

Notes to Financial Statements

31 December 2000

1. CORPORATE INFORMATION

During the year, the Group was involved in the following principal activities:

- trading of motor vehicles and spare parts
- property development and investment
- provision of financial services
- general trading and services

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of investment properties and certain equity investments, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2000. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital, or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting. Goodwill arising from the acquisition of associates, which is not eliminated directly against reserves at the time of acquisition, is included as part of the Group's interests in associates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on consolidation of subsidiaries and on acquisition of associates represents the excess purchase consideration paid over the fair values ascribed to the net underlying assets acquired and is either eliminated directly against reserves in the year of acquisition or amortised over a period of forty years in equal annual instalments commencing from the date of acquisition.

Upon disposal of subsidiaries/associates, the attributable amount of unamortised goodwill, or goodwill previously eliminated against reserves at the time of acquisition is realised and accounted for in arriving at the gain or loss on disposal.

Trading rights

Trading rights, representing the eligibility right to trade on The Stock Exchange of Hong Kong Limited, are stated at cost less accumulated amortisation. Cost was determined by the directors according to the methodology detailed in note 17. Amortisation is calculated on the straight-line basis to write off the cost of the trading right over its estimated useful life of ten years.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account 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 fixed asset, the expenditure is capitalised as an additional cost of that asset.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal, being the difference between the net sales proceeds and the carrying amount of the relevant asset, is included in the profit and loss account.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Construction in progress	Nil
Freehold land	Nil
Freehold building	1.6%
Long term leasehold land and buildings	Over the terms of the individual leases or 50 years, whichever is shorter
Medium term leasehold land and buildings	Over the terms of the individual leases
Leasehold improvements	20%
Furniture, fixtures and equipment	20% - 33 1/3%
Motor vehicles	20%
Vessel	10%

Construction in progress

Construction in progress represents factory buildings and offices under construction, and is stated at cost. Cost comprises the costs of construction incurred during the period of construction. Construction in progress is reclassified to the appropriate category of fixed assets when it is completed and ready for use.

Properties under development

Properties under development include the cost of land, construction, financing and other related expenses plus, in the case of pre-sold properties or portions thereof, any attributable profit received on the contracted sales less any provision for foreseeable losses deemed necessary by the directors.

Development properties where construction either has not yet commenced, or has been deferred are included as land held for development and are stated at cost less any provision for diminutions in values considered necessary by the directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Profit on sale of properties under development

When properties under development have been pre-sold, the total estimated profit is apportioned over the entire period of construction to reflect the progress of the development. On this basis, profit recognised on the pre-sold portion of the properties is calculated by reference to the stage of completion of the properties, limited to the extent of non-refundable progress payments received. No profit is recognised until the construction work has progressed to the stage where the eventual completion of the project, and the estimated profit thereon, can be determined with a reasonable degree of certainty.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential. Such properties with unexpired lease terms of more than 20 years are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Long term investments

Long term investments are non-trading investments in listed and unlisted equity securities intended to be held on a long term basis.

Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. Unlisted securities are stated at their estimated fair values on an individual basis.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long term investments (continued)

The gains or losses arising from changes in the fair values of a security are dealt with as movements in the long term investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the long term investment revaluation reserve, together with the amount of any further impairment, is charged to the profit and loss account for the period in which the impairment arises. Where the circumstances and events which led to an impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, any appreciation in fair value is credited to the profit and loss account to the extent of the amount of the impairment previously charged.

Short term investments

Short term investments are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of motor vehicles is determined on the unit cost basis. The cost of all other inventories is determined on the weighted average basis. Cost includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs necessary to make the sale.

Properties for sale

Properties for sale, consisting of completed properties, are classified as current assets and stated at the lower of cost and net realisable value. Cost includes all development expenditure and other direct costs attributable to such properties. Net realisable value is determined by reference to prevailing market prices, on an individual property basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade receivables

Trade receivables are recognised and carried at original invoice amount less provision for doubtful debts which are made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Provision for doubtful loans

Provision is made against loans as and when their collection is considered doubtful by the directors. In addition, an amount is set aside as a general provision for doubtful loans. Loans are stated in the financial statements net of this provision.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Retirement benefits schemes

The Group continues to operate an occupational retirement scheme registered under the Occupational Retirement Scheme Ordinance (Cap. 426). This scheme has been granted exemption pursuant to Section 5 of the Mandatory Provident Fund (MPF) Schemes Ordinance. Contributions are made based on a percentage of the employees' basic salaries. When an employee leaves the scheme, unvested benefits will be used to reduce the ongoing employer's contributions.

In December 2000, the MPF scheme was set up pursuant to the MPF Schemes Ordinance. Employer's contributions based on 5% of the employees' relevant incomes will be fully vested by the employees upon retirement.

Notes to Financial Statements

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits schemes (continued)

Contributions from these schemes are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group and managed by independent professional fund managers.

Operating leases

Leases where substantially all the rewards and risks of ownership of the assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) the sale of goods, property developments and listed investments, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods, property developments or listed investments sold;
- (b) the rendering of repair services, based on the stage of completion of the transaction, provided that this and the costs incurred as well as the estimated costs to completion can be measured reliably. The stage of completion of a transaction associated with the rendering of services is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

- (c) rental income, on a time proportion basis over the lease terms;
- (d) interest income, on a time proportion basis taking into account the principal outstanding and the effective rate of interest applicable;
- (e) dividends, when the shareholders' right to receive payment is established;
- (f) trading of foreign exchange, on the transaction date when the relevant contract is entered into;
- (g) commission and brokerage income from securities dealing, on a trade date basis; and
- (h) the rendering of insurance brokerage services, when the related insurance premiums become payable.

