



# Corporate Information

## BOARD OF DIRECTORS

### 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 (Resigned on 13th January, 2004)

### Independent Non-executive Directors

Wong Kong Chi

Ng Hon Ying (Resigned on 23rd June, 2004)

Lai Chung Wing, Robert (Appointed on 23rd June, 2004)

Leung Ding Bong, Ronald (Resigned on 18th August, 2004)

Chan Wing Lee (Appointed on 18th August, 2004)

## AUDIT COMMITTEE

Wong Kong Chi – *Chairman*

Chan Wing Lee

Lai Chung Wing, Robert

Kwan Hing Hin, Stephen (Resigned on 13th January, 2004)

## COMPANY SECRETARY

Wong Choi Ying

## SOLICITORS

Herbert Smith

## AUDITORS

Deloitte Touche Tohmatsu

*Certified Public Accountants*

## PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited

The Hongkong and Shanghai Banking Corporation Limited

## SHARE REGISTRARS

Standard Registrars Limited

28th Floor, BEA Harbour View Centre

56 Gloucester Road

Wanchai, Hong Kong

## REGISTERED OFFICE

3rd Floor, Kee Shing Centre

74-76 Kimberley Road

Tsimshatsui, Kowloon

# Financial Highlights

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	Change
<b>INCOME STATEMENTS</b>			
Turnover	1,770,634	1,224,230	+44.6%
Operating Profit	70,379	71,047	-0.9%
Profit Attributable to Shareholders	51,362	38,707	+32.7%
Dividends	55,688	13,365	+316.7%
<b>BALANCE SHEETS</b>			
Total Assets	987,762	934,586	+5.7%
Total Borrowings	302,130	239,972	+25.9%
Shareholders' Funds	609,565	606,775	+0.5%
<b>CASH FLOW</b>			
Cash (Used in) Generated from Operating Activities	(52,301)	17,810	-393.7%
Working Capital	274,236	273,577	+0.2%
Capital Expenditure	3,407	2,132	+59.8%
Earning Per Share	11.53¢	8.69¢	+32.7%
Dividend Per Share	12.5¢	3.0¢	+316.7%
Shareholders' Fund Per Share	1.37	1.36	+0.7%
Interest Cover	16.31X	13.17X	n.a.
Dividend Cover	0.92X	2.90X	n.a.

*Note:*

1. Earning per share is calculated by dividing profit attributable to shareholders by 445,500,000 shares in issue during 2004 (2003: 445,500,000 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,

	1995	1996	1997	1998	1999	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>TURNOVER</b>	<u>1,066,896</u>	<u>1,559,027</u>	<u>2,096,755</u>	<u>1,826,177</u>	<u>1,223,055</u>	<u>1,053,704</u>
<b>PROFIT BEFORE TAXATION</b>	37,889	53,121	31,027	82,050	85,669	48,208
<b>TAXATION</b>	<u>(5,945)</u>	<u>(5,446)</u>	<u>(8,447)</u>	<u>(7,540)</u>	<u>(6,810)</u>	<u>(2,946)</u>
<b>PROFIT BEFORE MINORITY INTERESTS</b>	31,944	47,675	22,580	74,510	78,859	45,262
<b>MINORITY INTERESTS</b>	<u>(2,659)</u>	<u>(3,890)</u>	<u>(2,383)</u>	<u>(5,002)</u>	<u>(827)</u>	<u>(1,384)</u>
<b>NET PROFIT FOR THE YEAR</b>	<u>29,285</u>	<u>43,785</u>	<u>20,197</u>	<u>69,508</u>	<u>78,032</u>	<u>43,878</u>

## CONSOLIDATED BALANCE SHEET

As at 31st December,

	1995	1996	1997	1998	1999	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>TOTAL ASSETS</b>	594,196	716,225	760,661	785,566	800,560	795,298
<b>TOTAL LIABILITIES</b>	(120,352)	(213,686)	(273,912)	(252,355)	(220,520)	(197,432)
<b>MINORITY INTERESTS</b>	<u>(21,311)</u>	<u>(21,015)</u>	<u>(19,587)</u>	<u>(21,210)</u>	<u>(16,726)</u>	<u>(16,700)</u>
<b>EQUITY</b>	<u>452,533</u>	<u>481,524</u>	<u>467,162</u>	<u>512,001</u>	<u>563,314</u>	<u>581,166</u>

Notes:

- (1) The above financial summary prior to 1997 has not been adjusted to take into account the effect on the adoption of SSAP 24 "Accounting for investments in securities" issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) as the directors considered that it is not practicable to do so.
- (2) The above financial summary prior to 2002 has not been adjusted to take into account the effect on the adoption of SSAP 12 (Revised) "Income taxes" issued by HKICPA as the directors considered that it is not practicable to do so.

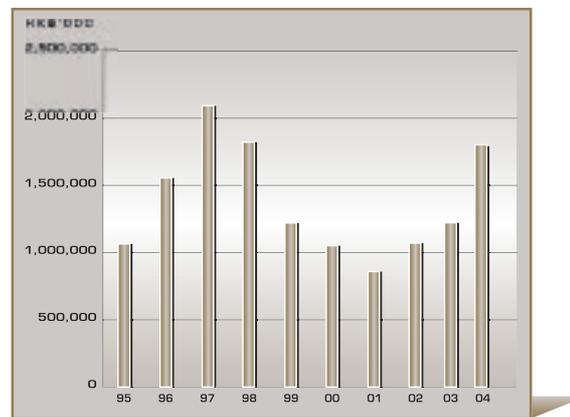
## KEY DATA

	1995	1996	1997	1998	1999	2000
Interest cover (times)	5.66	7.97	5.04	9.61	13.70	4.83
Dividends per share (cents)	4.00	4.00	4.00	6.00	6.50	5.00
Earnings per share (cents)	7.80	9.80	4.50	15.60	17.50	9.80
Net assets per share (HK\$)	1.02	1.08	1.05	1.15	1.26	1.30
Gearing	0.13	0.20	0.27	0.35	0.25	0.25

# Ten Year Financial Summary

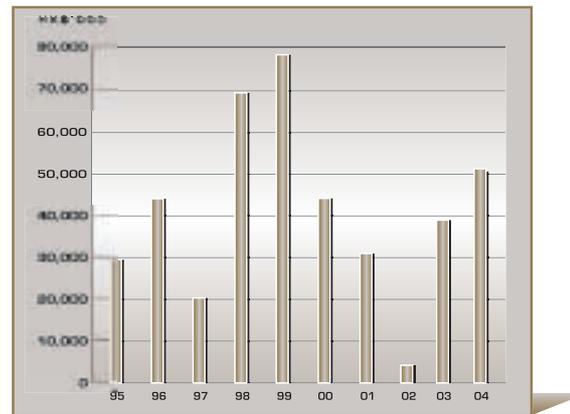
2001	2002	2003	2004
HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>860,920</u>	<u>1,072,821</u>	<u>1,224,230</u>	<u>1,770,634</u>
36,524	8,527	46,300	62,031
<u>(4,640)</u>	<u>(3,884)</u>	<u>(6,029)</u>	<u>(9,297)</u>
31,884	4,643	40,271	52,734
<u>(1,128)</u>	<u>(491)</u>	<u>(1,564)</u>	<u>(1,372)</u>
<u>30,756</u>	<u>4,152</u>	<u>38,707</u>	<u>51,362</u>

## Turnover

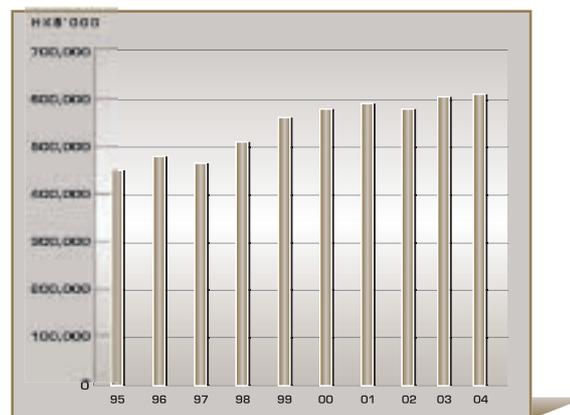


2001	2002	2003	2004
HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>796,002</u>	<u>826,708</u>	<u>934,586</u>	<u>987,762</u>
(188,002)	(229,503)	(310,219)	(358,423)
<u>(15,263)</u>	<u>(16,071)</u>	<u>(17,592)</u>	<u>(19,774)</u>
<u>592,737</u>	<u>581,134</u>	<u>606,775</u>	<u>609,565</u>

