

FINANCIAL HIGHLIGHTS

	1999 HK\$'000	1998 HK\$'000	Change
PROFIT AND LOSS STATEMENTS			
Turnover	1,223,055	1,826,177	(33.0%)
Operating Profit	92,415	91,583	0.9%
Profit Attributable to Shareholders	78,032	69,508	12.3%
Dividends	28,958	26,730	8.3%
BALANCE SHEETS			
Total Assets	800,560	785,566	1.9%
Net Borrowings	143,345	179,139	(20.0%)
Shareholders' Funds	545,494	496,409	9.9%
CASH FLOW			
Cash generated from Operating Activities	10,743	91,855	(88.3%)
Working Capital	267,800	177,721	50.7%
Capital Expenditure	2,205	2,547	(13.4%)
Earnings Per Share	17.5¢	15.6¢	12.2%
Dividends Per Share	6.5¢	6.0¢	8.3%
Shareholders' Fund Per Share	\$1.22	\$1.11	9.9%
Interest Cover	13.70x	9.61x	n.a.
Dividend Cover	2.69x	2.60x	n.a.

Notes:

1. Earning per share is calculated by dividing profit attributable to shareholders by 445,550,000 shares in issue during 1999. (1998: 445,550,000 shares)
2. Interest Cover is calculated by dividing profit attributable to shareholders before tax, minority interest and interest charges by interest charges.
3. Dividend Cover is calculated by dividing Earning Per Share by Dividend Per Share.

TEN YEAR FINANCIAL SUMMARY

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December,

	1990 HK\$'000	1991 HK\$'000	1992 HK\$'000	1993 HK\$'000	1994 HK\$'000	1995 HK\$'000
TURNOVER	<u>1,731,499</u>	<u>2,298,749</u>	<u>1,264,033</u>	<u>830,935</u>	<u>924,052</u>	<u>1,066,896</u>
PROFIT (LOSS) BEFORE TAXATION	27,781	(5,059)	65,772	87,480	86,993	37,889
TAXATION	<u>(6,108)</u>	<u>(9,778)</u>	<u>(4,161)</u>	<u>(3,577)</u>	<u>(5,496)</u>	<u>(5,945)</u>
PROFIT BEFORE MINORITY INTERESTS	21,673	(14,837)	61,611	83,903	81,497	31,944
MINORITY INTERESTS	<u>(235)</u>	<u>(3,988)</u>	<u>574</u>	<u>(4,640)</u>	<u>(4,824)</u>	<u>(2,659)</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>21,438</u>	<u>(18,825)</u>	<u>62,185</u>	<u>79,263</u>	<u>76,673</u>	<u>29,285</u>

CONSOLIDATED BALANCE SHEET

As at 31st December,

	1990 HK\$'000	1991 HK\$'000	1992 HK\$'000	1993 HK\$'000	1994 HK\$'000	1995 HK\$'000
TOTAL ASSETS	578,045	672,695	486,178	539,387	523,039	594,196
TOTAL LIABILITIES	(291,199)	(345,351)	(153,613)	(190,459)	(139,356)	(131,490)
MINORITY INTERESTS	<u>(12,291)</u>	<u>(10,435)</u>	<u>(9,715)</u>	<u>(14,189)</u>	<u>(18,840)</u>	<u>(21,311)</u>
EQUITY	<u>274,555</u>	<u>316,909</u>	<u>322,850</u>	<u>334,739</u>	<u>364,843</u>	<u>441,395</u>

Note: The above financial summary prior to 1997 has not been adjusted to take into account the effect on the adoption of the Statement of Standard Accounting Practice 24 "Accounting for investments in securities" issued by the Hong Kong Society of Accountants as the directors considered that it is not practicable to do so.

KEY DATA

	1990	1991	1992	1993	1994	1995
Interest cover (times)	2.67	0.78	8.85	20.35	16.73	5.66
Dividends per share (cents)	2.50	1.50	6.00	6.50	5.00	4.00
Earnings per share (cents)	7.60	(5.80)	16.70	21.40	20.70	7.80
Net assets per share (HK\$)	0.92	0.85	0.87	0.90	0.98	0.99
Gearing	0.49	0.62	0.16	0.31	0.13	0.13

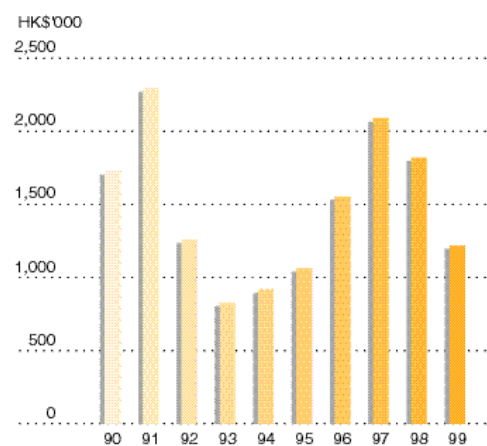
TEN YEAR FINANCIAL SUMMARY (cont'd)

1996 HK\$'000	1997 HK\$'000	1998 HK\$'000	1999 HK\$'000
<u>1,559,027</u>	<u>2,096,755</u>	<u>1,826,177</u>	<u>1,223,055</u>
53,121	31,027	82,050	85,669
<u>(5,446)</u>	<u>(8,447)</u>	<u>(7,540)</u>	<u>(6,810)</u>
47,675	22,580	74,510	78,859
<u>(3,890)</u>	<u>(2,383)</u>	<u>(5,002)</u>	<u>(827)</u>
<u>43,785</u>	<u>20,197</u>	<u>69,508</u>	<u>78,032</u>

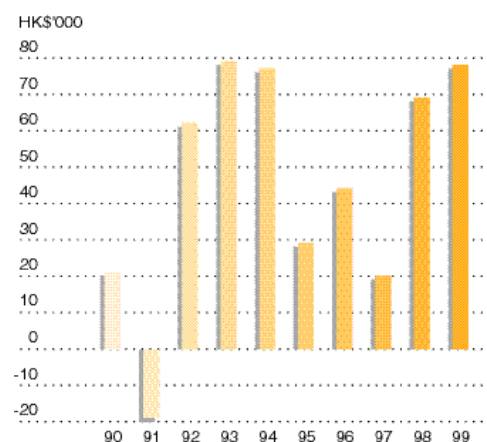
1996 HK\$'000	1997 HK\$'000	1998 HK\$'000	1999 HK\$'000
716,225	760,661	785,566	800,560
<u>(224,824)</u>	<u>(271,005)</u>	<u>(256,130)</u>	<u>(226,523)</u>
<u>(21,015)</u>	<u>(31,404)</u>	<u>(33,027)</u>	<u>(28,543)</u>
<u>470,386</u>	<u>458,252</u>	<u>496,409</u>	<u>545,494</u>

1996	1997	1998	1999
7.97	5.04	9.61	13.70
4.00	4.00	6.00	6.50
9.80	4.50	15.60	17.50
1.06	1.03	1.11	1.22
0.21	0.28	0.36	0.26

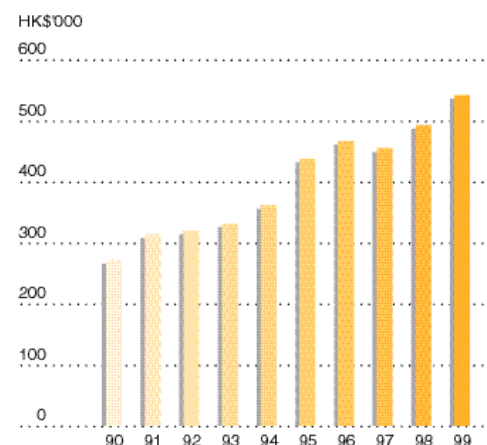
Turnover



Net Profit (Loss) for the year



Equity



CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to announce that:

RESULTS

The Group's profit attributable to shareholders for 1999 was HK\$78.0 million, an increase of 12.2% compared with HK\$69.5 million in 1998. The results included an unrealized gain of HK\$39.4 million on investment of securities and provision against devaluation of investment properties for an amount of HK\$23.4 million. Turnover was 1,223.1 million, representing a decrease of 33.0% compared to that of previous year. Earning per share was 17.5 cents.