Cash equivalents

For the purpose of the consolidated cash flow statement, 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 advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

3. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold and repair services rendered, the gross proceeds arising from the sale of property developments, interest income earned on time deposits, term loans and margin loans and overdue accounts of securities clients, dividend income from listed investments, foreign exchange trading income, net gains on dealing in listed investments, commission and brokerage income from securities dealing and insurance income, but excludes intra-group transactions.

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3. TURNOVER AND REVENUE (continued)

The Group's turnover and revenue for the year arose from the following activities:

	2000	1999
	HK\$'000	HK\$'000
Sales of goods	3,198,249	2,656,163
Repair services income	119,760	107,322
Gross proceeds on sale of property developments	8,462	9,787
Interest income on:		
Time deposits	15,381	40,981
Term loans and margin loans	23,542	7,975
Overdue accounts of securities clients	58	74
Dividend income from listed investments	21,245	10,048
Foreign exchange trading income	32,226	16,592
Net gains on dealing in listed investments	123,553	16,805
Commission and brokerage income from securities dealing	14,094	6,649
Insurance income	545	451
Turnover	3,557,115	2,872,847
Gross rental income	10,365	9,273
Other interest income	27,160	53,881
Write-back of provision for losses on open foreign exchange trading positions	54,285	–
Other income	14,545	10,353
Appreciation in fair values of long term listed investments	–	107,200
Forfeited deposits	–	24
Other revenue	106,355	180,731
Total revenue for the year	3,663,470	3,053,578

4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/ (crediting):

	2000 HK\$'000	1999 HK\$'000
Cost of inventories sold	2,811,159	2,366,805
Cost of services rendered	58,800	54,189
Depreciation	36,154	37,168
Amortisation of goodwill	20,719	22,126
Amortisation of trading rights	150	–
Operating lease rentals for land and buildings	14,020	17,262
Provision for doubtful debts	21,286	19,546
Provision against loans receivable	30,000	–
Provision for obsolete inventories	968	–
Provision for losses on open foreign exchange trading positions	–	75,855
Provision for impairments in fair values of short term listed investments	140,110	7,349
Loss on deemed disposal of an interest in an associate	–	1,300
Auditors' remuneration	2,385	2,044
Staff costs (excluding directors' remuneration (note 6)):		
Wages and salaries	118,272	109,801
Pension contributions	3,948	3,340
Less: Forfeited contributions	(754)	(874)
Net pension contributions	3,194	2,466
	121,466	112,267
Dividend income from listed investments	(21,245)	(10,048)
Write-back of provision for losses on open foreign exchange trading positions	(54,285)	–
Rental income, net	(10,299)	(8,095)
Gain on disposal of fixed assets, net	(636)	(717)
Foreign exchange losses/(gains), net	574	(14,275)
Interest income	(66,141)	(102,911)
Appreciation in fair values of long term listed investments	–	(107,200)

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4. PROFIT FROM OPERATING ACTIVITIES (continued)

At the balance sheet date, forfeited contributions amounting to HK\$9,000 (1999: HK\$8,000) were available to reduce the Group's future pension contributions. The current year's forfeited contributions arose in respect of staff who left the retirement benefits scheme during the year.

5. FINANCE COSTS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Interest on borrowings wholly repayable		
within five years:		
Bank loans	81,050	94,320
Trust receipt loans	43,107	34,641
Bank overdrafts	3,574	178
	127,731	129,139

6. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Fees:		
Executive directors	-	-
Independent non-executive directors	120	120
	120	120
Executive directors:		
Salaries, allowances and benefits in kind	6,161	5,161
Pension contributions	223	134
Performance related bonuses	1,160	500
	7,544	5,795
	7,664	5,915

6. DIRECTORS' REMUNERATION (continued)

The remuneration of the directors fell within the following bands:

	2000	1999
	Number of directors	Number of directors
HK\$Nil - HK\$1,000,000	2	2
HK\$1,000,001 - HK\$1,500,000	6	5

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

7. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (1999: one) executive director, further details of whose remuneration are disclosed in note 6. The details of the remuneration of the remaining four (1999: four) non-director, highest paid employees are set out below:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	6,881	6,745
Pension contributions	270	130
Performance related bonuses	1,004	451
	8,155	7,326

The remuneration of the non-director, highest paid employees fell within the following bands:

	2000	1999
	Number of employees	Number of employees
HK\$1,500,001 – HK\$2,000,000	3	3
HK\$2,000,001 – HK\$2,500,000	1	1

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8. TAX

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

		Group	
	Note	2000 HK\$'000	1999 HK\$'000
Group:			
Hong Kong		2,746	5,335
Elsewhere		53,737	601
Under/(over) provision in prior years		5	(2,231)
Tax rebate relating to prior year		-	(325)
Deferred tax	28	(80)	-
		56,408	3,380
Associates:			
Elsewhere		49,636	43,769
Tax charge for the year		106,044	47,149

9. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$51,711,000 (1999: HK\$7,705,000).

