPANY</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	1,079	217	338	60
In the second to fifth year inclusive	262	1,698	360	688
	<hr/>	<hr/>	<hr/>	<hr/>
	1,341	1,915	698	748
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

30. CONTINGENT LIABILITIES

	<u>THE COMPANY</u>	
	<u>2000</u>	<u>1999</u>
	HK\$'000	HK\$'000
Extent of banking facilities utilised by subsidiaries in respect of which guarantees were given to banks by the Company	147,560	131,392
	<u> </u>	<u> </u>

31. PLEDGE OF ASSETS

At 31st December, 2000, certain leasehold properties and investments in securities with aggregate carrying values of HK\$7,967,000 (1999: HK\$8,457,000) and HK\$45,498,000 (1999: HK\$46,635,000), respectively, were pledged to banks to secure banking facilities granted to the Group.

32. SUBSIDIARIES

Particulars of the subsidiaries at 31st December, 2000 are as follows:

<u>Name of subsidiary</u>	<u>Place of incorporation/ registration</u>	<u>Principal place of operation</u>	<u>Issued/ registered and fully paid capital</u>	<u>Percentage of issued/ registered capital held by the company</u>		<u>Principal activities</u>
				Ordinary	Non-voting preferred (note)	
Asia Fame International Limited	Hong Kong	Hong Kong	HK\$1,000,000	-	100*	Inactive
Bright Star Limited	Cook Islands	Hong Kong	US\$1,000	-	100	Investment holding
Charterway Development Limited	Hong Kong	Hong Kong	HK\$1,000,000	-	100	Property investment
E.P. Resources Limited	Hong Kong	Hong Kong	HK\$10,000	-	100*	Securities investment and trading
Electrochemical Technologies Limited	Hong Kong	Hong Kong	HK\$2	-	100*	Securities trading
EngoTech Limited	Hong Kong	Hong Kong	HK\$10,000	-	100*	Manufacturing of and trading in electroplating chemicals and solutions
Ever Channel Properties Limited	Hong Kong	Else-where in the People's Republic of China	HK\$10,000	-	90	Property investment

<u>Name of subsidiary</u>	<u>Place of incorporation/ registration</u>	<u>Principal place of operation</u>	<u>Issued/ registered and fully paid capital</u>	<u>Percentage of issued/ registered capital held by the company</u>		<u>Principal activities</u>
				Ordinary	Non-voting preferred (note)	
					%	
Global Trade Properties Limited	Hong Kong	Else- where in the People's Republic of China	HK\$10,000	-	90	Property investment
Gold Asset Properties Limited	Hong Kong	Else- where in the People's Republic of China	HK\$10,000	-	90	Property investment
Jollifair Investment Limited	Hong Kong	Hong Kong	HK\$10,000	-	100*	Investment holding
Kee Shing (Coins) Limited	Hong Kong	Hong Kong	HK\$1,000,000	-	100*	Securities trading
Kee Shing Hardware Supplies Limited	Hong Kong	Hong Kong	HK\$800,000	HK\$400,000	100	Trading in stainless steel and video components
Kee Shing Industrials Products Limited	Hong Kong	Hong Kong, Taiwan, South Korea and Thailand	HK\$200	HK\$1,000,000	100*	Investment holding and trading in electro-plating chemicals and metals

<u>Name of subsidiary</u>	<u>Place of incorporation/ registration</u>	<u>Principal place of operation</u>	<u>Issued/ registered and fully paid capital</u>	<u>Percentage of issued/ registered capital held by the company</u>		<u>Principal activities</u>
				Ordinary	Non-voting preferred (note) %	
Kee Shing International Limited	Hong Kong	Hong Kong	HK\$2	-	100*	Securities trading
Kee Shing (Investments) Limited	Cook Islands	Cook Islands	US\$1,000	-	100*	Investment holding
Kee Shing Property Consultants (Shanghai) Co., Ltd.	Else-where in the People's Republic of China	Else-where in the People's Republic of China	RMB2,902,060	-	100*	Property management
King Shen Industrial Products Company Limited	Taiwan	Taiwan	NT\$5,000,000	-	70	Trading in in electroplating chemicals and metals
Kingsview Properties Limited	Hong Kong	Else-where in the People's Republic of China	HK\$10,000	-	90	Property investment
Klendo Limited	Hong Kong	Else-where in the People's Republic of China	HK\$10,000	-	90	Property investment