DIVIDEND

The Board proposed a final dividend of 4 cents per share which, together with the interim dividend of 2.5 cents per share already paid, will make a total distribution of 6.5 cents per share (6 cents per share in 1998), representing an increase of 8.3 per cent. The final dividend will be payable on or before 22nd June, 2000 to shareholders whose names appear on the register of members of the Company on 23rd May, 2000.

BUSINESS REVIEWS

Trading business generated HK\$30.8 million of profits after tax in 1999, contributed about 39% of our total consolidated profit and represented a decrease of 10.6% compared with profit after tax amounting HK\$34.4 million in 1998. Business in trading watch parts was scaled down substantially in 1999 because of the adverse change in business environment. Therefore, profit contribution from watch parts trading business reduced almost 57% compared with that of previous year. In view of the unfavourable current market condition, we will cease the operation of trading watch parts business in 2000.

Companies associated with trading chemicals and metals have continued to put great effort in controlling and reducing costs. Helped by the overall increase in metal prices and general economic improvement in Asian region, we see satisfactory growth both in turnover and profitability. In 1999, we concentrated in expanding our markets in Mainland China and the results were positive. As the overall metal prices continue to rise during 2000, it is expected that business will have positive growth in the first half year of 2000.

Gross rental income generated from investment properties reduced by 25% to HK\$27.7 million in 1999. In April 1999, a lease of our commercial office in Shanghai was renewed for a three-year term but there was a substantial decrease of renewed rent due to poor rental market environment. Average market rent in residential properties in Shanghai dropped by 12% in 1999 compared with that in 1998. As supply of residential spaces in downtown Shanghai is reducing, we expect that market rent will show sign of firming in 2000.

As at 31st December, 1999, we made a provision of HK\$23.4 million on the revaluation of investment properties both in Hong Kong and Shanghai, representing 9.7% of the book value of such properties as at 31st December, 1998.

CHAIRMAN'S STATEMENT (cont'd)

During 1999, the Group disposed of part of its listed equities and bonds at a gain of HK\$2.6 million. As the market sentiment improved over 1998, we continued to build up the size of our investment portfolio of which has almost doubled in 1999. To adopt a new accounting standard (SSAP24) introduced by Hong Kong Society of Accountant, the Group selected the benchmark treatment for our investment on securities which resulted in an unrealized gain of HK\$39.4 million recorded in our income statement for the year ended 31st December, 1999.

MANAGEMENT AND STAFF

The Group employed 102 staff at the year-end of 1999, of whom 67 worked in Hong Kong, 14 worked in the PRC and 21 worked overseas. On behalf of the Board, I herewith take this opportunity to thank all of our staff for their valuable efforts and commitment contributed to the Group during the year. Affirmatively, their hard works and dedication helped the Group pass through safely the Asian economic downturn. Now, we and our staff jointly are looking forward to the new opportunities and challenges that the new century brings.

AUDIT COMMITTEE

In compliance with the Revised Code of Best Practice of The Stock Exchange of Hong Kong Limited, the Group established an Audit Committee on 17th December, 1998 to assist the Board in providing an independent and objective review of Group's final and interim financial reports, audit functions, and adequacy of the Group's internal control systems. There were four meeting held prior to the announcement date of this report. The Board would like to take this opportunity to express our gratitude to all members of Audit Committee for their constructive advice and commitment.

YEAR 2000 COMPLIANCE

The Year 2000 (Y2K) problem was the issue arose from the consequences of many computer systems and electronic devices which stored only two-digit year date field instead of four-digit year date field. The Group consulted an external professional advisor to modify our source program in 1997. The modification was completed in June 1998 and the conversion and test run was also completed at the end of 1998. We also received confirmation responses from our critical suppliers and bankers that they would pass the Y2K compliance by the end of 1999.

The Group achieved the Y2K compliance in accordance with our plan and timetable. We also formulated contingency plan in November 1999. As a consequence, there were no serious Y2K related incidents or operation difficulties happened in January 2000 or on 29th February, 2000.

The Group spent about HK\$300,000 in total to resolve the Y2K problem. We will continue to monitor the Y2K issue in the forthcoming critical dates in 2000.

CHAIRMAN'S STATEMENT (cont'd)

PROSPECTS

We can see some signs of economic improvement in the Asian region. Equity markets are growing and there are encouraging figures in import and export over the region. Property markets in Hong Kong and Shanghai are still depressed but rental rates have stabilized. To combat with intense competition and the poor economic situation in the past few years, we have focused on streamlining our operation and on increasing our productivity to uplift our competitiveness in the markets. As the economy in Mainland China has sustained rapid growth and likely to remain so due to China's accession to World Trade Organization (WTO), we will accelerate our steps to expand our markets in Mainland China.

Being aware of the trend towards high technology and its influence over the region, it is important for us to develop our business in line with the increased use of the Internet. We will invest and develop e-business in the near future to enhance our existing business activities.

The group, together with a sound financial position and fully committed staff, will continue to focus on growth of our existing business and to explore new opportunities that will arise in the future.

LEUNG SHU WING

Chairman

Hong Kong, 30th March, 2000

MANAGEMENT OPERATION REVIEW AND ANALYSIS

The principal activities of the Group together with the contribution of each activity to the Group are as follows:

	Turnover		Profit/(Loss) after tax	
	1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
Trading in chemical & metals	820,237	726,267	20,752	17,604
Trading in electronic & video parts	356,680	1,030,983	10,050	16,836
Property investment	27,733	36,963	4,321	24,748
Others	18,405	31,964	43,736	15,322
Total	1,223,055	1,826,177	78,859	74,510

An analysis of the Group's turnover and contribution to group's operating profit by principal markets is as follows:

	Turnover		Operating profit/(loss)	
	1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
Local sales	891,464	1,490,554	66,223	35,901
People's Republic of China	109,285	117,072	6,182	35,180
Other countries	222,306	218,551	12,725	10,918
Total	1,223,055	1,826,177	85,130	81,999

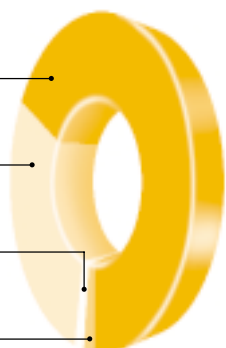
Group's Turnover by activities in 1999

Trading in Chemicals and Metals 67%

Trading in Electronic and Video Parts 29%

Property Investment 2%

Others 2%



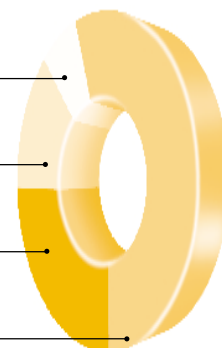
Group's Profit after tax by activities in 1999

Property Investment 6%

Trading in Electronic and Video Parts 13%

Trading in Chemicals and Metals 26%

Others 55%



MANAGEMENT OPERATION REVIEW AND ANALYSIS (cont'd)

TRADING DIVISION

The principal trading activities of the Group together with the contribution of each activity to the Group is as follows:

	Turnover		Operating profit/(loss)	
	1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
Electroplating materials	729,435	650,801	24,894	25,213
Electronic and video parts	356,680	1,030,983	10,762	26,662
Paint & coating chemicals	67,575	55,203	2,502	1,753
Stainless steel	21,912	19,263	644	(875)
Others	1,315	1,000	187	278
Total	<u>1,176,917</u>	<u>1,757,250</u>	<u>38,989</u>	<u>53,031</u>

Electroplating Materials

Total turnover of electroplating materials rose by 12.1% to HK\$729.4 million for the year ended 1999 compared with that of the previous year. Since general economic environment in East Asian region improved in 1999, overall sales in Hong Kong, Singapore, Thailand and Taiwan have increased. Sales in Mainland China, however, were hit by the introduction of a new "export processing trade management system" by the PRC government in 1999 which resulted in many customers turning to local purchases. To cope with such changes, we had implemented new strategies such as the setting up offices and warehouses in Guangzhou and Shanghai and making local purchases of high quality materials for resale.

Overall metal prices increased substantially starting from the second half of 1999. Some of our products' prices even doubled during the year. Due to continuous strong demand in the global markets, metal prices are expected to be robust in the first half year of 2000. Together with our conservative approach on cost control and credit management, growth in revenue and profitability is expected in 2000.