10. DIVIDEND

	Company	
	2000 HK\$'000	1999 HK\$'000
Proposed final – HK 3 cents (1999: HK 3 cents) per ordinary share	28,535	28,535

11. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on net profit from ordinary activities attributable to shareholders for the year of HK\$148,100,000 (1999: HK\$144,402,000). The number of ordinary shares in issue during the year was 951,165,000 shares (1999: 951,165,000).

Diluted earnings per share for the year ended 31 December 2000 has not been calculated as the exercise prices of the Company's outstanding share options were higher than the average market price of the ordinary shares for the year. The weighted average number of ordinary shares for the purpose of diluted earnings per share for the year ended 31 December 1999 was 951,364,950 shares.

12. FIXED ASSETS**Group**

	Construction in progress HK\$'000	Land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Vessel HK\$'000	Total HK\$'000
Cost:							
At 1 January 2000	570	616,331	23,467	121,777	47,872	1,850	811,867
Exchange adjustments	1	(26,123)	(197)	(4,599)	(821)	-	(31,739)
Additions	1,002	18,659	1,466	11,991	13,190	-	46,308
Reclassifications	(273)	-	-	273	-	-	-
Disposals	(298)	(258)	(1,299)	(10,970)	(5,187)	-	(18,012)
Acquisition of subsidiaries	-	-	-	182	-	-	182
At 31 December 2000	1,002	608,609	23,437	118,654	55,054	1,850	808,606
Accumulated depreciation:							
At 1 January 2000	-	48,243	12,258	71,382	29,847	447	162,177
Exchange adjustments	-	(1,516)	(32)	(3,358)	(158)	-	(5,064)
Provided during the year	-	12,990	2,019	14,526	6,434	185	36,154
Disposals	-	(9)	(1,236)	(10,346)	(1,953)	-	(13,544)
Acquisition of subsidiaries	-	-	-	18	-	-	18
At 31 December 2000	-	59,708	13,009	72,222	34,170	632	179,741
Net book value:							
At 31 December 2000	1,002	548,901	10,428	46,432	20,884	1,218	628,865
At 31 December 1999	570	568,088	11,209	50,395	18,025	1,403	649,690

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12. FIXED ASSETS (continued)

The Group's land and buildings included above are held under the following lease terms:

	Hong Kong HK\$'000	Elsewhere HK\$'000	Total HK\$'000
Freehold	–	265,546	265,546
Long term leases	9,345	33,072	42,417
Medium term leases	–	240,938	240,938
Net book value at 31 December 2000	9,345	539,556	548,901

Company

	Leasehold Land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Vessel HK\$'000	Total HK\$'000
Cost:						
At 1 January 2000	10,500	3,181	5,463	8,795	1,850	29,789
Additions	–	839	652	–	–	1,491
Disposals	–	–	(1,398)	–	–	(1,398)
At 31 December 2000	10,500	4,020	4,717	8,795	1,850	29,882
Accumulated depreciation:						
At 1 January 2000	945	3,123	4,399	6,941	447	15,855
Provided during the year	210	491	902	940	185	2,728
Disposals	–	–	(1,375)	–	–	(1,375)
At 31 December 2000	1,155	3,614	3,926	7,881	632	17,208
Net book value:						
At 31 December 2000	9,345	406	791	914	1,218	12,674
At 31 December 1999	9,555	58	1,064	1,854	1,403	13,934

The Company's land and buildings are situated in Hong Kong and are held under a long term lease.

13. PROPERTIES UNDER DEVELOPMENT

	Group	
	2000	1999
	HK\$'000	HK\$'000
At 1 January	1,118,860	413,530
Exchange adjustments	3,403	1,215
Additions, at cost	69,709	10,012
Acquisition of subsidiaries	404,096	694,103
At 31 December	1,596,068	1,118,860

No interest or other borrowing costs were capitalised during the year.

Details of the properties under development are as follows:

Location	Group interest	Site area	Gross floor area	Stage of completion	Expected completion date
China Honest Plaza, Hu Bin Dong Road, Xiamen, People's Republic of China	93%	15,045m ²	120,360m ²	Design stage	Phase I 2003
Lot No. 26, Wu Zhong Road, Hong Qiao Town, Shanghai, People's Republic of China	100%	96,317m ²	105,949m ²	Relocation	Phase I 2004
1319, Yan An Xi Road, Shanghai, People's Republic of China	95%	14,880m ²	78,000m ²	Design stage	2003
Wang Jing New City, A3 Residential Area, Hua Jia Di, Chaoyang District, Beijing, People's Republic of China	67%	134,000m ²	400,000m ²	Design stage	Phase I 2002
Lot No.7, Cheng Du Road, Jing An District, Shanghai, People's Republic of China	95%	7,358m ²	44,148m ²	Land bank	–

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14. INVESTMENT PROPERTIES

	Group	
	2000 HK\$'000	1999 HK\$'000
At 1 January	70,445	55,091
Exchange adjustments	(754)	980
Transfer from fixed assets, at existing carrying amount	-	13,257
Surplus on revaluation	-	1,117
At 31 December	69,691	70,445

	Company	
	2000 HK\$'000	1999 HK\$'000
Balance at beginning and end of year	2,091	2,091

The investment properties are held under medium term leases. Other details are as follows:

Location	Group interest	Gross floor area	Existing use
Rooms E, F, G and H on 7th Floor Chung Shun Commercial and Residential Building, Tian Shan Road/Gin Sha Tung Road, Shantou, Guangdong, People's Republic of China	100%	432.7m ²	Offices
12th and 24th Floors and car parking space nos.36, 37, 38, 39, 40 and 41 in Basement 2, Guangzhou International Trading Centre, Tianhe North Road, Tianhe District, Guangzhou, Guangdong, People's Republic of China	100%	2,956.2m ²	Offices
16th Floor and car parking space nos. 51 & 52, Shartex Plaza, 88 Zun Yi Nan Road, Shanghai, People's Republic of China	100%	954.0m ²	Offices

At 31 December 2000, the Group's investment properties were revalued on an open market, existing use basis by James Ip & Associates Ltd., an independent professional qualified valuer, at a value which was not significantly different from their carrying amount.