## Net Profit



## Equity



2001	2002	2003	2004
7.21	2.95	13.17	16.31
2.50	2.50	3.00	12.50
6.90	0.93	8.69	11.53
1.33	1.30	1.36	1.37
0.23	0.31	0.40	0.50

# Chairman's Statement

The Group's consolidated attributed profit of HK\$51.4 million for the year 2004 was reported, representing a rise of 32.8% over that in 2003. Profit growth in trading segment was satisfactory benefited from strong demand growth in Asian countries as well as a sharp rise in commodity prices. Profit from property investment segment rose by 40.3% primarily due to a gain on the revaluation of properties in 2004. In addition to the revaluation gain, performance of rental business was moderately stable. Having experienced immense volatility and high level of uncertainties surrounding the world, we restructured our securities portfolio in a conservative manner to minimize aggregate risks. Therefore, profit from security investment during the year only generated a modest profit of HK\$3.5 million when compared with HK\$28.6 million earned in 2003. At the year end, the Group recognized an impairment loss of HK\$2.5 million in respect of one of securities investment held in China due to its significant losses in the past two years.

## DIVIDEND

Interim dividend of HK10 cents per ordinary share was declared on 28th September, 2004 as the Group currently was unable to locate suitable investment opportunity. Subject to the approval of shareholders at the forthcoming Annual General Meeting, the Board of Directors recommended a final dividend for 2004 of HK10 cents per ordinary share (2003: HK2.5 cents per ordinary share) payable on or before 23rd June, 2005 to shareholders whose names appear on the register of members of the Company as 31st May, 2005.

## BUSINESS REVIEW

During 2004, turnover and result in trading segment of the Group increased exceptionally by 45.5% and 46% respectively due to significant rise in commodity prices. Amid buoyant commodity markets together with global deficits situation in most products that we traded, we enhanced our competitive position with reputation of stable supply and renowned service quality. Boosting economies in Asian countries like China, Singapore, Taiwan, Korea, etc. nourished an encouraging growth in demand. Improved market situation also allowed us to expand into different types of customer base. Despite increasing cost pressures on financing inventory and credit collection cycles, we have adopt prudent measures throughout the year to control financing risks and facilitate the Group's efficiency on cost saving.

Shanghai residential and office markets continued to follow an upward trend. Due to a lack of enough supply in Shanghai, demand for office spaces in Shanghai remained robust and all rental spaces of the Group's office properties were leased out at the end of the year. In spite of the Chinese government's measures to slow down investment in properties market, Shanghai's residential properties prices have maintained a stable and healthy growth trend throughout the year. Near the end of the year, we have resolved to sell all of our Shanghai's residential properties and four units have been sold by March, 2005. The improved leasing market in Hong Kong did not bring higher rental premium to non-Grade A offices and rental business of Hong Kong offices fell by about 9% in 2004. A surplus arising on revaluation of investment properties amounting HK\$17.9 million was recorded at the year end, of which a gain of HK\$9.5 million was credited to income statement and the remaining balance of HK\$8.4 million was credited to reserve.

In the midst of massive volatility in financial markets and uncertainties on risks associated with global economies and geopolitical environment, the Group's securities portfolio performed unsatisfactorily. The decline in US dollar, which fell more than 27% since its peak in early 2003 against the currencies of its major trading partners like Europe, Japan, etc., and swerved focus of the U.S. Federal Reserve on its monetary policy and price stability, bewildered the Group's position on balancing our portfolio between short- and long-term consideration. Plentiful cash within the global market which instantly changed its market direction also swirled the market stability. For the year 2004, we recorded an unrealized loss of HK\$0.6 million, which it included an impairment loss of HK\$2.5 million in one of our China's investment. During the year, we disposed of HK\$40.0 million of securities, mainly corporate debt, and gained HK\$0.4 million in profit.

I would like to express my thanks to two resigned directors: Mr. Leung Ding Bong, Ronald and Mr. Ng Hon Ying for their contributions and service for the company in the past years. Also, I would like to welcome two new independent non-executive directors who joined the Board in 2004: Mr. Lai Chung Wing, Robert and Mr. Chan Wing Lee. Mr. Lai has substantial experience in various types of industries and investments and Mr. Chan is a veteran banker. I believe that our independent directors will bring valuable contributions to the Group in the coming years.

## AUDIT COMMITTEE

The Group's audit committee has met three times in 2004 to review audit findings, accounting principles and practices adopted by the Group, to assess auditors' scope of the forthcoming audit planning of the Group for the year 2004 and to discuss internal and external risk control areas before submitting the management and financial reports to the Board of Directors for approval. The external auditors together with the Group's finance director and two senior management personnel have attended all meetings. Current audit committee members are Mr. Wong Kong Chi, who is the Chairman of the committee, Mr. Lai Chung Wing, Robert and Mr. Chan Wing Lee.

## PROSPECTS

In the first half of 2005, we expect to see further growth in demand from Asian region, in particular of China, and solid commodity prices. However, the Group's revenue may be adversely affected as many customers are forced to scale down their operation under the current high raw material prices. Following our past strategies, we will cautiously monitor the Group's inventory and purchase measures, and, at the same time, maintain our services roles in supporting stable supply to customers. Property markets in Shanghai and Hong Kong have shown marked improvement and we see such trend will continue in the year of 2005. For the securities portfolio, we will remain alerts to changes in global economic environment and seek opportunities to improve our return for the year.

With support of sound financial balance sheet, the Group is well position to manage different kinds of risks exposing to the markets. With thanks to all our staff who has delivered their hardworking during the year, the Group will continue to devote all strengths in pursuing further improvement in coming years.

**LEUNG SHU WING**

*Chairman*

Hong Kong, 8th April, 2005

# Management Discussion and Analysis

## OPERATING ACTIVITIES

### Trading Division

The principal trading activities of the Group and the contribution of each activity to the Group are summarized as below:

	Turnover		Segment Result	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Electroplating Materials and Chemicals	1,586,352	1,074,180	38,554	28,818
Paint & Coating Chemicals	113,937	90,012	5,725	3,120
Stainless Steel	50,757	39,046	8,146	3,951
Total	<u>1,751,046</u>	<u>1,203,238</u>	<u>52,425</u>	<u>35,889</u>

#### *Electroplating Materials and Chemicals*

Sales performance in 2004 was exceptionally outstanding benefited from high metal prices and strong demand in Asian region. Global imbalance of supply and demand in base metals supported persistent high international prices throughout the year. Nevertheless, overall gross profit margin in most products fell during the year as many factories faced pressure on their margins when they failed to pass on additional costs to end customers.

Sales in precious metal products performed fairly as a result of ample supply in China and keen competition. Offsetting the rises in metal price, total sales in precious metal products slight grew by 3.4% over that of a year earlier. Keen competition from Chinese makers not only led to a reduction in sales quantities but also gross profit margin. On the other hand, satisfactory performance on precious metal products in Singapore was reported during 2004 mainly because of few competitors left in the region due to slim margin and stronger demand from electronics-related industries at the beginning of the year.

Sales of electroplating nickel stayed firm during the year driven by high nickel price and strong demand from industrial use in Asian region. In spite of credits tightening by most Chinese local banks and shortage of power supply in many factories domiciled in China, robust economic growth in China and its neighboring countries like Korea and other South East Asian countries supported the nickel consumption in general. Nevertheless, gross profit margin on nickel was unable to catch up in line with the rise in metal price partly because of committed premiums charged on long-term customers and partly because of price pressure exerted from reversed pricing strategy initiated by Chinese primary producer causing lower market price selling in China when comparing with international market price. Rising demand in printed circuit board industry also improved their orders to us during the year although price competition remained intensive. Electroplating chemicals performed satisfactory taking advantages of rising metal prices and high demand from Chinese factories especially imitation jewelry industries.