Electronic and Video Parts

Due to adverse changes in business environment, we scaled down substantially our business in trading watch parts during 1999. After considering the current market situation and risk exposure, we decided to cease the operation in 2000. All inventories have been sold and all outstanding payments from debtors have been fully settled. As the business constituted a significant portion of the Group's turnover and profitability in the past years, it will have a negative impact on the Group's turnover and profitability in 2000.

Export business in videocassette parts performed unsatisfactorily in 1999. The business suffered from the price cutting competition from China. We will continue to put effort in cost control and improving our services to customers.

MANAGEMENT OPERATION REVIEW AND ANALYSIS (cont'd)

Paint and Coating Chemicals

Trading in paint and coating chemicals in the Mainland China market grew satisfactorily in 1999 benefited from the implementation of anti-smuggling campaign launched by the PRC government. We also received good response from promoting a new product, AMP® monomer, supplied by The Lubrizol Corp. in U.S. to the China market.

In view of China's accession to the World Trade Organization (WTO), it is expected that we will be competing with more foreign companies selling directly to China. We will focus on improving our services to customers and launching more new products to the market so as to strengthen our earnings and credibility in the market.

Stainless Steel

Turnover of stainless steel business has improved by 13.8% in 1999 compared with that in 1998. The market was still slow but we were successful in exploring new customers. Also assisted by our cost savings effort, we managed to reverse this division's loss making record in 1998.

Rising prices in stainless steel was noticeable due to strong demand in global market in 2000. We expect that demand will increase in this year but intense competition continues.

PROPERTY INVESTMENT DIVISION

Total gross rental income was HK\$27.7 million for the year ended 31st December, 1999. Compared with HK\$37.0 million in 1998, a decrease of 25% was shown mainly due to the reduced rent in one of our commercial office after the renewal of tenancy agreement in April 1999.

A persistent oversupply of office and residential properties in Shanghai caused market rent continued to decline. Occupancy rate of our residential units in Shanghai decreased to 80% at the end of 1999. Gross rental income generated from residential units for the year 1999 reduced 12% compared with that in previous year.

As at 31st December, 1999, a deficit arisen from revaluation of investment properties amounted to HK\$23.4 million, which amount was charged to the income statement for the year ended 1999. As a result, net asset value of our investment properties reduced by 9.7% to HK\$218.8 million as at 31st December, 1999.

As the supply of residential units in downtown Shanghai was reducing, we see some sign of firming in market rent in 2000. However, as the financial impact of the reduced rental under our leases will be reflected in the full year in 2000, we expect to see some further decline in our gross rental income in this year.

MANAGEMENT OPERATION REVIEW AND ANALYSIS (cont'd)

SECURITIES INVESTMENT DIVISION

Cost of the Group's securities portfolio increased from HK\$60.0 million as at 31st December 1998 to HK\$121.7 million as at 31st December, 1999, representing a doubling in size of the portfolio.

	Distribution of securities portfolio (as at 31st December, 1999)	
	Cost of investment	Distribution in percentage
Equities	HK\$113.3 million	93.0%
Bonds	HK\$8.4 million	7.0%

Financed as to:

69% by Group's own cash fund and
31% by bank borrowings

Currencies Distribution

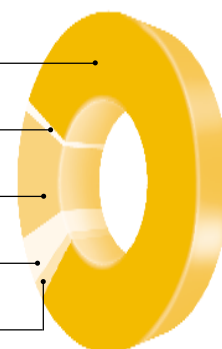
HKD 79%

SNG 1%

USD 13%

JPY 5%

TWD 2%



Performance of the securities portfolio was satisfactory in 1999 due to better market sentiment especially in global equity markets. During the year, we disposed of some listed bonds and equities with a realized gain of HK\$2.6 million. The newly purchased securities during the year was financed mainly by the Group's own cash fund. As we adopted a new accounting treatment (SSAP24) introduced by the Hong Kong Society of Accountants in 1999, we recorded an unrealized gain of HK\$39.4 million in our income statement for the year ended 31st December, 1999.

It is our view that the market will continue to prosper during year 2000 but not without volatility. We will monitor our portfolio in a progressive and yet cautious attitude.

CAPITAL RESOURCES AND LIQUIDITY

Total shareholders' fund of the Group as at 31st December, 1999 increased by 9.9% to HK\$545.5 million as compared with HK\$496.4 million as at 31st December, 1998.

As at 31st December, 1999, the Group held cash deposit of HK\$140.9 million (1998: HK\$201.7 million) with a decrease of HK\$60.8 million which was mainly used for purchase of securities during the year.

Total bank borrowings amounted to HK\$143.3 million as at 31st December, 1999, represented a decrease of 20% of HK\$179.1 million as at 31st December, 1998. The reduced loan borrowings was largely a result of the decrease in trading turnover during the year of 1999. All bank borrowings were due within one year.

MANAGEMENT OPERATION REVIEW AND ANALYSIS (cont'd)

An analysis of distribution of the Group's bank borrowing by currency as at 31st December, 1999 is as below:

Currency	HK\$'000	Percentage
Hong Kong Dollars	120,650	84.2%
United States Dollars	15,385	10.7%
Japanese Yen	7,186	5.0%
Singapore Dollars	124	0.1%
	<u>143,345</u>	<u>100%</u>

Net current assets of the Group as at 31st December, 1999 was HK\$250.0 million as compared with HK\$177.7 million as at 31st December, 1998.

CURRENCY EXPOSURE AND INTEREST COVER

In 1999, major trading transactions were conducted in Hong Kong Dollars, United States Dollars and Japanese Yen. Japanese Yen transactions were covered by forward exchange contracts when necessary. As at 31st December, 1999, the Group had no outstanding forward exchange contracts.

Net foreign exchange loss amounting to HK\$0.7 million was recorded for the year ended 1999 compared with net loss of HK\$12.2 million for the year ended 1998. Short term borrowings denominated in foreign currencies other than United States Dollars were used to finance assets purchased in the same currencies.

Interest expense for the year ended 31st December, 1999 was HK\$6.7 million, representing a decrease of 29% compared with HK\$9.5 million for the year ended 31st December, 1998. Interest cover was 13.7 times in 1999 compared to 9.6 times in 1998. Gearing ratio, representing net borrowings divided by net assets, was 0.26/1 in 1999.



DIRECTORS' PROFILES

EXECUTIVE DIRECTORS

Mr. Leung Shu Wing, aged 61, is the founder of the Group and chairman of the company. Mr. Leung has over 35 years of experience in trading of electroplating materials and chemicals. He is currently responsible for the Group's strategic planning.

Miss Leung Miu King, aged 31, the daughter of Mr. Leung Shu Wing, joined the Group in November, 1995. She holds a bachelor degree of business administration from the University of San Francisco. Miss Leung has over one year's experience in trade finance with a bank in Hong Kong. She is the executive director of the Group.

Mr. Wong Chi Kin, aged 49, joined the Group in 1984. He has over 26 years of experience in metal trading. Mr. Wong is the managing director of Kee Shing Hardware Supplies Ltd., a subsidiary of the Group which is engaged in trading of stainless steel and video components.

Mr. Wong Choi Ying, aged 47, joined the Group in 1988. He holds a bachelor degree of business administration from the Chinese University of Hong Kong, a fellow of the Chartered Association of Certified Accountants and an associate of the Hong Kong Society of Accountants. Mr. Wong has over 20 years of experience in financial management. He worked for Tai Sang Land Development Limited for over five years before joining the Group. He is the finance director and company secretary of the Group. He is responsible for the Group's financial planning and management.

NON-EXECUTIVE DIRECTORS

Mr. Yuen Tin Fan, Francis, aged 47, is Chairman of Tien Fung Hong Group of companies and a non-executive director of a number of companies whose share are listed on The Hong Kong Stock Exchange. From 1988 to 1991, he was the chief executive of The Hong Kong Stock Exchange. Mr. Yuen is also a member of Shanghai People's Political Consultative Committee.

Mr. Kwan Hing Hin, Stephen, aged 51 joined the group in 1980 and was the co-founder of Kee Shing Industrial Products Limited. He holds a master degree of philosophy from Leeds University in the United Kingdom and is a member of the British Institute of Management and an associate of the Textile Institute. He worked with Jardine Matheson & Co., Limited for over 5 years prior to joining the group. Mr. Kwan has over 26 years of experience in metals and chemicals trading. He changed his role from executive director to non-executive director on 30th September, 1998.