15. INTERESTS IN SUBSIDIARIES

	Company	
	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	3,361,673	2,361,673
Due from subsidiaries	1,907,288	2,387,721
Due to subsidiaries	(479,508)	(24,903)
	4,789,453	4,724,491
Less: Provisions for permanent diminutions in values	(178,100)	(112,044)
	4,611,353	4,612,447

Details of the principal subsidiaries are set out in note 36 to the financial statements.

16. INTERESTS IN ASSOCIATES

	Group	
	2000 HK\$'000	1999 HK\$'000
Share of net assets other than goodwill	1,368,316	1,423,095
Unamortised goodwill as at year end	177,782	193,188
	1,546,098	1,616,283
Due from associates	3,442	1,823
Due to associates	(26,046)	(31,849)
	1,523,494	1,586,257

Details of the principal associates are set out in note 37 to the financial statements.

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16. INTERESTS IN ASSOCIATES (continued)

The following is a condensed summary of certain additional financial information for the two years ended 31 December 2000, in respect of the major associated group, Capital Motors Inc. and its subsidiaries:

	2000	1999
	HK\$'000	HK\$'000
RESULTS		
Turnover	4,128,592	3,661,947
Net profit attributable to shareholders	389,338	271,634
The Group's share of profit before tax for the year	185,181	126,125
ASSETS AND LIABILITIES		
Fixed assets	3,913,820	3,978,833
Other long term assets	310,784	208,546
Current assets	1,913,519	1,611,624
Current liabilities	(2,021,459)	(1,265,593)
Long term liabilities	(297,828)	(550,172)
Minority interests	(54,486)	(49,095)
Net assets	3,764,350	3,934,143
Share of net assets attributable to the Group	1,313,758	1,373,016

17. INTANGIBLE ASSETS

Group

	Goodwill HK\$'000	Trading rights HK\$'000	Total HK\$'000
Cost:			
At 1 January 2000	672,015	–	672,015
Exchange adjustments	(36,801)	–	(36,801)
Transfer from long term investments	–	3,000	3,000
At 31 December 2000	635,214	3,000	638,214
Accumulated amortisation:			
At 1 January 2000	32,085	–	32,085
Exchange adjustments	(1,757)	–	(1,757)
Provided during the year	15,892	150	16,042
At 31 December 2000	46,220	150	46,370
Net book value:			
At 31 December 2000	588,994	2,850	591,844
At 31 December 1999	639,930	–	639,930

Pursuant to the restructuring of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Hong Kong Futures Exchange Limited (the "Futures Exchange"), effective on 6 March 2000, the Group received trading rights granting eligibility to trade on the Stock Exchange and 805,000 ordinary shares of HK\$1.00 each in the Hong Kong Exchanges and Clearing Limited (the "HKEC Shares"), in exchange for its one share previously held in the Stock Exchange.

The prior carrying cost of the previously-held share in the Stock Exchange (note 18) has been apportioned to the trading rights and the HKEC Shares on the basis of their respective estimated fair values on 6 March 2000.

The trading rights were classified as intangible assets. The HKEC Shares were classified as short-term investments. Subsequent to their classification under these balance sheet categories, the trading rights and the HKEC Shares have been treated in accordance with the intangible asset and the short term investments accounting policies, respectively. All of the HKEC Shares were disposed of during the year.

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18. LONG TERM INVESTMENTS

	Notes	Group		Company	
		2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Overseas listed equity investments, at market value	(i)	-	598,152	-	-
Overseas unlisted equity investments, at fair value		1,886	5,854	-	-
Transferable club membership debentures		6,118	7,601	1,820	1,820
One share in The Stock Exchange of Hong Kong Limited	(ii)	-	4,500	-	-
Statutory deposits		1,729	1,138	-	-
		9,733	617,245	1,820	1,820

Notes:

- (i) The long term overseas listed equity investments were reclassified as short term investments following the change of management's intention in holding the investments.
- (ii) The Group held one share in the Stock Exchange as at 31 December 1999. Pursuant to the restructuring of the Stock Exchange and the Futures Exchange, effective on 6 March 2000, this share was exchanged for Stock Exchange Trading Rights and 805,000 HKEC Shares, as further detailed in note 17.