It is expected that tight supply of most metals and chemicals will continue in 2005 but massive volatility in international metal markets prompt us to keep cautious in managing risks associated with purchases and inventory controls. Inventory level as at 31st December, 2004 reached to HK\$147.3 million from HK\$89.7 million as at 31st December, 2003. The rise in inventory was primarily because most metals' international average prices had advanced ranging from 12% to 84% annually in 2004. Moreover, additional orders to be sold early of year 2005 increased the total inventory level.

#### *Paint and Coating Chemicals*

In 2004, demand of most local small-to-medium-sized Chinese factories that manufactured paints and coatings products shrank because of global shortage of raw materials as well as increasing costs in meeting higher standard of production facilities enforced by the Chinese government. However, consumption of foreign-owned and state-owned factories

continued to perform well and helped support a rapid growing demand from China's major industries during the year. Amid weak US dollar against major currencies, maintenance stoppage of producers' factories as well as insufficient supply of upstream materials in making paints and coating chemicals, majority of our trading products suffered from insufficient supply during the year, resulting in total sales slightly below our expectation. Average selling prices of major chemicals during 2004 recorded increases from 10% to 47% and total quantities of 2004 sales were advanced by 14.9% over that of 2003.

Profits in 2004 also improved benefited from rally in products prices as well as diversification of products application to different industries. In the coming year, we will continue to solidify our customers' bases to multinational companies of which they are rapidly expanding their production capacity in China. With appreciation of much stricter rules and regulation on environment and health enforced by Chinese government, our products shall gain better competitive edges against other rivals.

## *Stainless Steel*

Stainless steel prices remained robust throughout the year. Average selling price of first-grade stainless steel rose 27.6% in 2004 over that in 2003. The significant rise was mainly driven by the high prices in raw materials like molybdenum, nickel, etc., due to continuous supply deficits in the world. As many factories hardly charged such large increases in costs to their end customers, these factories either slowed down their purchases or gradually shifted to purchase lower-quality materials. Total sales quantities slightly dropped by 1.8% in 2004 compared with total quantities in 2003. Even so, close to the year end, we were still facing tight supply in stainless steel mills and delayed shipments were not yet solved. Amid high stainless steel prices, 2004 gross profit improved by 48.6% over the previous year and profit margin also enhanced by 14.3%. Nevertheless, inventory level as at 31st December, 2004 also climbed to HK\$13.4 million when compared with HK\$8.9 million as at 31st December, 2003, representing a rise of 50.6% in yearly basis. It is expected that stainless steel prices will remain firm in 2005 because of solid material costs as well as enduring tight supply.

## **Property Investment Division**

Segmental profit climbed by 40.3% to HK\$20.5 million for the year of 2004.

2004's average occupancy rate for Hong Kong office was reported at 88%, same as that in 2003. But average monthly rental per square foot fell 20.9% to HK\$8 per square foot. As at 31st December, 2004, about 6% of total area was available for rent. Atmosphere of Hong Kong property market in general has improved a great deal during 2004 but rental market around Tsimshatsui area remained competitive as abundant supply of vacant office is still available in this area.

Rental for Grade A offices in Shanghai slightly dropped by 2.6% in 2004 when compared with the rent received in 2003. The decrease was primarily a result of one-to-two months' interior renovation period before handing over to new tenants after one major tenant delivered the premises to us in the beginning of the year. Therefore, average occupancy rate dropped to 92.4% in 2004 when compared with 96.6% in 2003, although all spaces were fully rented as at 31st December, 2004. Most new tenants are either foreign companies or local state-owned enterprises. In the beginning of 2005, we have concluded several renewal tenancy agreements with a rise of 18.6% in average on monthly rental.

Amid credits tightening and governmental measures to cool down the market, property prices of residential properties in Shanghai remained overheated during the year. Average 2004 occupancy rate was reported at 90.8% where that in 2003 was at 85.7%. As at 31st December, 2004, total occupancy rate was 78.4% (31/12/2003: 96.0%). Although demand of residential properties stood firm, increasing supply on investment-purposed residential properties put pressures on average rental growth. Average 2004 monthly rental on each flat slightly fell by 1.4%. In view of furious rise in residential property market, close to the year end, the Group decided to steadily selling 50 units of residential flats located in Haihua Garden, Shanghai. In January, 2005, we have already sold 2 units with average price of HK\$1,130.60 per square foot. Another 2 units were sold with over HK\$1,300.00 per square foot.

As at 31st December, 2004, a surplus arising on revaluation of investment properties amounting HK\$17.9 million was recorded, of which a gain of HK\$9.5 million was credited to income statement and the remaining balance of HK\$8.4 million was credited to reserve. Carrying amount of total investment properties as at 31st December, 2004 was HK\$208.3 million and that of properties under for sales was HK\$52.0 million.

# Management Discussion and Analysis

## Securities Investment Division

An analysis of the portfolio, current and non-current, by type of securities as at 31st December, 2004 is as below:

	Market Value of Investments	Percentage of Total
Equities	HK\$ 63.8 Million	33.9%
Debt Securities	HK\$ 40.2 Million	21.4%
Mutual Funds	HK\$ 52.1 Million	27.7%
Long Term Bank Deposits	HK\$ 31.1 Million	16.6%
Equity-Linked Deposits	HK\$ 0.8 Million	0.4%
<b>For the Year ended:</b>	<b>31st December, 2004</b>	<b>31st December, 2003</b>
Purchase: (at cost)	HK\$ 70.4 Million	HK\$ 93.7 Million
Disposal: (at Market Value)	HK\$ 40.0 Million	HK\$ 74.0 Million

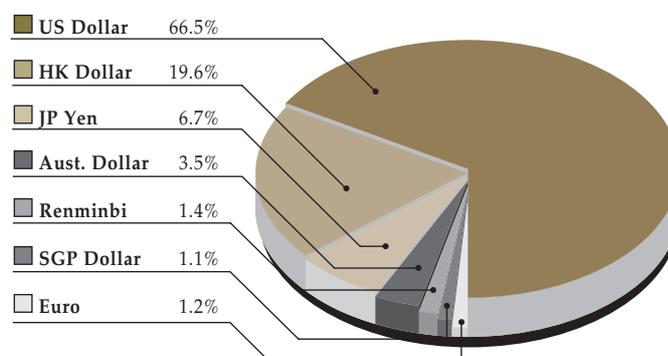
As at 31st December, 2004, the Group used its own fund to finance 91.9% of total securities holdings and the remaining 8.1% was financed by bank borrowings.

In 2004, global economy is clouded with the threat of high oil price, geopolitical instability, twin deficits, i.e. Federal deficits and trade deficits, of the United States, weak job growth in U.S. and Europe, as well as inflationary pressure. The most significant issue during the year was the fate of the U.S. dollar. In the past three years, the U.S. dollars have already declined by about 57.2% against Gold and 52.4% against Euro. To combat against inflation pressure, U.S. Federal Reserve policymakers have raised its benchmark interest rate by 1.25% during 2004 to 2.25% at the end of the year. It is widely believed that the Federal Reserve will tighten its policy further in 2005.

For the year of 2004, huge volatility in the market led us to be more cautious in structuring our portfolio. Having experienced instant changes of market directions and knowing many variables presented in global economies, we have diversified our holdings into alternative investments including traditional equities funds, hedge funds and multi-strategic funds, etc. In 2005, we will remain watchful of the economy and direction of markets.

As at 31st December, 2004, we recorded an unrealized loss of HK\$0.6 million, which it included an impairment loss of HK\$2.5 million in one of our China's investment. During the year, we disposed of HK\$40.0 million securities, mainly corporate debt, and gained HK\$0.4 million. Dividend and interest income generated from securities portfolio accounted for HK\$1.5 million and HK\$2.6 million respectively in 2004.