Mr. Tang Sai Kwan, Pipvide, aged 43, joined the Group in 1984. He is a fellow of the Chartered Association of Certified Accountants, an associate of the Hong Kong Society of Accountants and a Certified Public Accountant in Australia. He has over 23 years of experience in financial management. He worked for the John D. Hutchison group for over five years prior to joining the Group.

DIRECTORS' PROFILES (cont'd)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Leung Ding Bong, Ronald, FRCP, AIB, OBE, JP, aged 65, is an experience banker. He is Chairman of Urban Council and Chairman of Kwong On Bank, Limited. Dr. Leung joined the Group in December 1993 as an independent non-executive director.

Mr. Wong Kong Chi, aged 41, is formerly an experienced merchant banker. He is also independent non-executive directors of several listed companies in Hong Kong. Mr. Wong joined the Group in December 1993 as an independent non-executive director.



SENIOR MANAGEMENT PROFILES

Mr. Herman Santoso, aged 63, joined the Group in 1980. He has over 31 years of experience in the trading of chemicals and electroplating equipment, particularly in Singapore and Indonesia. Mr. Santoso is the managing director of KSIP (Singapore) Pte. Limited, and is responsible for the development of the Group's business in Singapore, Indonesia and Malaysia.

Dr. Kee Moh Lian, aged 60, joined the Group in 1980. Dr. Kee holds a Ph. D. degree of chemistry from McGill University of Canada. Prior to joining the Group, he was the head of the chemistry technology section of the Singapore Institute of Standards and Industrial Research. Dr. Kee is a director and the general manager of KSIP (Singapore) Ptd. Limited, and is responsible for marketing and customer services in Singapore, Indonesia and Malaysia.

Mr. Joe Tong Oy, Emerson, aged 50, joined the Group in 1984. Mr. Joe holds a bachelor of science degree in mechanical engineering in a USA university. He has over 25 years of experience in petroleum and petrochemical industries. Mr. Joe is the managing director of Sam Wing Resources Limited.

Mr. Voravudh Settin, aged 56, joined the Group in 1989. He holds a bachelor degree in chemistry from Chulalongkorn University in Thailand and a certificate of marketing management from Queen's University, Canada. Prior to joining the Group, he had over 25 years of experience in the management and marketing of wide range of industrial chemicals from Ciba-Geigy, Dow Chemical and Dinippon Ink & Chemical. Mr. Settin is the managing director of KSIP (Thailand 1989) Co., Ltd.

Mr. Lau Sai Chong, aged 42, joined the Group in 1984. Mr. Lau holds a bachelor of science degree in chemical engineering from a Canadian university and a MBA degree from the Chinese University of Hong Kong. He has over 21 years of experience in petroleum and petrochemical industries. Mr. Lau is a director of Sam Wing Resources Limited.

Mr. Wang Chun Sheng, aged 45, joined the Group in 1986. He holds a bachelor of arts degree in business administration from Fu Jen University in Taiwan. He has over 16 years of experience in marketing and customer services. Mr. Wang is the general manager of King Shen Industrial Products Company Limited, and is responsible for sales and customer services in the Taiwan market.

Mr. Chan Yuet Lung, Frankie, aged 46, joined the Group in 1988. He holds a degree in Business Administration from California State University, Long Beach. Prior to his joining the Group, he had worked for Cafe De Coral group of companies for 9 years. He has 22 years of experience in management sales and marketing. Mr. Chan is the director and general manager of Kee Shing Industrial Products Limited.

Mr. Wong Siu Hung, Rico, aged 42, joined the Group in 1987. He has over 19 years of experience in China trade. Mr. Wong is the director and general manager of Sam Wing International Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of the Company will be held at VIP room, 1/F., Park Hotel, 61-65 Chatham Road South, Kowloon, Hong Kong on Tuesday, 23rd May, 2000 at 3:30 p.m. for the following purposes:

1. To receive and consider the statement of accounts and reports of the directors and auditors for the year ended 31st December, 1999;
2. To declare a final dividend;
3. To re-elect retiring directors and authorise the board to fix the remuneration of the directors;
4. To appoint auditors and to authorise the board to fix their remuneration;
5. As special business, to consider and, if thought fit, pass with or without modification the following resolutions as Ordinary Resolutions:-

(1) **"THAT:-**

- (a) subject in sub-paragraph (c) of this resolution, the exercise by the directors of the Company during the relevant period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the directors of the Company during the relevant period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the relevant period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors pursuant to the approval in sub-paragraph (a) of this resolution, otherwise than pursuant to a rights issue shall not exceed twenty per cent of the aggregate nominal amount of the issued share capital of the Company, and this approval shall be limited accordingly; and
- (d) for the purpose of this Resolution:-

"relevant period" means the period from the passing of this resolution until whichever is the earlier of:-

- (i) the conclusion of the next annual general meeting of the Company;

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
- (iii) the date on which the authority set out in this resolution is revoked or varied by way of ordinary resolution in general meeting; and

“right issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of or the requirements of any recognised regulatory body or any Stock Exchange).”

(2) **“THAT:-**

- (a) subject to sub-paragraph (b) below, the exercise by the directors of the Company during the relevant period of all the powers of the Company to purchase its own securities, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the shares to be repurchased by the Company pursuant to paragraph (a) of this resolution during the relevant period shall not exceed 10 per cent of the shares of the Company in issue at the date of this resolution; and
- (c) for the purpose of this resolution, “relevant period” means the period from the passing of this Resolution until whichever is the earlier of:-
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
 - (iii) the date on which the authority set out in this Resolution is revoked or varied by way of ordinary resolution in general meeting.”

- (3) **“THAT**, conditional upon the resolutions (5) and (6) in the notice convening this meeting being passed, the aggregate nominal amount of the number of shares which are repurchased by the Company after this resolution becoming effective (up to maximum of 10 per cent of the issued share capital of the Company in issue at the date of this resolution) shall be added to the aggregate nominal amount of share capital that may

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to the resolution (5) in the said notice referred to above.”

By Order of the Board

WONG CHOI YING

Secretary

Hong Kong, 30th March, 2000

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on the poll, vote in his stead. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with the power of attorney (if any) or other authority (if any) under which it is signed or a notarially certified copy of that power attorney or authority must be delivered at the registered office of the Company not less than forty-eight hours before the time appointed for holding the meeting.
3. The register of members will closed from Thursday, 18th May, 2000 to Tuesday, 23rd May, 2000 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Standard Registrars Limited, 5/F., Wing On Centre, 111 Connaught Road, Central, Hong Kong not later than 4:00 p.m. on Wednesday, 17th May, 2000. Dividend warrants will be despatched to Shareholders on or before Thursday, 22nd June, 2000.

DIRECTORS' REPORT

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31st December, 1999.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 31 to the financial statements.

An analysis of the Group's turnover and contribution to profit before taxation by principal activity is as follows:

	Turnover <i>HK\$'000</i>	Contribution to profit before taxation <i>HK\$'000</i>
Trading in chemicals and metals	820,237	28,227
Trading in electronic and video parts	356,680	10,762
Property investment	27,733	1,555
Others	18,405	44,586
	<u>1,223,055</u>	<u>85,130</u>
Interest income from bank deposits		7,285
Finance costs		<u>(6,746)</u>
Profit before taxation		<u>85,669</u>

An analysis of the Group's turnover and contribution to profit before taxation by geographical market is as follows:

	Turnover <i>HK\$'000</i>	Contribution to profit before taxation <i>HK\$'000</i>
Hong Kong	891,464	66,223
Elsewhere in the People's Republic of China	109,285	6,182
Other countries	222,306	12,725
	<u>1,223,055</u>	<u>85,130</u>
Interest income from bank deposits		7,285
Finance costs		<u>(6,746)</u>
Profit before taxation		<u>85,669</u>

DIRECTORS' REPORT (cont'd)

RESULTS AND APPROPRIATIONS

The results of the Group and appropriations of the Company for the year ended 31st December, 1999 are set out in the consolidated income statement on page 25.

An interim dividend of 2.5 cents per share was paid to the shareholders of the Company during the year. The directors now recommend the payment of a final dividend of 4.0 cents per share to the shareholders of the Company whose names appear on the register of members on 23rd May, 2000 and the retention of the remaining profit for the year.

FINANCIAL SUMMARY

A financial summary of the Group for the past ten financial years is set out on pages 2 and 3.