19. SHORT TERM INVESTMENTS

	Group	
	2000 HK\$'000	1999 HK\$'000
Listed equity investments, at market value:		
Hong Kong	100,248	121,947
Overseas	519,954	74,521
	620,202	196,468

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20. INVENTORIES

	Group	
	2000	1999
	HK\$'000	HK\$'000
Motor vehicles and spare parts	271,374	185,117
Machinery and spare parts	46,794	38,083
Trading plywood/round logs	–	11,464
Properties held for sale	–	6,503
Watch movements	–	15,185
Others	–	129
	318,168	256,481

21. TRADE RECEIVABLES

The aged analysis of trade receivables was as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Current	317,924	377,189
0 – 3 months	28,930	24,948
4 – 6 months	8,151	8,118
7 – 12 months	816	10,828
Over 1 year	68,031	179,616
	423,852	600,699
Provision	(74,601)	(53,769)
Total net of provision	349,251	546,930

The Group has granted credit to substantially all its debtors ranging from 30-60 days. Due to certain trade patterns, a minority of debtors have been given a credit period of 90-150 days.

Notes to Financial Statements

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22. OTHER RECEIVABLES

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Prepayments and deposits	83,520	82,978	2,506	2,792
Tax recoverable	3,884	6,629	3,884	2,903
	87,404	89,607	6,390	5,695

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Cash and bank balances	176,927	156,345	71	13,811
Time deposits	863,033	1,026,534	27,502	106,820
	1,039,960	1,182,879	27,573	120,631
Less: Pledged time deposits	(711,628)	(692,484)	-	-
	328,332	490,395	27,573	120,631

24. TRADE AND BILLS PAYABLES

The aged analysis of trade and bills payables was as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Current	378,361	437,019
0 – 3 months	2,021	555
7 – 12 months	-	5
Over 1 year	-	1,278
	380,382	438,857

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25. OTHER PAYABLES AND ACCRUALS

	Note	Group		Company	
		2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Accruals and deposits received		174,275	113,025	19,403	9,511
Warranty provision		13,819	7,073	-	-
Proposed final dividend	10	28,535	28,535	28,535	28,535
		216,629	148,633	47,938	38,046

26. INTEREST-BEARING BANK LOANS

	Note	Group		Company	
		2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Current portion of bank loans	27	1,068,157	1,071,975	236,756	297,957
Trust receipt loans	27	600,905	490,860	-	-
		1,669,062	1,562,835	236,756	297,957

27. INTEREST-BEARING BANK LOANS AND OTHER NON INTEREST-BEARING LOAN

		Group		Company	
		2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bank loans:					
Secured		602,374	612,440	-	-
Unsecured		1,064,518	1,215,970	672,495	860,269
		1,666,892	1,828,410	672,495	860,269
Other loan:					
Unsecured		260,715	200,726	260,715	200,726
Trust receipt loans		600,905	490,860	-	-
		2,528,512	2,519,996	933,210	1,060,995

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27. INTEREST-BEARING BANK LOANS AND OTHER NON INTEREST-BEARING LOAN (continued)

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bank loans repayable:				
Within one year or on demand	1,068,157	1,071,975	236,756	297,957
In the second year	290,153	346,488	225,158	297,958
In the third to fifth years, inclusive	308,582	409,947	210,581	264,354
	1,666,892	1,828,410	672,495	860,269
Other loan repayable:				
Beyond one year	260,715	200,726	260,715	200,726
Trust receipt loans repayable within one year or on demand	600,905	490,860	-	-
	2,528,512	2,519,996	933,210	1,060,995
Portion classified as current liabilities – note 26	(1,669,062)	(1,562,835)	(236,756)	(297,957)
Long term portion, unsecured	859,450	957,161	696,454	763,038

At 31 December 2000, short term bank loans amounting to HK\$602,374,000 were secured by fixed charges on foreign currency bank deposits of HK\$688,230,000.

At 31 December 2000, the other loan had been advanced by a major shareholder. This loan is unsecured, interest-free and will not be repayable within 12 months of the balance sheet date.

28. DEFERRED TAX

	Note	Group	
		2000 HK\$'000	1999 HK\$'000
At 1 January		399	412
Exchange adjustments		(5)	(13)
Credit for the year	8	(80)	-
At 31 December		314	399

28. DEFERRED TAX (continued)

The principal components of the Group's provision for deferred tax, and the amounts not provided for in these financial statements, are as follows:

	Provided		Not provided	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Accelerated capital allowances	314	399	2,155	197
Tax losses available for future relief	-	-	(14,657)	(19,018)
	314	399	(12,502)	(18,821)

The benefit of any future tax relief, which arises from losses previously incurred by the Company and certain of its subsidiaries, has not been included as an asset in the balance sheet because the directors consider it prudent not to recognise the benefit until it is assured beyond reasonable doubt.

Except for the unprovided benefit of any future tax relief, the Company had no other significant unprovided deferred tax as at the balance sheet date.

The revaluation of the Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

29. SHARE CAPITAL

Shares

	2000 HK\$'000	1999 HK\$'000
Authorised:		
1,200,000,000 ordinary shares of HK\$1 each	1,200,000	1,200,000
Issued and fully paid:		
951,165,000 ordinary shares of HK\$1 each	951,165	951,165

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29. SHARE CAPITAL (continued)

Share options

Pursuant to the share option scheme for employees (the "Scheme") duly approved on 25 June 1997, the directors may, within a period of five years commencing on the same date, grant options to any employee and/or director (excluding non-executive directors) of the Company or any of its subsidiaries to subscribe for shares in the Company in accordance with the provisions of the Scheme. Under the Scheme, the subscription price of the shares over which the options are granted is the higher of 80% of the average of the closing prices on the Stock Exchange for the five trading days immediately preceding the date of the offer of the option and the nominal value of the shares.