### An analysis of the portfolio by currency denomination as at 31st December, 2004 is listed below:



## EMPLOYEES

The Group employed a staff of 89 at the end of 2004 of whom 63 worked in Hong Kong, 15 worked in Mainland China and 11 worked in overseas offices. Having recognized achievement of good results for 2004, we increased performance rewards to the Group's staff at the year end. Thus, total staff costs for the year 2004 rose by 10.5% to HK\$24.3 million (2003: HK\$22.0 million). In order to retain skilled and experienced staff in the Group, we provide competitive package within the industries and regularly review and monitor the package within the market. The Group also committed to

develop staff professional knowledge and encourage them to enroll external and internal training courses. During the year, we have arranged several Putonghua courses aiming at improving communication skills of staff.

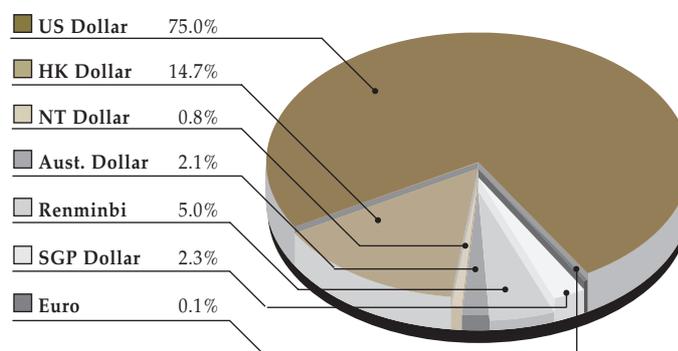
## FINANCIAL RESOURCES AND LIQUIDITY

The Group's shareholders' fund increased from HK\$606.8 million (HK\$1.36 per share) at year-end of 2003 to HK\$ 610.0 million (HK\$1.37 per ordinary share) as at 31st December, 2004. The small rise of shareholders' fund was primarily because of total dividend distribution of HK\$55.7 million was recognized for the year 2004 when comparing with that of HK\$13.3 million for the year 2003.

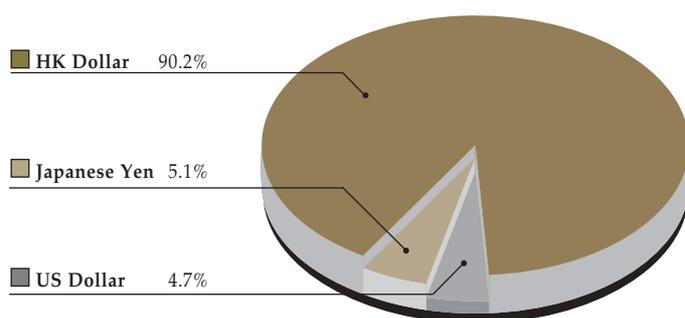
The Group held total cash and short-term bank deposits of HK\$163.8 million as at 31st December, 2004, representing a decrease of 20.9% over HK\$207.1 million as at 31st December, 2003. The Group also placed HK\$31.1 million cash into long-term bank deposits as of 31st December, 2004 (HK\$38.8 million as at 31st December, 2003). Including the long term bank deposits, a net borrowing of HK\$107.2 million was reported at the year end of 2004 whereas a net cash of HK\$6.0 million was recorded as at 31st December, 2003.

Net cash outflow from the Group was primarily related to substantial increase in Group's interim dividend distribution. Increases in inventories of HK\$57.5 million as well as account receivable of HK\$26.0 million also explained the rise in net cash outflow. For the year 2004, the Group raised additional HK\$62.3 million on bank borrowings mainly for financing additional stocks.

An analysis of cash and short term bank deposits by currencies as at 31st December, 2004 is set out below:



An analysis on bank borrowings by currencies as at 31st December, 2004 is set out below:



in 2004 were HK\$4.1 million, a rise of 6.5% compared to HK\$3.8 million in 2003.

## FOREIGN CURRENCY RISK

During the year, the Group's transactions were conducted in Hong Kong Dollars, United States Dollars, Japanese Yen, Euro, British Sterling, Renminbi, Singapore Dollars and New Taiwanese Dollars. The Group used forward exchange contracts to hedge its foreign currency exposure in trading activities when considered appropriate. There were no outstanding forward exchange contracts as at 31st December, 2004. Short-term borrowings denominated in foreign currencies other than United States Dollars were used to finance assets purchased in the same currencies.

## DEBT STRUCTURE

Total bank borrowings rose from HK\$240.0 million as at 31st December, 2003 to HK\$302.1 million as at 31st December, 2004. Gearing ratio, representing total bank borrowing divided by shareholders' fund, was 0.50 as of 31st December, 2004. All bank borrowings were in forms of trust receipts and money market loans as at 31st December 2004.

All borrowings bear interests on floating rates and matured within one year. Average interest rate charged on borrowings during the year 2003 was 1.52% per annum. Interest expenses

## EXECUTIVE DIRECTORS

**Mr. Leung Shu Wing**, aged 66, is the founder of the Group and chairman of the company. Mr. Leung has over 40 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 35, 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 54 joined the Group in 1984. He has over 31 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.

**Mr. Wong Choi Ying**, aged 52 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 25 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 52 is Chairman of Tien Fung Hong Group of companies and an 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 Stock Exchange of Hong Kong Limited. Mr. Yuen is also a member of Shanghai People's Political Consultative Committee.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Wong Kong Chi**, aged 46, is a qualified accountant and formerly an experienced merchant banker. He is also independent non-executive director of several listed companies in Hong Kong. Mr. Wong joined the Group in December 1993 as an independent non-executive director.

**Mr. Lai Chung Wing, Robert**, aged 56, is an independent non-Executive Director of Kingboard Copper Foils Holdings Limited, a publicly listed company on the Stock Exchange of Singapore. He holds a Bachelor-of-Laws (Honours) degree from the University of London and is currently involved in business consultancy work in the Asia-Pacific region. He has extensive experience in trading and investment. He was previously the managing director of Sen Hong Resources Holdings Ltd., (now known as South Sea Petroleum Holdings Ltd.) an oil and gas company listed on The Stock Exchange of Hong Kong Limited.

**Mr. Chan Wing Lee**, aged 66, has over 36 years of commercial banking experience. He has had extensive banking experience and numerous relationships with clients in a variety of industries. He also has had deep understanding of Hong Kong and China business environment settings. He was previously an executive director of DBS Kwong On Bank Limited (now known as DBS Bank (Hong Kong) Limited).

## Senior Management Profiles

**Mr. Herman Santoso**, aged 68, joined the Group in 1980. He has over 36 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 65, 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) Pte. Limited, and is responsible for marketing and customer services in Singapore, Indonesia and Malaysia.

**Mr. Voravudh Settin**, aged 61, 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 30 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. Chan Yuet Lung, Frankie**, aged 50, 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 27 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 46, joined the Group in 1987. He has over 24 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 Platino Room, M/F., The Empire Hotel Kowloon, 62 Kimberley Road, Tsim Sha Tsui, Kowloon, Hong Kong on Tuesday, 31st May, 2005 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, 2004;
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 to 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 approvals 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;
- (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

“rights 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 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)”.

# Notice of Annual General Meeting

- (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(1) and 5(2) 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 be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to the resolution 5(1) in the said notice referred to above.”

By Order of the Board  
**WONG CHOI YING**  
*Secretary*

Hong Kong, 27th April, 2005

*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 be closed from Thursday, 26th May, 2005 to Tuesday, 31st May, 2005 (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, G/F., BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Wednesday, 25th May, 2005. Dividend warrants will be despatched to Shareholders on or before Thursday, 23rd June, 2005.
4. Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register members of the Company in respect of such share(s) shall alone be entitled to vote in respect thereof.
5. Please also refer to the published version of this notice in The Standard.

# Directors' Report

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31st December, 2004.

## PRINCIPAL ACTIVITIES

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

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2004 are set out in the consolidated income statement on page 21.