SHARE CAPITAL

Details of the Company's share capital are set out in note 20 to the financial statements. There was no change in the issued share capital of the Company during the year.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 21 to the financial statements.

INVESTMENT PROPERTIES

All of the investment properties of the Group were revalued as at 31st December, 1999, as set out in note 14 to the financial statements. The resulting deficit arising on revaluation which amounted to HK\$23,402,000 has been charged directly to the income statement.

Particulars of the investment properties of the Group as at 31st December, 1999 are set out on pages 56 and 57.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group and the Company during the year are set out in note 15 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31st December, 1999 are set out in note 31 to the financial statements.

ASSOCIATE

Particulars of the Group's associate as at 31st December, 1999 are set out in note 17 to the financial statements.

BORROWINGS

Details of the Group's borrowings are set out in note 23 to the financial statements. No interest was capitalised by the Group during the year.

DIRECTORS' REPORT (cont'd)

DIRECTORS AND SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Leung Shu Wing – Chairman
Leung Miu King
Wong Chi Kin
Wong Choi Ying

Non-executive directors:

Yuen Tin Fan, Francis
Kwan Hing Hin, Stephen
Tang Sai Kwan, Pipvide

Independent non-executive directors:

Leung Ding Bong, Ronald
Wong Kong Chi

In accordance with Article 116 of the Company's Articles of Association, Messrs. Leung Shu Wing, Wong Choi Ying and Tang Sai Kwan, Pipvide retire by rotation and, being eligible, offer themselves for re-election.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The term of office for each non-executive director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' REPORT (cont'd)

DIRECTORS' INTERESTS IN SHARES

At 31st December, 1999, the interests of the directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Personal interest	Number of shares held	
		Corporate interest	Other interest
Leung Shu Wing	184,691,075	–	–
Yuen Tin Fan, Francis	–	26,984,000 (Note 1)	74,760,000 (Note 2)
Leung Miu King	20,434,000	–	–
Kwan Hing Hin, Stephen	9,587,000	–	–
Wong Chi Kin	767,000	–	–
Tang Sai Kwan, Pipvide	350,000	–	–
Wong Choi Ying	9,500	–	–

Notes:

1. 26,984,000 shares in the Company are owned by Tien Fung Hong Group Limited, a company which is 60% owned by Mr. Yuen Tin Fan, Francis.
2. 74,760,000 shares in the Company are registered in the name of Snowdon International Limited, a company which is beneficially owned as to 100% by the trustees of the T F Yuen Trust, a discretionary trust of which Mr. Yuen Tin Fan, Francis is one of the beneficiary objects.

The personal beneficial interests of the directors in the non-voting preferred shares of the Company's subsidiaries as at 31st December, 1999 were as follows:

Name of subsidiary	Name of director	Number of non-voting preferred shares
Kee Shing Hardware Supplies Limited	Wong Chi Kin	400,000
Kee Shing Industrial Products Limited	Leung Shu Wing	7,000
	Kwan Hing Hin, Stephen	2,000
Sam Wing International Limited	Leung Shu Wing	19,440

Save as disclosed above, at 31st December, 1999, none of the directors or their associates had any interests in the securities of the Company or any of its subsidiaries or associated corporations as defined in the SDI Ordinance.

DIRECTORS' REPORT (cont'd)

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. In addition, none of the directors, or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

Other than the interests of certain directors disclosed under the heading "Directors' Interest in Shares" above, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no other person as having an interest representing 10% or more of the issued share capital of the Company as at 31st December, 1999.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 1999, the aggregate turnover attributable to the Group's five largest customers accounted for approximately 32% of the Group's total turnover and the turnover attributable to the Group's largest customer was approximately 12% of the total turnover. The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 91% of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 28% of the total purchases.

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in any of the Group's five largest suppliers or customers.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year.

CORPORATE GOVERNANCE

The Company has complied throughout the year with those paragraphs of the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, with which it is required to report compliance.

DONATION

During the year the Group made charitable donation amounting to HK\$50,000.

DIRECTORS' REPORT (cont'd)

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint the auditors, Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board

LEUNG SHU WING

Chairman

30th March, 2000

AUDITORS' REPORT



德勤·關黃陳方
會計師行

Certified Public Accountants
28th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

TO THE SHAREHOLDERS OF KEE SHING (HOLDINGS) LIMITED

奇盛（集團）有限公司

(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 25 to 55 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 1999 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

DELOITTE TOUCHE TOHMATSU

Certified Public Accountants

30th March, 2000

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 1999

	NOTES	1999 HK\$'000	1998 HK\$'000
Turnover	4	1,223,055	1,826,177
Other revenue	5	9,814	9,584
Changes in inventories of finished goods		2,228	(12,957)
Purchase of goods held for resale		(1,089,762)	(1,639,769)
Raw materials and consumables used		(7,397)	(8,154)
Staff costs		(24,424)	(25,842)
Depreciation and amortisation		(3,507)	(3,152)
Other operating expenses		(59,601)	(63,496)
Net realised gain and unrealised gain on other investments		42,009	9,192
Profit from operations	6	92,415	91,583
Finance costs	7	(6,746)	(9,533)
Profit before taxation		85,669	82,050
Taxation	10	(6,810)	(7,540)
Profit before minority interests		78,859	74,510
Minority interests		(827)	(5,002)
Net profit for the year		78,032	69,508
Dividends	12	28,958	26,730
Earnings per share	13	17.5 cents	15.6 cents

BALANCE SHEET

At 31st December, 1999

	NOTES	THE GROUP		THE COMPANY	
		1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
ASSETS					
NON-CURRENT ASSETS					
Investment properties	14	218,792	242,194	-	-
Property, plant and equipment	15	44,537	47,235	499	506
Investments in subsidiaries	16	-	-	38,587	38,582
Interest in an associate	17	453	453	-	-
Investments in securities	18	61,833	61,833	-	-
Amounts due from subsidiaries		-	-	347,160	312,320
		325,615	351,715	386,246	351,408
CURRENT ASSETS					
Inventories	19	54,518	52,351	-	-
Debtors, deposits and prepayments		105,205	99,316	497	398
Bills receivable		12,836	10,420	-	-
Taxation recoverable		1,750	1,265	315	315
Dividend receivable		-	-	34,710	37,520
Amounts due from subsidiaries		-	-	43,548	39,408
Investments in securities	18	159,743	68,790	4,417	3,125
Short term bank deposits		103,238	116,340	-	-
Bank balances and cash		37,655	85,369	61	40
		474,945	433,851	83,548	80,806
TOTAL ASSETS		800,560	785,566	469,794	432,214

BALANCE SHEET (cont'd)

At 31st December, 1999

	NOTES	THE GROUP		THE COMPANY	
		1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES					
Share capital	20	22,275	22,275	22,275	22,275
Reserves	21	523,219	474,134	271,055	247,004
		<u>545,494</u>	<u>496,409</u>	<u>293,330</u>	<u>269,279</u>
MINORITY INTERESTS		<u>28,543</u>	<u>33,027</u>	<u>-</u>	<u>-</u>
NON-CURRENT LIABILITIES					
Deferred taxation	22	1,558	-	-	-
CURRENT LIABILITIES					
Creditors and accrued charges		60,987	57,968	5,643	5,694
Bills payable		570	1,897	-	-
Proposed dividend	12	17,820	15,592	17,820	15,592
Taxation payable		2,243	1,534	-	-
Bank borrowings	23	143,345	179,139	-	-
Amounts due to subsidiaries		-	-	153,001	141,649
		<u>224,965</u>	<u>256,130</u>	<u>176,464</u>	<u>162,935</u>
TOTAL EQUITY AND LIABILITIES		<u>800,560</u>	<u>785,566</u>	<u>469,794</u>	<u>432,214</u>

The financial statements on pages 25 to 55 were approved by the Board of Directors on 30th March, 2000 and are signed on its behalf by:

LEUNG SHU WING
Director

WONG CHOI YING
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 1999

	NOTES	1999 HK\$'000	1998 HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	24	<u>10,743</u>	<u>91,855</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends paid		(26,730)	(20,048)
Interest paid		(6,746)	(9,533)
Dividends paid to minority shareholders of subsidiaries		(5,320)	(3,467)
Interest received from bank deposits		<u>7,285</u>	<u>9,584</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>(31,511)</u>	<u>(23,464)</u>
TAXATION			
Hong Kong Profits Tax paid		(4,073)	(9,293)
Profits tax outside Hong Kong paid		<u>(955)</u>	<u>(1,626)</u>
CASH OUTFLOW FROM TAXATION		<u>(5,028)</u>	<u>(10,919)</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,205)	(2,547)
Proceeds from disposal of property, plant and equipment		<u>2,958</u>	<u>21</u>
NET CASH INFLOW (OUTFLOW) FROM INVESTING ACTIVITIES		<u>753</u>	<u>(2,526)</u>
NET CASH (OUTFLOW) INFLOW BEFORE FINANCING		(25,043)	54,946
FINANCING	25		
Repayment of bank loans		<u>(3,362)</u>	<u>(326)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(28,405)	54,620
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		25,932	(28,844)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		<u>21</u>	<u>156</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	26	<u>(2,452)</u>	<u>25,932</u>

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the year ended 31st December, 1999

	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>
Exchange differences arising on translation of overseas operations	11	143
Loss recognised on revaluation of investment properties	—	(4,764)
	<hr/>	<hr/>
Net gain (loss) not recognised in the income statement	11	(4,621)
	<hr/>	<hr/>
Net profit for the year	78,032	69,508
	<hr/>	<hr/>
Total recognised gains and losses	78,043	64,887
	<hr/>	<hr/>
Effect of change in accounting policy on adoption of SSAP 24 (see note 2)		
– decrease in retained profits at 1st January, 1998		(7,038)
		<hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 1999

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 31.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/ CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted, for the first time, the following Statements of Standard Accounting Practice ("SSAP"s) issued by the Hong Kong Society of Accountants:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 2 (Revised)	Net profit or loss for the period, fundamental errors and changes in accounting policies
SSAP 10 (Revised)	Accounting for investments in associates
SSAP 24	Accounting for investments in securities

SSAPs 1 and 2 are concerned with the presentation and disclosure of financial information. The presentation in the current year's financial statements has been modified in order to conform with the requirements of those standards. Comparative amounts have been restated in order to achieve a consistent presentation.

In particular:

- additional analyses of income and expenditure have been presented;
- items of income and expense that were separately identified on the face of the income statement as 'exceptional items' in the prior year have been reclassified within an appropriate income or cost classification; and
- amounts owing to and by subsidiaries and associate which had previously been presented together with the Company's investments in such enterprises have been reclassified as current and non-current assets and liabilities according to the nature of the transactions giving rise to the balance.

In addition, the description of various components in the financial statements and the terminology used has been updated to reflect the terminology of the new standards.

None of the amendments outlined above has affected the results for the current or prior periods.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 1999

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/ CHANGES IN ACCOUNTING POLICIES (cont'd)

The revision of SSAP 10 has not resulted in any significant changes to the accounting treatment adopted for associates and, accordingly, no prior period adjustment has been required. Disclosures presented have been modified to meet the requirements of the new standard.

SSAP 24 has introduced a new framework for the classification of investments in securities and the adoption of the standard has had a significant effect on the treatment adopted by the Group for its investments in securities.

In adopting SSAP 24, the Group has selected the benchmark treatment for securities other than held-to-maturity securities. Accordingly, the investments in securities are now classified as held-to-maturity (carried at amortised cost less provision for irrecoverable amounts), investment securities (carried at cost less impairment) and other investments (carried at fair value, with valuation movements dealt with in the income statement). In prior years, the Group's investments were classified either as long term (carried at cost less provision for permanent diminution in value) or short term (either carried at the lower of cost and market value or at the lower of cost and net realisable value). The accounting treatment specified by SSAP 24 has been applied retrospectively – resulting in a decrease in retained profits at 1st January, 1998 of approximately HK\$7,038,000, but does not have any material effect on the results for the year ended 31st December, 1998. Comparative amounts have been restated to reflect this change in accounting policy.

3. 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 principal accounting policies which have been adopted in preparing these financial statements and which conform with accounting principles generally accepted in Hong Kong 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.

The capital reserve arising on consolidation, being 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.

On disposal of a subsidiary, the attributable amount of capital reserve previously credited to reserves is included in the determination of the profit or loss on disposal.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 1999

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 are 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 1999

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, plant and equipment (cont'd)

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.

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 is carried out. Any surplus arising in previous years on revaluation of land and buildings was credited to the property revaluation reserve. 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 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%
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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 1999

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Associates (cont'd)

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 period.

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 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 1999

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

4. TURNOVER

An analysis of turnover is as follows:

	1999 HK\$'000	1998 HK\$'000
Sales of goods	1,176,917	1,757,250
Commission income	13,427	25,199
Property rental income (gross)	27,733	36,963
Interest income from investments	2,406	6,081
Dividend income from listed investments	2,572	684
	<u>1,223,055</u>	<u>1,826,177</u>

5. OTHER REVENUE

Other revenue comprises:

	1999 HK\$'000	1998 HK\$'000
Interest income from bank deposits	7,285	9,584
Gain on disposal of property, plant and equipment	1,552	-
Sundry income	883	-
Dividend income from an unlisted investment	94	-
	<u>9,814</u>	<u>9,584</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 1999

6. PROFIT FROM OPERATIONS

	1999 HK\$'000	1998 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	1,078	1,101
Deficit arising on revaluation of investment properties	23,402	7,892
Exchange loss	720	12,212
Loss on disposal of property, plant and equipment	–	10
Rental payments in respect of properties under operating leases	1,965	2,917
and after crediting:		
Gross rental income from properties under operating leases after outgoings of approximately HK\$75,000 (1998: HK\$61,000)	<u>27,658</u>	<u>36,902</u>

7. FINANCE COSTS

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

8. DIRECTORS' EMOLUMENTS

	1999 HK\$'000	1998 HK\$'000
Directors' fees	<u>630</u>	<u>650</u>
Other emoluments to directors:		
Salaries and other benefits	2,764	3,612
Performance related incentive payments	<u>307</u>	<u>137</u>
	<u>3,071</u>	<u>3,749</u>
Total directors' emoluments	<u>3,701</u>	<u>4,399</u>

The amounts disclosed above include directors' fees of HK\$230,000 (1998: HK\$400,000) and other emoluments of HK\$170,000 (1998: Nil) payable to independent non-executive directors.

Rent free accommodation was provided to a director during the year ended 31st December, 1998. The rateable value of such accommodation, which amounted to HK\$175,950, was included in directors' other emoluments above. There was no accommodation provided to any of the directors during the year ended 31st December, 1999.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 1999

9. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group included two directors (1998: three directors), details of whose emoluments are included in the amounts disclosed in note 8 above. The emoluments of the remaining highest paid employees, other than directors of the Company, are follows:

	1999 HK\$'000	1998 HK\$'000
Salaries and other benefits	3,051	2,055
Performance related incentive payments	275	206
	<u>3,326</u>	<u>2,261</u>

Their emoluments were within the following bands:

	1999 Number of employees	1998 Number of employees
Nil to HK\$1,000,000	1	–
HK\$1,000,001 to HK\$1,500,000	2	2
	<u>2</u>	<u>2</u>

10. TAXATION

	1999 HK\$'000	1998 HK\$'000
The tax charge attributable to the Company and its subsidiaries comprises:		
Current taxation		
Hong Kong Profits Tax	3,681	5,801
Profits tax outside Hong Kong	1,571	1,739
	<u>5,252</u>	<u>7,540</u>
Deferred taxation		
Hong Kong Profits Tax (note 22)	1,558	–
	<u>6,810</u>	<u>7,540</u>

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 1999

11. NET PROFIT FOR THE YEAR

Of the Group's net profit for the year of HK\$78,032,000 (1998: HK\$69,508,000), a profit of HK\$53,009,000 (1998: HK\$39,404,000) has been dealt with in the financial statements of the Company.

12. DIVIDENDS

	1999 HK\$'000	1998 HK\$'000
Interim dividend paid of 2.5 cents (1998: 2.5 cents) per ordinary share	11,138	11,138
Final dividend proposed of 4.0 cents (1998: 3.5 cents) per ordinary share	17,820	15,592
	<u>28,958</u>	<u>26,730</u>

The final dividend of 4 cents (1998: 3.5 cents) per ordinary share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

13. EARNINGS PER SHARE

The calculation of the earnings per share is based on the net profit for the year of HK\$78,032,000 (1998: HK\$69,508,000) and on the 445,500,000 ordinary shares (1998: 445,500,000 ordinary shares) in issue during the year.