The granted share options may be exercised at any time during the period of ten years from the second anniversary of the date on which the share option is deemed to be granted and accepted by the holders in accordance with the provisions of the Scheme.

Details of the share options granted pursuant to the Scheme are as follows:

	Number of share options to subscribe for one ordinary share at an exercise price of		Total
	HK\$5.89	HK\$6.00	
At beginning of year	5,915,000	3,492,000	9,407,000
Cancelled during the year	(240,000)	(128,000)	(368,000)
At 31 December 2000	5,675,000	3,364,000	9,039,000

The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 9,039,000 additional ordinary shares of HK\$1 each for aggregate proceeds of HK\$53,609,750 before the related share issue expenses.

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30. RESERVES

	Share premium account HK\$'000	Capital reserve HK\$'000	Investment property revaluation reserve HK\$'000	Long term investment revaluation reserve HK\$'000	Reserve funds* HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Group								
At 1 January 1999	2,459,512	-	13,943	-	7,872	42,260	203,637	2,727,224
Exchange adjustments	-	-	-	-	225	(129,748)	-	(129,523)
Share of general reserves of associates	-	-	-	-	933	-	-	933
Movement in fair value	-	-	-	2,108	-	-	-	2,108
Surplus on revaluation	-	-	1,117	-	-	-	-	1,117
Retained profit for the year	-	-	-	-	-	-	115,867	115,867
At 31 December 1999 and 1 January 2000	2,459,512	-	15,060	2,108	9,030	(87,488)	319,504	2,717,726
Exchange adjustments	-	-	-	-	-	(106,474)	-	(106,474)
Share of general reserves of associates	-	-	-	-	927	-	-	927
Surplus on revaluation	-	-	-	1,824	-	-	-	1,824
Transfer to profit and loss account	-	-	-	(3,932)	-	-	-	(3,932)
Reclassifications #	-	12,743	(12,743)	-	-	-	-	-
Retained profit for the year	-	-	-	-	-	-	119,565	119,565
Transfer from retained profits	-	-	-	-	1,576	-	(1,576)	-
At 31 December 2000	2,459,512	12,743	2,317	-	11,533	(193,962)	437,493	2,729,636

* Pursuant to the respective laws and regulations for Sino-foreign joint venture enterprises and Korean incorporated company, a portion of the profit of associates and subsidiaries of the Group in the People's Republic of China and Republic of Korea has been transferred to reserve funds.

A surplus of HK\$12,743,000 arising on the restatement to fair value at the date of acquisition of certain land and buildings of an acquired subsidiary, which took place in the year ended 31 December 1998, has been reclassified to the Group's capital reserve.

Notes to Financial Statements

31 December 2000

30. RESERVES (continued)

	Share premium account HK\$'000	Retained profits HK\$'000	Total HK\$'000
Company			
At 1 January 1999	2,459,512	267,730	2,727,242
Profit for the year	–	7,705	7,705
Dividend	–	(28,535)	(28,535)
At 31 December 1999 and 1 January 2000	2,459,512	246,900	2,706,412
Profit for the year	–	51,711	51,711
Dividend	–	(28,535)	(28,535)
At 31 December 2000	2,459,512	270,076	2,729,588
Group			
	2000	1999	
	HK\$'000	HK\$'000	
Profits retained by:			
The Company and subsidiaries	380,912	235,002	
Associates	56,581	84,502	
	437,493	319,504	

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

- (a) Reconciliation of profit from operating activities to net cash inflow from operating activities

	2000	1999
	HK\$'000	HK\$'000
Profit from operating activities	211,320	204,617
Provision for doubtful debts	21,286	19,546
Provision against loans receivable	30,000	–
Provision for obsolete inventories	968	–
(Write-back of provision)/provision for losses on open foreign exchange trading positions	(54,285)	75,855
Release of long term investment revaluation reserve	(2,108)	–
Appreciation in fair values of long term listed investments	–	(107,200)
Interest income	(66,141)	(102,911)
Dividend income from listed investments	(21,245)	(10,048)
Rental income, net	(10,299)	(8,095)
Gain on disposal of fixed assets, net	(636)	(717)
Loss on deemed disposal of an interest in an associate	–	1,300
Depreciation	36,154	37,168
Amortisation of goodwill	20,719	22,126
Amortisation of trading rights	150	–
Decrease/(increase) in cash held on behalf of securities clients	4,120	(1,796)
Decrease/(increase) in short term investments	175,918	(83,870)
(Increase)/decrease in inventories	(62,655)	76,789
Decrease/(increase) in trade receivables and other receivables	38,782	(107,924)
(Increase)/decrease in loans receivable	(187,371)	25,518
(Decrease)/increase in trade and bills payables, and other payables and accruals	(20,848)	169,819
Increase in trust receipt loans with a maturity at inception of more than three months	110,045	54,654
Net cash inflow from operating activities	223,874	264,831

Notes to Financial Statements

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31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Acquisition of subsidiaries during the year

	2000 HK\$'000	1999 HK\$'000
Net assets acquired:		
Fixed assets	164	1,177
Property under development	404,096	694,103
Accounts receivable, prepayments and deposits	121	18,333
Cash and bank balances	3,105	2,932
Accounts payable, accruals and deposits received	(10)	(9,659)
Due to related companies	(229,484)	(124,348)
Minority interests	29,351	14,177
	207,343	596,715
Satisfied by:		
Cash paid	269,278	–
Assignment of loan due by a subsidiary	(229,484)	–
Settlement of trade receivables	137,190	596,715
Cash payable	30,359	–
	207,343	596,715

The analysis of the net (outflow)/inflow of cash and cash equivalents in respect of the acquisition of the subsidiaries during the year is as follows:

	2000 HK\$'000	1999 HK\$'000
Cash paid	(269,278)	–
Cash and bank balances acquired	3,105	2,932
Net (outflow)/inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(266,173)	2,932

The subsidiaries acquired during the year made no significant contribution to the Group in respect of the cash flow, turnover and contribution to the consolidated profit after tax and before minority interests for the year.