An interim dividend of 10 cents per share, amounting to approximately HK\$44,550,000, was paid to the shareholders of the Company during the year. The directors now recommend the payment of a final dividend of 10 cents per share to the shareholders of the Company whose names appear on the register of members on 31st May, 2005, amounting to approximately HK\$44,550,000.

## INVESTMENT PROPERTIES

All of the investment properties of the Group were revalued at 31st December, 2004, as set out in note 14 to the financial statements. The revaluation gave rise to a revaluation surplus of HK\$17,896,000 of which HK\$9,540,000 has been credited to the consolidated income statement and the remaining balance of HK\$8,356,000 was credited to the investment property revaluation reserve.

Particulars of the investment properties of the Group as at 31st December, 2004 are set out on page 52.

## PROPERTY, PLANT AND EQUIPMENT

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

## 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 (resigned on 13th January, 2004)

### Independent non-executive directors:

Wong Kong Chi  
Lai Chung Wing, Robert (appointed on 23rd June, 2004)  
Chan Wing Lee (appointed on 18th August, 2004)  
Ng Hon Ying (resigned on 23rd June, 2004)  
Leung Ding Bong, Ronald (resigned on 18th August, 2004)

In accordance with Article 99 of the Company's Articles of Association, Messrs. Lai Chung Wing, Robert and Chan Wing Lee retire and, being eligible, offer themselves for re-election.

In accordance with Article 116 of the Company's Articles of Association, Messrs. Leung Shu Wing and Yuen Tin Fan, Francis retire by rotation and, being eligible, offer themselves for re-election.

None of the directors 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 non-executive directors, Messrs. Lai Chung Wing, Robert and Chan Wing Lee, have been appointed for a term of one year. The term of office for each of the other non-executive directors 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' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31st December, 2004, the interests of the directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO Ordinance"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies, were as follows:

### Long positions

(a) Ordinary shares of HK\$0.05 each in the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Leung Shu Wing	Beneficial owner	184,691,075	41.457%
Yuen Tin Fan, Francis	Held by controlled corporation (Note 1)	26,984,000	6.057%
	Founder of discretionary trust (Note 2)	74,770,000	16.783%
		101,754,000	22.840%
Leung Miu King	Beneficial owner	20,634,000	4.632%
Wong Chi Kin	Beneficial owner	767,000	0.172%
Wong Choi Ying	Beneficial owner	9,500	0.002%
		307,855,575	69.103%

# Directors' Report

## 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. 74,770,000 shares in the Company are owned by TF Yuen Trust. Mr. Yuen Tin Fan, Francis is the founder who has set up the TF Yuen Trust.

## (b) Non-voting preferred shares in the Company's subsidiaries

Name of subsidiary	Name of director	Capacity	Number of non-voting preferred shares	Percentage of the non-voting preferred share capital of the company
Kee Shing Hardware Supplies Limited	Wong Chi Kin	Beneficial owner	400,000	100%
Kee Shing Industrial Products Limited	Leung Shu Wing	Beneficial owner	7,000	70%
Sam Wing International Limited	Leung Shu Wing	Beneficial owner	19,440	90%

Save as disclosed above, at 31st December, 2004, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its subsidiaries or associated corporations as defined in the SFO Ordinance.

## 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' Interests in Shares, Underlying Shares and Debentures" above, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO Ordinance discloses no other person as having a notifiable interest or a short position in the issued share capital of the Company as at 31st December, 2004.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2004, the aggregate turnover attributable to the Group's five largest customers was less than 30% of the Group's 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 56% 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 ended 31st December, 2004 with the Code of Best Practice contained in Appendix 14 (which was in force during the said period) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") except that certain non-executive Directors have not fixed their terms of office but retire from office on a rotational basis in accordance with the Articles of Association of the Company.

The Code of Best Practice contained in Appendix 14 to the Listing Rules has been replaced by the Code on Corporate Governance Practices with effect from 1st January, 2005 and the new Code will apply for subsequent reporting periods.

## **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*

8th April, 2005



德勤·關黃陳方會計師行  
香港中環干諾道中111號  
永安中心26樓

Deloitte Touche Tohmatsu  
26/F 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 21 to 51 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 financial statements and to report our opinion solely to you, as a body, in accordance with Section 141 of the Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public 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, 2004 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*

Hong Kong

8th April, 2005

# Consolidated Income Statement

For the year ended 31st December, 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Turnover	4	1,770,634	1,224,230
Other operating income	5	5,231	2,607
Changes in inventories of finished goods		58,254	31,018
Purchases of goods held for resale		(1,679,785)	(1,150,864)
Raw materials and consumables used		(29,164)	(11,260)
Staff costs		(24,317)	(21,992)
Depreciation and amortisation		(2,165)	(1,970)
Other operating expenses		(37,692)	(30,550)
Net realised and unrealised (loss) gain on other investments		(157)	24,538
Surplus arising on revaluation of investment properties		9,540	5,290
Profit from operations	6	70,379	71,047
Finance costs	7	(4,052)	(3,805)
Share of (loss) profit of associates		(4,296)	2,979
Amortisation of goodwill arising on acquisition of an associate		-	(3,417)
Impairment loss recognised in respect of goodwill arising on acquisition of an associate	8	-	(20,504)
Profit before taxation		62,031	46,300
Income tax expense	11	(9,297)	(6,029)
Profit before minority interests		52,734	40,271
Minority interests		(1,372)	(1,564)
Net profit for the year		51,362	38,707
Dividends	12	55,688	13,365
Earnings per share – basic (HK Cents)	13	11.53	8.69

# Balance Sheets

AT 31ST DECEMBER, 2004

	Notes	THE GROUP		THE COMPANY	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
<b>Non-current Assets</b>					
Investment properties	14	260,326	242,430	-	-
Property, plant and equipment	15	34,445	32,879	1,439	917
Investments in subsidiaries	16	-	-	38,587	38,587
Interests in associates	17	24,938	29,207	-	-
Investments in securities	18	23,419	25,804	-	-
Amounts due from subsidiaries		-	-	442,864	452,486
Long term bank deposits		31,080	38,800	-	-
Equity-linked deposits		768	1,110	-	-
		<u>374,976</u>	<u>370,230</u>	<u>482,890</u>	<u>491,990</u>
<b>Current Assets</b>					
Inventories	19	147,332	89,665	-	-
Debtors, deposits and prepayments	20	145,875	119,285	1,277	1,138
Bills receivable		27,187	32,122	-	-
Investments in securities	18	128,330	115,984	-	-
Taxation recoverable		235	175	-	-
Short term bank deposits		96,157	127,950	-	-
Bank balances and cash		67,670	79,175	80	187
		<u>612,786</u>	<u>564,356</u>	<u>1,357</u>	<u>1,325</u>
<b>Current Liabilities</b>					
Creditors and accrued charges	21	32,119	48,236	1,709	1,325
Taxation payable		4,301	2,571	-	-
Bank borrowings	22	302,130	239,972	15,000	2,500
Amounts due to subsidiaries		-	-	19,798	76,270
		<u>338,550</u>	<u>290,779</u>	<u>36,507</u>	<u>80,095</u>
<b>Net Current Assets (Liabilities)</b>		<u>274,236</u>	<u>273,577</u>	<u>(35,150)</u>	<u>(78,770)</u>
<b>Total Assets Less Current Liabilities</b>		<u>649,212</u>	<u>643,807</u>	<u>447,740</u>	<u>413,220</u>

# Balance Sheets

At 31st December, 2004

	Notes	THE GROUP		THE COMPANY	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
<b>Capital and Reserves</b>					
Share capital	23	22,275	22,275	22,275	22,275
Reserves	24	587,290	584,500	425,465	390,945
		<u>609,565</u>	<u>606,775</u>	<u>447,740</u>	<u>413,220</u>
<b>Minority Interests</b>					
		<u>19,774</u>	<u>17,592</u>	<u>-</u>	<u>-</u>
<b>Non-current Liabilities</b>					
Amount due to minority shareholder of a subsidiary		12,400	13,338	-	-
Deferred tax liabilities	25	7,473	6,102	-	-
		<u>19,873</u>	<u>19,440</u>	<u>-</u>	<u>-</u>
		<u>649,212</u>	<u>643,807</u>	<u>447,740</u>	<u>413,220</u>