<u>Name of subsidiary activities</u>	<u>Place of incorporation/ registration</u>	<u>Principal place of operation</u>	<u>Issued/ registered and fully paid capital</u>	<u>Percentage of issued/ registered capital held by the Company</u>		<u>Principal Company</u>
				Ordinary	Non-voting preferred (note) %	
KSIP (Singapore) Pte. Ltd.	Republic of Singapore	Republic of Singapore	S\$1,000,000	-	51	Trading in electroplating chemicals and metal plating products
Pacific Apex International Limited	Hong Kong	Hong Kong	HK\$10,000	-	100*	Investment holding
Pacific Wide Properties Limited	Hong Kong	Elsewhere in the People's Republic of China	HK\$10,000	-	90	Property investment
Pakwell Investment Limited	Hong Kong	Hong Kong	HK\$10,000	-	55*	Inactive
Sam Wing International Limited	Hong Kong	Elsewhere in the People's Republic of China	HK\$200	HK\$2,160,000	100*	Trading in chemicals
Sam Wing Resources, Inc.	United States of America	United States of America	US\$1,000	-	55	Trading in machinery and equipment

<u>Name of subsidiary activities</u>	<u>Place of incorporation/ registration</u>	<u>Principal place of operation</u>	<u>Issued/ registered and fully paid capital</u>	<u>Percentage of issued/ registered capital held by the Company</u>		<u>Principal Company</u>
				Ordinary	Non-voting preferred (note)	
Sam Wing Resources Limited	Hong Kong	Else- where in the People's Republic of China	HK\$3,000,000	-	55*	Trading in in machinery and equipment
Sure Glory Ventures, Inc.	British Virgin Island	Australia	US\$2	-	100*	Investment holding
Topbase Properties Limited	Hong Kong	Else- where in the People's Republic of China	HK\$10,000	-	90	Property investment
Top Image Properties Limited	Hong Kong	Else- where in the People's Republic of China	HK\$10,000	-	90	Property investment
Trendex Investment Limited	Hong Kong	Else- where in the People's Republic of China	HK\$10,000	-	100*	Property investment
Union Channel Properties Limited	Hong Kong	Else- where in the People's Republic of China	HK\$10,000	-	90	Property investment

<u>Name of subsidiary activities</u>	<u>Place of incorporation/ registration</u>	<u>Principal place of operation</u>	<u>Issued/ registered and fully paid capital</u>	<u>Percentage of issued/ registered capital held by the Company</u>		<u>Principal Company</u>
				Ordinary	Non-voting preferred (note) %	
Union Crown Properties Limited	Hong Kong	Else- where in the People's Republic of China	HK\$10,000	-	90	Property investment
Unitech Development (Far East) Inc. Limited	Hong Kong	Else- where in the People's Republic of China	HK\$2	-	55	Inactive
Winbase Properties Limited	Hong Kong	Else- where in the People's Republic of China	HK\$10,000	-	90	Property investment

* Directly held by the Company

None of the subsidiaries had any loan capital subsisting at 31st December, 2000 or at any time during the year.

Note:

The non-voting preferred shares, which are not held by the company, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution on winding up.

PARTICULARS OF INVESTMENT PROPERTIES
AT 31ST DECEMBER, 2000

<u>LOCATION</u>	<u>TYPE</u>	<u>LEASE TERM</u>
HONG KONG		
Units A, B, D and E on 2nd Floor, Kee Shing Centre, 74-76 Kimberley Road, Tsimshatsui, Kowloon Hong Kong	Commercial	Medium-term lease
ELSEWHERE IN THE PEOPLE'S REPUBLIC OF CHINA		
Units 1003, 1005, 1010, 1011, 1012, 1013 on 10th Floor, the whole of 11th and 12th Floors and the Multi-function Room on Roof, Novel Building, 887 Huai Hai Road Central, Luwan District, Shanghai People's Republic of China	Commercial	Medium-term lease
15th Floor, Shui On Plaza 333 Huai Hai Road Central, Luwan District, Shanghai People's Republic of China	Commercial	Medium-term lease
5D, 6A, 6E, 9F, 12E, 15F, 16A, 17F, 19E, 20A, 22C, 24E, 26A, 26F, 27A, 27F, 28A, 29E, 31E, 33E, of Huadua Court, Haihua Garden, the Junction of Xiexu Road and Dapu Road, Luwan District, Shanghai, People's Republic of China	Residential	Long lease

PARTICULARS OF INVESTMENT PROPERTIES - continued
AT 31ST DECEMBER, 2000

<u>LOCATION</u>	<u>TYPE</u>	<u>LEASE TERM</u>
3B, 10D, 12E, 15C, 17C, 17D, 22D, 23D, 25D, 25F, 27C, 27F, 28C, 30D, 33D, 33F of Huali Court, Haihua Garden, the Junction of Xiexu Road and Dapu Road, Luwan District, Shanghai, People's Republic of China	Residential	Long lease
4B, 7B, 7F, 27C, 33E of Huaying Court, Haihua Garden, the Junction of Xiexu Road and Dapu Road, Luwan District, Shanghai, People's Republic of China	Residential	Long lease
5B, 8B, 9C, 9D, 10D, 11C, 12D, 24C, 33E, of Huaxin Court, Haihua Garden, the Junction of Xiexu Road and Dapu Road, Luwan District, Shanghai, People's Republic of China	Residential	Long lease