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Analysis of changes in financing during the year

	Short term bank loans and other loan HK\$'000	Minority interests HK\$'000	Long term bank loans and other loan HK\$'000
At 1 January 1999	1,099,387	244,689	895,505
Exchange adjustments	-	(3,112)	-
Share of profits for the year	-	11,024	-
On acquisition of subsidiaries	-	(14,177)	-
Provision for losses on open foreign exchange trading positions	75,855	-	-
Loan to minority interest	-	(8,212)	-
Reclassifications	93,798	-	(93,798)
Repayment of short term bank loans and other loan	(358,641)	-	-
New bank loans and other loan	161,576	-	155,454
At 31 December 1999 and 1 January 2000	1,071,975	230,212	957,161
Exchange adjustments	-	(3,643)	863
Increased investments in subsidiaries	-	10,738	-
Share of profits for the year	-	16,928	-
On acquisition of subsidiaries	-	(29,351)	-
Write-back of provision for losses on open foreign exchange trading positions	(57,632)	-	-
Repayment to minority interest	-	(1,308)	-
Reclassifications	402,149	-	(402,149)
Repayment of short term bank loans and other loan	(406,190)	-	-
New bank loans and other loan	57,855	-	303,575
At 31 December 2000	1,068,157	223,576	859,450

(d) Major non-cash transactions

- (i) As further detailed in note 17 to the financial statements, during the year, the Company received Stock Exchange Trading Rights and 805,000 HKEC Shares in exchange for its one share previously held in the Stock Exchange.
- (ii) During the year, the Group acquired a subsidiary holding a development property interest from a trade debtor as settlement of HK\$137 million.

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32. CONTINGENT LIABILITIES

At the balance sheet date, the Group had contingent liabilities in respect of bills discounted with recourse and bank guarantees given in lieu of deposit payments, amounting to HK\$92,749,000 (1999: HK\$108,675,000) and HK\$3,861,000 (1999: HK\$1,660,000), respectively.

At the balance sheet date, the Company had contingent liabilities relating to guarantees given to banks to secure general banking facilities granted to subsidiaries and an associate amounting to HK\$2,076,411,000 (1999: HK\$1,562,708,000).

33. PLEDGE OF ASSETS

Details of the Group's bank loans and overdrafts secured by assets of the Group are included in note 27 to the financial statements.

A subsidiary has pledged time deposits of approximately HK\$23,398,000 (1999: Nil) to secure banking facilities granted to independent third parties.

34. COMMITMENTS

(a) Capital commitments

At the balance sheet date, the Group had the following capital commitments, which had not been provided for in the financial statements.

	Group	
	2000	1999
	HK\$'000	HK\$'000
Capital commitments:		
Contracted for	536,158	122,461
Authorised, but not contracted for	-	529,850
	536,158	652,311

At the balance sheet date, the Company had no material capital commitments.

34. COMMITMENTS (continued)

(b) Commitments under operating leases

At 31 December 2000, the Group and the Company had commitments under non-cancellable operating leases to make payments in the following year as follows:

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Land and buildings expiring:				
Within one year	7,918	2,616	3,476	-
In the second to fifth years, inclusive	830	7,815	-	6,953
	8,748	10,431	3,476	6,953

(c) Other commitments

Forward foreign exchange contracts	93,910	42,478	-	-
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35. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the year:

	2000 HK\$'000	1999 HK\$'000
Interest income received	2,698	1,823

A wholly owned subsidiary of the Group which is involved in financial services business provided advances to related parties of a director of the Company in the ordinary and normal course of business of that subsidiary on commercial terms. At 31 December 2000, the amounts due from related parties amounted to HK\$24,952,000 (1999: HK\$24,956,000). These transactions also constituted connected transactions as defined in the Listing Rules.

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36. SUBSIDIARIES

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2000	1999	
Lei Shing Hong Automobile Limited #	Hong Kong	HK\$2,200 million	100%	100%	Investment holding
Eastern Star Automobile Limited	Hong Kong	HK\$10,000	100%	100%	Trading of motor vehicles
Shanghai Eastern Star Automobile Trading Company Limited	People's Republic of China	US\$4,460,000	100%	100%	Trading of motor vehicles
Shanghai Star Automobile Service Company Limited	People's Republic of China	US\$2,500,000	100%	100%	Motor vehicle repairs and maintenance
Xiamen Airport Star Automobile Repair Centre Limited *	People's Republic of China	RMB12,500,000	60%	60%	Motor vehicle repairs and maintenance
Pasture Developments Limited	British Virgin Islands @	US\$100	100%	100%	Investment holding
Glory Sheen Investment Limited	Hong Kong	HK\$10,000	100%	100%	Investment holding
Big Dragon Limited	British Virgin Islands @	HK\$10,000	100%	100%	Investment holding
Han Sung Motor Company Limited	Republic of Korea	WON7,550 million	97%	97%	Investment holding and trading of motor vehicles

36. SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2000	1999	
Asia Pacific Star Limited	British Virgin Islands @	US\$1	100%	100%	Investment holding
Beijing Star Automobile Service Company Limited*	People's Republic of China	US\$10,000,000	60%	60%	Motor vehicle repairs and maintenance
Jinan Star Automobile Repair and Service Company Limited *	People's Republic of China	US\$5,000,000	60%	60%	Motor vehicle repairs and maintenance
Dalian Star Automobile Service Company Limited *	People's Republic of China	US\$5,000,000	51%	51%	Motor vehicle repairs and maintenance
Qingdao Star Automobile Service Company Limited *	People's Republic of China	US\$1,650,000	60%	60%	Motor vehicle repairs and maintenance
Northern Star Automobile (Hong Kong) Limited	Hong Kong	HK\$1,000	56%	56%	Trading of motor vehicles
Northern Star (Tianjin) Automobile Limited *	People's Republic of China	US\$30,000,000	56%	56%	Trading of motor vehicles
Bonview Developments Limited	British Virgin Islands @	US\$1	100%	100%	Investment holding

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36. SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2000	1999	
Xiamen China Honest Property Development Limited *	People's Republic of China	US\$5,000,000	100%	100%	Property development
China Honest Limited	Hong Kong	HK\$10,000,000	100%	100%	Investment holding
Shanghai Hong Xin Real Estate Development Company Limited *	People's Republic of China	US\$16,700,000	100%	80%	Property development
Lei Shing Hong Properties Limited (formerly Central Town Properties Limited)#	Hong Kong	HK\$1,000 million	100%	–	Investment holding
Lei Shing Hong Properties (China) Limited (formerly Hugang Development Limited)	Hong Kong	HK\$10,000	100%	100%	Investment holding
Beijing Bao Xing Property Company Limited *	People's Republic of China	US\$12,000,000	67%	67%	Property development
Lei Sing Property Development (Shanghai) Limited *	People's Republic of China	US\$20,000,000	95%	–	Property development
Lei Shing Hong Trading Limited #	Hong Kong	HK\$10,000,000	100%	100%	General trading

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36. SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2000	1999	
Lei Shing Hong Wood Products Limited	British Virgin Islands @	US\$2,000,000	60%	60%	General trading
Lei Shing Hong Wood Products (Shanghai) Company Limited	People's Republic of China	US\$1,000,000	60%	60%	General trading
Asialuxe Trading Limited	Hong Kong	HK\$2	60%	60%	General trading
Kalstar (S) Pte. Limited *#	Singapore	S\$7,000,000	100%	100%	Trading of vehicle spare parts
Lei Shing Hong Capital Limited #	Hong Kong	HK\$10,000	100%	100%	Financial services
Lei Shing Hong Investment Limited	Hong Kong	HK\$10,000	100%	100%	Share trading and investment
Lei Shing Hong Securities Limited	Hong Kong	HK\$50,000,000	100%	100%	Securities dealing
Forrader Corporation	British Virgin Islands @	US\$1	100%	100%	Share trading and investment
Forever Top Investments Limited	British Virgin Islands @	US\$1	100%	100%	Share trading and investment
Jetime Investments Limited	British Virgin Islands @	US\$1	100%	100%	Share trading and investment

Notes to Financial Statements

31 December 2000

36. SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2000	1999	
Lei Shing Hong Insurance Services Limited	Hong Kong	HK\$100,000	100%	100%	Insurance brokerage
Lei Shing Hong Finance Limited	Hong Kong	HK\$30,000,000	100%	100%	Financial services
Lei Shing Hong Credit Limited	Hong Kong	HK\$10,000	100%	100%	Financial services
Lei Shing Hong Machinery Limited #	Hong Kong	HK\$100,000,000	100%	100%	Investment holding and trading of heavy machinery
Lei Shing Hong Machinery (Kunshan) Company Limited	People's Republic of China	US\$6,000,000	100%	100%	Trading of heavy machinery
Lei Shing Hong Machinery (Shanghai) Company Limited	People's Republic of China	US\$500,000	100%	100%	Trading of heavy machinery

* – Audited by public accountants other than Ernst & Young

– Directly held by the Company

@ – The principal place of operations of these entities is Hong Kong

The above summary lists the principal subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

37. ASSOCIATES

Particulars of the Group's principal associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group		Principal activities
			2000	1999	
Capital Motors Inc.	Corporate	Taiwan	34.9%	34.9%	Trading of motor vehicles
Tung Shin Auto Leasing Company	Corporate	Taiwan	21%	21%	Leasing of automobiles
Tung Yang Leasing Company Limited	Corporate	Taiwan	21%	21%	Leasing of automobiles
Karcher Limited	Corporate	Hong Kong	49%	49%	Distribution of cleaning equipment
Shanghai Ben Chi Automobile Limited (note)	Corporate	People's Republic of China	55%	55%	Trading of motor vehicles
Shanghai Dong Chi Automobile Service Company Limited (note)	Corporate	People's Republic of China	55%	55%	Trading of motor vehicles
debis Financial Services China Limited	Corporate	Hong Kong	20%	20%	Financial services

Note: The interests in these companies have not been accounted for as subsidiaries because the directors consider that the Group does not exercise control over the joint ventures' boards of directors.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 19 April 2001.