The financial statements on pages 21 to 51 were approved and authorised for issue by the Board of Directors on 8th April, 2005 and are signed on its behalf by:

**LEUNG SHU WING**  
DIRECTOR

**WONG CHOI YING**  
DIRECTOR

# Consolidated Statement of Changes in Equity

For the year ended 31st December, 2004

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Investment property revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January, 2003	22,275	153,728	22,988	6,916	11,571	1,140	362,516	581,134
Exchange differences arising on translation of overseas operations	-	-	-	-	-	101	-	101
Share of an associate's movement in reserves	-	-	-	(56)	3	457	2	406
Deferred tax liability arising on change in tax rate	-	-	-	-	(208)	-	-	(208)
Net (loss) gain not recognised in the consolidated income statement	-	-	-	(56)	(205)	558	2	299
Net profit for the year	-	-	-	-	-	-	38,707	38,707
Dividends paid (Note 12)	-	-	-	-	-	-	(13,365)	(13,365)
At 31st December, 2003	22,275	153,728	22,988	6,860	11,366	1,698	387,860	606,775
Surplus arising on revaluation of investment properties	-	-	-	8,356	-	-	-	8,356
Minority interests' share of surplus arising on revaluation of investment properties	-	-	-	(572)	-	-	-	(572)
Exchange differences arising on translation of overseas operations	-	-	-	-	-	(115)	-	(115)
Share of an associate's movement in reserves	-	-	-	-	-	85	2	87
Deferred tax liability on revaluation of properties	-	-	-	(640)	-	-	-	(640)
Net gain (loss) not recognised in the consolidated income statement	-	-	-	7,144	-	(30)	2	7,116
Net profit for the year	-	-	-	-	-	-	51,362	51,362
Dividends paid (Note 12)	-	-	-	-	-	-	(55,688)	(55,688)
At 31st December, 2004	22,275	153,728	22,988	14,004	11,366	1,668	383,536	609,565

The retained profits of the Group include losses of HK\$1,641,000 (2003: profits of HK\$2,713,000) retained by associates of the Group.

The balance of investment property revaluation reserve of the Group at 31st December, 2004 includes an amount of HK\$6,860,000 (2003: HK\$6,860,000), which represents the accumulated amount transferred from the property revaluation reserve as a result of the change in usage of certain previously self-occupied leasehold properties to investment properties. Such revaluation reserve has been frozen upon the transfer and will be transferred to retained profits when the relevant properties are disposed of.

# Consolidated Cash Flow Statement

For the year ended 31st December, 2004

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>		
Profit from operations	70,379	71,047
Adjustments for:		
Unrealised loss (gain) on other investments	600	(8,000)
Surplus arising on revaluation of investment properties	(9,540)	(5,290)
Interest income from bank deposits	(2,631)	(1,742)
Depreciation and amortisation	2,165	1,970
Gain on disposal of property, plant and equipment	(374)	(173)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	60,599	57,812
Increase in inventories	(57,502)	(31,194)
Increase in debtors, deposits and prepayments	(25,985)	(16,368)
Decrease (increase) in bills receivable	4,935	(17,627)
Increase (decrease) in other investments	(10,339)	11,650
(Decrease) increase in creditors and accrued charges	(17,151)	18,080
	<hr/>	<hr/>
Cash (used in) generated from operations	(45,443)	22,353
Hong Kong Profits Tax paid	(4,970)	(3,423)
Profits tax outside Hong Kong paid	(1,888)	(1,120)
	<hr/>	<hr/>
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<b>(52,301)</b>	<b>17,810</b>
	<hr/>	<hr/>
<b>INVESTING ACTIVITIES</b>		
Decrease (increase) in long term bank deposits	7,720	(38,800)
Purchase of property, plant and equipment	(3,407)	(2,132)
Decrease (increase) in equity-linked deposits	342	(912)
Purchase of investment securities	(7,946)	(543)
Interest received from bank deposits	2,631	1,742
Proceeds from disposal of investment securities	7,800	–
Proceeds from disposal of property, plant and equipment	396	216
	<hr/>	<hr/>
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>7,536</b>	<b>(40,429)</b>
	<hr/>	<hr/>

# Consolidated Cash Flow Statement

For the year ended 31st December, 2004

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
FINANCING ACTIVITIES		
New bank borrowings raised	62,271	60,819
Dividends paid	(55,688)	(13,365)
Interest paid	(4,052)	(3,805)
Dividends paid to minority shareholders of subsidiaries	(174)	(310)
Amount repaid to minority shareholder of a subsidiary	(938)	(172)
	<hr/>	<hr/>
NET CASH FROM FINANCING ACTIVITIES	1,419	43,167
	<hr/>	<hr/>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(43,346)	20,548
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	207,012	186,168
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	161	296
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	163,827	207,012
	<hr/>	<hr/>
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Short term bank deposits	96,157	127,950
Bank balances and cash	67,670	79,175
Bank overdrafts	-	(113)
	<hr/>	<hr/>
	163,827	207,012
	<hr/>	<hr/>

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 1. GENERAL

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

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

## 2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December, 2004.

The Group has commenced considering the potential impact of these new HKFRSs but has not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

## 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 and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

### Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

### Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition.

Goodwill arising on acquisitions of subsidiaries prior to 1st January, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired. Goodwill arising on the acquisition of an associate prior to 1st January, 2001 continued to be amortised over its useful economic life of ten years.

Goodwill arising on acquisitions of subsidiaries or associates after 1st January, 2001 is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet date.

On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill/goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Negative goodwill**

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions of subsidiaries prior to 1st January, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary.

Negative goodwill arising on acquisitions of subsidiaries after 1st January, 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

### **Revenue recognition**

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

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.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less depreciation, amortisation and any identified impairment loss.

Certain of the Group's leasehold land and buildings were revalued at 31st December, 1991. The surplus arising on revaluation of land and buildings was credited to the property revaluation reserve. The Group has adopted the transitional relief provided by paragraph 80 of the Statement of Standard Accounting Practice ("SSAP") 17 (Revised) "Property, Plant and Equipment" issued by the HKICPA from the requirement to make revaluations on a regular basis of the Group's leasehold land and buildings and, accordingly, no further revaluation of leasehold land and buildings will be carried out. On the 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 are provided to write off the cost or valuation of items of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

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

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.

### Subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost, less any identified impairment loss.

### Associates

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

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 are classified as investment securities and other investments.

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

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

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost 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.

### **Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase.

### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

For the year ended 31st December, 2004

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Operating leases**

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the lessees.

All other leases are classified as operating leases and the rentals payable are charged to the income statement on a straight line basis over the terms of the relevant leases.