14. INVESTMENT PROPERTIES

	THE GROUP HK\$'000
VALUATION	
At 1st January, 1999	242,194
Deficit arising on revaluation	<u>(23,402)</u>
At 31st December, 1999	<u>218,792</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 1999

14. INVESTMENT PROPERTIES (cont'd)

The Group's investment properties comprise:

	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>
Properties held under medium leases:		
– in Hong Kong	9,000	11,000
– elsewhere in the People's Republic of China	165,618	184,754
	<hr/> 174,618	<hr/> 195,754
Properties held under long leases:		
– elsewhere in the People's Republic of China	44,174	46,440
	<hr/> 218,792	<hr/> 242,194

All the investment properties of the Group were revalued as at 31st December, 1999 by Knight Frank, an independent firm of professional valuers, on an open market value existing use basis. The resulting deficit arising on revaluation which amounted to HK\$23,402,000 has been charged directly to the income statement.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 1999

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP						
COST OR VALUATION						
At 1st January, 1999	44,406	13,731	3,750	1,382	2,977	66,246
Currency realignment	8	(1)	1	-	-	8
Additions	-	399	1,478	5	323	2,205
Disposals	(1,275)	(964)	(988)	-	(855)	(4,082)
	<u>43,139</u>	<u>13,165</u>	<u>4,241</u>	<u>1,387</u>	<u>2,445</u>	<u>64,377</u>
At 31st December, 1999						
Comprising:						
At cost	13,134	13,165	4,241	1,387	2,445	34,372
At valuation - 1991	30,005	-	-	-	-	30,005
	<u>43,139</u>	<u>13,165</u>	<u>4,241</u>	<u>1,387</u>	<u>2,445</u>	<u>64,377</u>
DEPRECIATION AND AMORTISATION						
At 1st January, 1999	3,967	9,066	2,301	1,203	2,474	19,011
Currency realignment	-	(2)	-	-	-	(2)
Provided for the year	890	1,476	776	66	299	3,507
Eliminated on disposals	(175)	(735)	(911)	-	(855)	(2,676)
	<u>4,682</u>	<u>9,805</u>	<u>2,166</u>	<u>1,269</u>	<u>1,918</u>	<u>19,840</u>
At 31st December, 1999						
NET BOOK VALUES						
At 31st December, 1999	<u>38,457</u>	<u>3,360</u>	<u>2,075</u>	<u>118</u>	<u>527</u>	<u>44,537</u>
At 31st December, 1998	<u>40,439</u>	<u>4,665</u>	<u>1,449</u>	<u>179</u>	<u>503</u>	<u>47,235</u>

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 approximately HK\$24,467,000 (1998: HK\$25,484,000).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 1999

15. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Furniture, fixtures and equipment <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY			
COST			
At 1st January, 1999	2,470	2,460	4,930
Additions	8	260	268
Disposals	(77)	(855)	(932)
	<hr/>	<hr/>	<hr/>
At 31st December, 1999	2,401	1,865	4,266
	<hr/>	<hr/>	<hr/>
DEPRECIATION			
At 1st January, 1999	2,387	2,037	4,424
Provided for the year	31	244	275
Eliminated on disposals	(77)	(855)	(932)
	<hr/>	<hr/>	<hr/>
At 31st December, 1999	2,341	1,426	3,767
	<hr/>	<hr/>	<hr/>
NET BOOK VALUES			
At 31st December, 1999	<u>60</u>	<u>439</u>	<u>499</u>
At 31st December, 1998	<u>83</u>	<u>423</u>	<u>506</u>

The Group's leasehold land and buildings comprise:

	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>
	Leasehold land and buildings	
Properties held under medium leases:		
– in Hong Kong	26,570	28,286
– elsewhere in the People's Republic of China	3,430	3,513
	<hr/>	<hr/>
	30,000	31,799
Properties held under long leases:		
– overseas	8,457	8,640
	<hr/>	<hr/>
	<u>38,457</u>	<u>40,439</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 1999

16. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	1999	1998
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	<u>38,587</u>	<u>38,582</u>

Particulars of the subsidiaries at 31st December, 1999 are set out in note 31.

17. INTEREST IN AN ASSOCIATE

	THE GROUP	
	1999	1998
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	<u>453</u>	<u>453</u>

The interest in an associate at 31st December, 1999 represents the Group's 49% equity interest in the issued share capital of KSIP (Thailand 1989) Co., Ltd., a company incorporated and operates in Thailand. The associate was inactive during the year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 1999

18. INVESTMENTS IN SECURITIES

THE GROUP

	Investment securities		Other investments		Total	
	1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
Equity securities:						
Listed – Hong Kong	55,000	55,000	132,798	9,646	187,798	64,646
Listed – overseas	3,132	3,132	3,068	1,930	6,200	5,062
Unlisted	-	-	13,284	11,441	13,284	11,441
	<u>58,132</u>	<u>58,132</u>	<u>149,150</u>	<u>23,017</u>	<u>207,282</u>	<u>81,149</u>
Debt securities:						
Listed – overseas	-	-	14,294	49,474	14,294	49,474
Total securities:						
Listed	58,132	58,132	150,160	61,050	208,292	119,182
Unlisted	-	-	13,284	11,441	13,284	11,441
	<u>58,132</u>	<u>58,132</u>	<u>163,444</u>	<u>72,491</u>	<u>221,576</u>	<u>130,623</u>
Market value of listed securities	<u>39,432</u>	<u>40,888</u>	<u>150,160</u>	<u>61,050</u>	<u>189,592</u>	<u>101,938</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 1999

18. INVESTMENTS IN SECURITIES (cont'd)

THE GROUP (cont'd)

	Investment securities		Other investments		Total	
	1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
Carrying amount analysed for reporting purposes as:						
Current	-	-	159,743	68,790	159,743	68,790
Non-current	58,132	58,132	3,701	3,701	61,833	61,833
	<u>58,132</u>	<u>58,132</u>	<u>163,444</u>	<u>72,491</u>	<u>221,576</u>	<u>130,623</u>
THE COMPANY						
Equity securities:						
Listed – Hong Kong	-	-	4,417	3,125	4,417	3,125
Market value of listed securities	-	-	4,417	3,125	4,417	3,125
Carrying amount analysed for reporting purposes as:						
Current	-	-	4,417	3,125	4,417	3,125

Particulars of the Group's investments in securities which exceeds 10% of the assets of the Group at 31st December, 1999 disclosed pursuant to section 129(2) of the Companies Ordinance are as follows:

Name of company	Place of incorporation	Type of investment held	Percentage of issued capital held by the Group
South China Morning Post (Holdings) Limited	Bermuda	Ordinary shares	0.7%

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 1999

18. INVESTMENTS IN SECURITIES (cont'd)

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:

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

19. INVENTORIES

	THE GROUP	
	1999 HK\$'000	1998 HK\$'000
Raw materials	210	271
Finished goods	54,308	52,080
	<u>54,518</u>	<u>52,351</u>

Included in inventories are finished goods of HK\$17,050,000 (1998: HK\$15,418,000) carried at net realisable value.

20. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.05 each		
<i>Authorised:</i>		
At beginning and at end of the years 1998 and 1999	<u>700,000,000</u>	<u>35,000</u>
<i>Issued and fully paid:</i>		
At beginning and at end of the years 1998 and 1999	<u>445,500,000</u>	<u>22,275</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 1999

21. RESERVES

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP							
At 1st January, 1998							
– as originally stated	153,728	26,090	7,541	18,568	1,361	235,727	443,015
– Prior year adjustment on adoption of SSAP 24 (note 2)	–	–	–	–	–	(7,038)	(7,038)
– as restated	153,728	26,090	7,541	18,568	1,361	228,689	435,977
Exchange differences arising on translation of overseas operations	–	–	–	–	143	–	143
Transfer	–	–	2,503	(2,503)	–	–	–
Deficit on revaluation of investment properties attributable to the Group	–	–	(4,764)	–	–	–	(4,764)
Net profit for the year	–	–	–	–	–	69,508	69,508
Dividends	–	–	–	–	–	(26,730)	(26,730)
At 31st December, 1998	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
Attributable to:							
Company and subsidiaries	153,728	26,090	5,280	15,440	1,819	321,166	523,523
Associate	–	–	–	–	(304)	–	(304)
	153,728	26,090	5,280	15,440	1,515	321,166	523,219

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 1999

21. RESERVES (cont'd)

	Share premium HK\$'000	Capital reserve HK\$'000	Investment property revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE COMPANY							
At 1st January, 1998	153,728	-	-	-	-	80,602	234,330
Net profit for the year	-	-	-	-	-	39,404	39,404
Dividends	-	-	-	-	-	(26,730)	(26,730)
At 31st December, 1998	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

The balance of investment property revaluation reserve at 31st December, 1999 of HK\$5,280,000 (1998: HK\$5,280,000) 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, 1999 comprised the retained profits of HK\$117,327,000 (1998: HK\$93,276,000).