#### **Foreign currencies**

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas subsidiaries are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

#### **Retirement benefits scheme**

The retirement benefit costs charged in the income statement represent the contributions payable in respect of the current year to the Group's Mandatory Provident Fund Scheme.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business Segments

For management purposes, the Group is currently organised into three operating divisions - sales of chemicals and metals, property investment and security investment. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

For the year ended 31st December, 2004

	Sales of chemicals and metals HK\$'000	Property investment HK\$'000	Security investment HK\$'000	Other activities HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<i>Turnover</i>						
External sales	1,751,046	14,449	4,141	998	-	1,770,634
Inter-segment sales	-	1,239	-	-	(1,239)	-
Total turnover	<u>1,751,046</u>	<u>15,688</u>	<u>4,141</u>	<u>998</u>	<u>(1,239)</u>	<u>1,770,634</u>
Inter-segment sales are charged at prevailing market rates.						
<i>Results</i>						
Segment result	<u>52,425</u>	<u>20,539</u>	<u>3,528</u>	<u>86</u>	<u>-</u>	<u>76,578</u>
Interest income from bank deposits						2,631
Unallocated other operating income						2,600
Unallocated corporate expenses						<u>(11,430)</u>
Profit from operations						70,379
Finance costs						<u>(4,052)</u>
Share of loss of associates						<u>(4,296)</u>
Profit before taxation						62,031
Income tax expense						<u>(9,297)</u>
Profit before minority interests						52,734
Minority interests						<u>(1,372)</u>
Net profit for the year						<u>51,362</u>

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

### Business Segments *(continued)*

At 31st December, 2004

#### Balance sheet

	Sales of chemicals and metals <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Security investment <i>HK\$'000</i>	Other activities <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<i>Assets</i>					
Segment assets	326,479	262,980	184,315	147	773,921
Interests in associates	453	–	–	24,485	24,938
Unallocated corporate assets					188,903
Consolidated total assets					987,762
<i>Liabilities</i>					
Segment liabilities	21,879	6,702	263	19	28,863
Unallocated corporate liabilities					329,560
Consolidated total liabilities					358,423

#### Other information

	Sales of chemicals and metals <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Security investment <i>HK\$'000</i>	Other activities <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital expenditure	2,056	447	–	904	3,407
Depreciation	908	896	–	361	2,165

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

For the year ended 31st December, 2003

	Sales of chemicals and metals HK\$'000	Property investment HK\$'000	Security investment HK\$'000	Other activities HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<i>Turnover</i>						
External sales	1,203,238	14,688	4,093	2,211	–	1,224,230
Inter-segment sales	–	1,486	–	–	(1,486)	–
Total turnover	<u>1,203,238</u>	<u>16,174</u>	<u>4,093</u>	<u>2,211</u>	<u>(1,486)</u>	<u>1,224,230</u>
Inter-segment sales are charged at prevailing market rates.						
<i>Results</i>						
Segment result	<u>35,889</u>	<u>14,636</u>	<u>28,599</u>	<u>82</u>	<u>–</u>	<u>79,206</u>
Interest income from bank deposits						1,742
Unallocated other operating income						865
Unallocated corporate expenses						<u>(10,766)</u>
Profit from operations						71,047
Finance costs						(3,805)
Share of profit of associates						2,979
Amortisation of goodwill arising on acquisition of an associate						(3,417)
Impairment loss recognised in respect of goodwill arising on acquisition of an associate						<u>(20,504)</u>
Profit before taxation						46,300
Income tax expense						<u>(6,029)</u>
Profit before minority interests						40,271
Minority interests						<u>(1,564)</u>
Net profit for the year						<u>38,707</u>

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

### Business Segments *(continued)*

At 31st December, 2003

#### Balance sheet

	Sales of chemicals and metals <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Security investment <i>HK\$'000</i>	Other activities <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<i>Assets</i>					
Segment assets	246,180	244,513	182,236	254	673,183
Interests in associates	453	–	–	28,754	29,207
Unallocated corporate assets					232,196
Consolidated total assets					934,586
<i>Liabilities</i>					
Segment liabilities	35,304	22,533	304	56	58,197
Unallocated corporate liabilities					252,022
Consolidated total liabilities					310,219

#### Other information

	Sales of chemicals and metals <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Security investment <i>HK\$'000</i>	Other activities <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital expenditure	967	329	–	836	2,132
Depreciation	694	979	–	297	1,970

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

### Geographical segments

The Group's operations are located in Hong Kong, Taiwan and elsewhere in the People's Republic of China ("PRC").

The Group's sales of chemicals and metals are carried out in Hong Kong, Taiwan and elsewhere in the PRC. Property investment is carried out in Hong Kong and elsewhere in the PRC. Security investment is carried out in Hong Kong.

The following table provides an analysis of the Group's sales by geographical market:

	Revenue by geographical market		Contribution to profit from operations	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	1,216,380	873,892	42,130	48,928
Taiwan	265,323	147,045	4,721	2,880
Elsewhere in the PRC	127,767	104,035	22,476	18,613
Others	161,164	99,258	7,251	8,785
	<u>1,770,634</u>	<u>1,224,230</u>	<u>76,578</u>	<u>79,206</u>
Interest income from bank deposits			2,631	1,742
Unallocated other operating income			2,600	865
Unallocated corporate expenses			(11,430)	(10,766)
Profit from operations			<u>70,379</u>	<u>71,047</u>

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	At 31.12.2004 HK\$'000	At 31.12.2003 HK\$'000	Year ended 31.12.2004 HK\$'000	Year ended 31.12.2003 HK\$'000
Hong Kong	399,325	301,017	2,168	1,403
Taiwan	47,922	47,645	6	12
Elsewhere in the PRC	282,319	270,805	446	238
Others	233,258	285,912	787	479
	<u>962,824</u>	<u>905,379</u>	<u>3,407</u>	<u>2,132</u>

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 5. OTHER OPERATING INCOME

Other operating income comprises:

	2004 HK\$'000	2003 HK\$'000
Interest income from bank deposits	2,631	1,742
Sundry income	2,600	865
	<u>5,231</u>	<u>2,607</u>

## 6. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

Auditors' remuneration

– current year

– under (over) provision in prior year

Rental payments in respect of properties under operating leases

Retirement benefits scheme contributions (excluding amounts paid under directors' emoluments)

and after crediting:

Dividend income from listed investments

Gain on disposal of property, plant and equipment

Gross rental income from properties under operating leases

after outgoings of HK\$69,000 (2003: HK\$71,000)

Interest income from investments

	2004 HK\$'000	2003 HK\$'000
	949	935
	162	(15)
	<u>1,111</u>	<u>920</u>
	1,745	1,661
	347	531
	1,510	1,852
	374	173
	14,380	14,617
	2,631	2,241
	<u>2,631</u>	<u>2,241</u>

## 7. FINANCE COSTS

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

## 8. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF GOODWILL ARISING ON ACQUISITION OF AN ASSOCIATE

The directors of the Company have reviewed the carrying amounts of the assets of the Group as at balance sheet date and have determined to recognise the impairment losses in respect of the following asset as the directors considered that the amount is not recoverable:

	2004 HK\$'000	2003 HK\$'000
Goodwill arising on acquisition of an associate	–	20,504
	<u>–</u>	<u>20,504</u>

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 9. DIRECTORS' EMOLUMENTS

	2004 HK\$'000	2003 HK\$'000
Directors' fees	1,059	540
Other emoluments to directors:		
Salaries and other benefits	2,339	2,391
Performance related incentive payments	519	297
Retirement benefits scheme contributions	35	43
	<u>2,893</u>	<u>2,731</u>
Total directors' emoluments	<u>3,952</u>	<u>3,271</u>

The amounts disclosed above include directors' fees of HK\$759,000 (2003: HK\$280,000) and other emoluments of HK\$150,000 (2003: HK\$170,000) payable to independent non-executive directors.

Their emoluments were within the following bands:

	2004 Number of directors	2003 Number of directors
Nil to HK\$1,000,000	10	9
HK\$1,000,001 to HK\$1,500,000	<u>1</u>	<u>-</u>

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

## 10. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group included two directors (2003: two directors), details of whose emoluments are included in the amounts disclosed in note 9 above. The emoluments of the remaining highest paid employees, other than directors of the Company, are follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and other benefits	2,973	2,835
Performance related incentive payments	377	278
Retirement benefits scheme contributions	40	55
	<u>3,390</u>	<u>3,168</u>

Their emoluments were within the following bands:

	2004 Number of employees	2003 Number of employees
Nil to HK\$1,000,000	1	1
HK\$1,000,001 to HK\$1,500,000	<u>2</u>	<u>2</u>

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 11. INCOME TAX EXPENSE

	2004 HK\$'000	2003 HK\$'000
The tax charge attributable to the Company and its subsidiaries comprises:		
Current taxation		
Hong Kong Profits Tax	6,565	4,511
Profits Tax outside Hong Kong	1,558	703
	<u>8,123</u>	<u>5,214</u>
Underprovision in prior years		
Profits Tax outside Hong Kong	383	–
	<u>8,506</u>	<u>5,214</u>
Deferred taxation (Note 25)		
– Current year	731	659
– Attributable to change in tax rate	–	113
	<u>9,237</u>	<u>5,986</u>
Share of taxation attributable to associates	60	43
	<u>9,297</u>	<u>6,029</u>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both years.