22. DEFERRED TAXATION

	THE GROUP	
	1999 HK\$'000	1998 HK\$'000
At beginning of the year	-	-
Charge for the year (<i>note 10</i>)	1,558	-
At end of the year	1,558	-

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, 1999, the Group had an unrecognised deferred tax asset of approximately HK\$17,450,000 (1998: HK\$18,619,000) 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 1999

22. DEFERRED TAXATION (cont'd)

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.

Deferred tax liability of approximately HK\$1,127,000 as at 31st December, 1998 was not provided on the surplus arising on revaluation of the Group's investment properties situated elsewhere in the People's Republic of China as in the opinion of the directors, such investment property was intended to be held for long term purposes and it was unlikely that the liability would crystallise in the foreseeable future.

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

23. BANK BORROWINGS

	THE GROUP	
	1999 HK\$'000	1998 HK\$'000
The bank borrowings, which are all due within one year, comprise:		
Bank loans and overdrafts		
Secured	17,381	33,506
Unsecured	125,964	145,633
	<hr/>	<hr/>
	143,345	179,139
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 1999

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

	1999 HK\$'000	1998 HK\$'000
Profit before taxation	85,669	82,050
Unrealised (gain) loss on investments in securities	(39,231)	6,066
Deficit arising on revaluation of investment properties	23,402	7,892
Interest income from bank deposits	(7,285)	(9,584)
Interest expenses	6,746	9,533
Depreciation and amortisation	3,507	3,152
(Gain) loss on disposal of property, plant and equipment	(1,552)	10
(Increase) decrease in inventories	(2,181)	13,469
(Increase) decrease in other investments	(51,722)	18,208
(Increase) decrease in debtors, deposits and prepayments	(5,933)	25,409
(Increase) decrease in bills receivable	(2,416)	6,568
Increase (decrease) in creditors and accrued charges	3,066	(41,377)
Decrease in bills payable	(1,327)	(29,541)
	<hr/>	<hr/>
NET CASH INFLOW FROM OPERATING ACTIVITIES	10,743	91,855

25. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Bank loans HK\$'000	Minority interests HK\$'000
Balance at 1st January, 1998	3,635	31,404
Currency realignment	53	97
Repayment of bank loans	(326)	-
Minority interests in the profit of subsidiaries	-	5,002
Dividends paid to minority shareholders of subsidiaries	-	(3,467)
Deficit on revaluation of investment properties attributable to minority interests	-	(9)
	<hr/>	<hr/>
Balance at 31st December, 1998	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 shareholders of subsidiaries	-	(5,320)
	<hr/>	<hr/>
Balance at 31st December, 1999	-	28,543

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 1999

26. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	1999 HK\$'000	1998 HK\$'000
Short term bank deposits	103,238	116,340
Bank balances and cash	37,655	85,369
Bank loans and overdrafts	(143,345)	(175,777)
	<u>(2,452)</u>	<u>25,932</u>

27. 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:

	THE GROUP		THE COMPANY	
	1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
Within one year	217	468	60	459
In the second to fifth year inclusive	1,698	1,717	688	360
	<u>1,915</u>	<u>2,185</u>	<u>748</u>	<u>819</u>

28. CAPITAL COMMITMENT

	THE GROUP		THE COMPANY	
	1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
Capital expenditure contracted for but not provided in the financial statements for acquisition of property, plant and equipment	-	1,091	-	119
	<u>-</u>	<u>1,091</u>	<u>-</u>	<u>119</u>

29. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
Extent of banking facilities utilised by subsidiaries in respect of which guarantees were given to banks by the Company	-	-	131,392	147,529
	<u>-</u>	<u>-</u>	<u>131,392</u>	<u>147,529</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 1999

30. PLEDGE OF ASSETS

At 31st December, 1999, certain leasehold properties and investments in securities with aggregate carrying value of approximately HK\$8,457,000 (1998: HK\$8,640,000) and HK\$46,635,000 (1998: HK\$49,894,000), respectively, were pledged to banks to secure banking facilities granted to the Group.

31. SUBSIDIARIES

Particulars of the subsidiaries at 31st December, 1999 are as follows:

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Issued/ registered and fully paid capital		Percentage of issued/ registered capital held by the Group	Principal activities
			Ordinary	Non-voting preferred (note)	%	
Asia Fame International Limited	Hong Kong	Hong Kong	HK\$1,000,000	-	100*	Trading in electronic components
Bright Star Limited	Cook Islands	Hong Kong	US\$1,000	-	100	Investment holding
Charterway Developments 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
Electrochemical Technologies Limited	Hong Kong	Hong Kong	HK\$2	-	100*	Commodities 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	Elsewhere in the People's Republic of China	HK\$10,000	-	90	Property investment
Global Trade Properties Limited	Hong Kong	Elsewhere in the People's Republic of China	HK\$10,000	-	90	Property investment

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 1999

31. SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Issued/ registered and fully paid capital		Percentage of issued/ registered capital held by the Group	Principal activities
			Ordinary	Non-voting preferred (note)	%	
Gold Asset Properties Limited	Hong Kong	Elsewhere in the People's Republic of China	HK\$10,000	-	90	Property investment
Jollifair Investments 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 Services Limited	Hong Kong	Hong Kong	HK\$10,000	-	100	Inactive
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 Industrial Products Limited	Hong Kong	Hong Kong, Taiwan, South Korea and Thailand	HK\$200	HK\$1,000,000	100*	Investment holding and trading in electroplating chemicals and metals
Kee Shing International Limited	Hong Kong	Elsewhere in the People's Republic of China	HK\$2	-	100*	Inactive
Kee Shing (Investments) Limited	Cook Islands	Cook Islands	US\$1,000	-	100*	Investment holding
Kee Shing Property Consultants (Shanghai) Co., Ltd.	Elsewhere in the People's Republic of China	Elsewhere in the People's Republic of China	RMB2,902,060	-	100*	Property management

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 1999

31. SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Issued/ registered and fully paid capital		Percentage of issued/ registered capital held by the Group	Principal activities
			Ordinary	Non-voting preferred <i>(note)</i>	%	
King Shen Industrial Products Company Limited	Taiwan	Taiwan	NT\$5,000,000	-	70	Trading in electroplating chemicals and metals
Kingsview Properties Limited	Hong Kong	Elsewhere in the People's Republic of China	HK\$10,000	-	90	Property investment
Klendo Limited	Hong Kong	Elsewhere in the People's Republic of China	HK\$10,000	-	90*	Property investment
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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 1999

31. SUBSIDIARIES (cont'd)

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31st December, 1999

31. SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Issued/ registered and fully paid capital		Percentage of issued/ registered capital held by the Group	Principal activities
			Ordinary	Non-voting preferred <i>(note)</i>	%	
Unitech Development (Far East) Inc. Limited	Hong Kong	Elsewhere in the People's Republic of China	HK\$2	-	55	Inactive
Winbase Properties Limited	Hong Kong	Elsewhere 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, 1999 or at any time during the year.

Note: The non-voting preferred shares, which are not held by the Group, 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

LOCATION	TYPE	LEASE TERM
HONG KONG		
Units A, B, D and E on 2nd Floor, Kee Shing Centre, 74-76 Kimberley Road, Tsimshatsui, Kowloon Hong Kong	Commercial	Medium 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 lease
15th Floor, Shui On Plaza 333 Huai Hai Road Central, Luwan District, Shanghai People's Republic of China	Commercial	Medium 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 (cont'd)

LOCATION	TYPE	LEASE TERM
ELSEWHERE IN THE PEOPLE'S REPUBLIC OF CHINA (cont'd)		
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