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

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	Hong Kong		Elsewhere in the PRC		Other countries		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Profit before taxation	41,091	29,194	19,419	15,697	1,521	1,409	62,031	46,300
Application tax rate	17.5%	17.5%	9.9%	3.3%	21.5%	21.4%		
Tax at the domestic income tax rate	7,191	5,109	1,922	518	327	301	9,440	5,928
Tax effect of expenses not deductible for tax purpose	733	4,675	404	976	93	23	1,230	5,674
Tax effect of income not taxable for tax purpose	(2,054)	(4,714)	(227)	(211)	(140)	(87)	(2,421)	(5,012)
Utilisation of previous tax losses not recognised	(1,143)	(200)	–	–	–	–	(1,143)	(200)
Tax effect of unrecognised tax loss	945	–	–	–	–	–	945	–
Tax effect of share of results of associates	812	(479)	–	–	–	–	812	(479)
Increase in opening deferred tax liability resulting from an increase in applicable tax rate	–	113	–	–	–	–	–	113
Tax effect on different tax rate of operations in other jurisdiction	–	–	–	–	7	5	7	5
Underprovision in prior years	–	–	390	–	(7)	–	383	–
Others	142	–	(98)	–	–	–	44	–
Tax charge for the year	<u>6,626</u>	<u>4,504</u>	<u>2,391</u>	<u>1,283</u>	<u>280</u>	<u>242</u>	<u>9,297</u>	<u>6,029</u>

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 12. DIVIDENDS

	2004 HK\$'000	2003 HK\$'000
Interim dividend paid in respect of 2004 of 10 cents (2003: 1.5 cents) per ordinary share	44,550	6,683
Final dividend paid in respect of 2003 of 2.5 cents (2002: 1.5 cents) per ordinary share	<u>11,138</u>	<u>6,682</u>
	<u><b>55,688</b></u>	<u><b>13,365</b></u>

The final dividend of 10 cents for the year ended 31st December, 2004 (2003: 2.5 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

## 13. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the year of HK\$51,362,000 (2003: HK\$38,707,000) and on 445,500,000 ordinary shares (2003: 445,500,000 ordinary shares) in issue during the year.

No diluted earnings per share has been presented as there were no dilutive potential ordinary shares in issue in either 2004 or 2003.

## 14. INVESTMENT PROPERTIES

	THE GROUP HK\$'000
VALUATION	
At 1st January, 2004	242,430
Surplus arising on revaluation	<u>17,896</u>
At 31st December, 2004	<u><b>260,326</b></u>

The Group's investment properties comprise:

	2004 HK\$'000	2003 HK\$'000
Properties held under medium-term leases:		
– in Hong Kong	9,400	7,650
– elsewhere in the PRC	<u>198,900</u>	<u>188,760</u>
	<b>208,300</b>	196,410
Properties held under long leases:		
– elsewhere in the PRC	<u>52,026</u>	<u>46,020</u>
	<u><b>260,326</b></u>	<u><b>242,430</b></u>

The investment properties of the Group were revalued at 31st December, 2004 by Knight Frank, an independent firm of professional valuers, on an open market value existing use basis except that certain investment properties of the Group were revalued at 19th November, 2004 and 22nd December, 2004. In the opinion of professional valuers, there were no significant changes in the open market value from those valuation dates to the balance sheet date. The revaluation gave rise to a revaluation surplus of HK\$17,896,000, of which HK\$9,540,000 has been credited to the consolidated income statement and the remaining balance of HK\$8,356,000 has been credited to the investment property revaluation reserve.

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

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 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>
<b>THE GROUP</b>						
<b>COST OR VALUATION</b>						
At 1st January, 2004	37,038	14,550	4,115	1,837	2,302	59,842
Currency realignment	425	13	76	–	9	523
Additions	–	2,349	813	86	159	3,407
Disposals	–	(622)	(1,328)	–	(339)	(2,289)
	<u>37,463</u>	<u>16,290</u>	<u>3,676</u>	<u>1,923</u>	<u>2,131</u>	<u>61,483</u>
At 31st December, 2004						
Comprising:						
At cost	9,663	16,290	3,676	1,923	2,131	33,683
At valuation - 1991	27,800	–	–	–	–	27,800
	<u>37,463</u>	<u>16,290</u>	<u>3,676</u>	<u>1,923</u>	<u>2,131</u>	<u>61,483</u>
<b>DEPRECIATION AND AMORTISATION</b>						
At 1st January, 2004	7,179	12,500	3,631	1,465	2,188	26,963
Currency realignment	86	13	69	–	9	177
Provided for the year	751	878	329	101	106	2,165
Eliminated on disposals	–	(601)	(1,328)	–	(338)	(2,267)
	<u>8,016</u>	<u>12,790</u>	<u>2,701</u>	<u>1,566</u>	<u>1,965</u>	<u>27,038</u>
At 31st December, 2004						
<b>NET BOOK VALUES</b>						
At 31st December, 2004	<u>29,447</u>	<u>3,500</u>	<u>975</u>	<u>357</u>	<u>166</u>	<u>34,445</u>
At 31st December, 2003	<u>29,859</u>	<u>2,050</u>	<u>484</u>	<u>372</u>	<u>114</u>	<u>32,879</u>

Certain of the leasehold land and buildings of the Group were revalued at 31st December, 1991. Had all the leasehold land and buildings been carried at cost less accumulated depreciation and amortisation, the carrying value of these properties would have been stated at HK\$19,674,000 (2003: HK\$19,655,000).

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Furniture, fixtures and equipment <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE COMPANY</b>			
<b>COST</b>			
At 1st January, 2004	2,691	1,690	4,381
Additions	820	84	904
Disposals	(571)	(154)	(725)
	<hr/>	<hr/>	<hr/>
At 31st December, 2004	2,940	1,620	4,560
<b>DEPRECIATION</b>			
At 1st January, 2004	1,827	1,637	3,464
Provided for the year	301	60	361
Eliminated on disposals	(550)	(154)	(704)
	<hr/>	<hr/>	<hr/>
At 31st December, 2004	1,578	1,543	3,121
<b>NET BOOK VALUES</b>			
At 31st December, 2004	<hr/> <u>1,362</u>	<hr/> <u>77</u>	<hr/> <u>1,439</u>
At 31st December, 2003	<hr/> <u>864</u>	<hr/> <u>53</u>	<hr/> <u>917</u>

The Group's leasehold land and buildings comprise:

	<b>Leasehold land and buildings</b>	
	<b>2004</b>	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties held under medium-term leases:		
– in Hong Kong	21,797	22,361
Properties held under long leases:		
– overseas	<hr/> <u>7,650</u>	<hr/> <u>7,498</u>
	<hr/> <u>29,447</u>	<hr/> <u>29,859</u>

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 16. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	<u>38,587</u>	<u>38,587</u>

Particulars of the subsidiaries at 31st December, 2004 are set out in note 32.

## 17. INTERESTS IN ASSOCIATES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Share of net assets	24,938	29,207
Goodwill arising on acquisition, net	20,504	20,504
Impairment loss recognised in respect of goodwill arising on acquisition	<u>(20,504)</u>	<u>(20,504)</u>
	<u>24,938</u>	<u>29,207</u>

Particulars of the associates at 31st December, 2004 are as follows:

Name of associate	Form of business structure	Country of incorporation	Principal place of operation	Class of shares held	Percentage of issued share capital held by the Group %	Principal activities
Asia Commercial Holdings Limited (note)	Incorporated	Bermuda	Hong Kong	Ordinary	16.5	Watch trading and retailing activities
KSIP (Thailand 1989) Co., Ltd.	Incorporated	Thailand	Thailand	Ordinary	49	Inactive

*Note:* This company has been accounted for as an associate as, in the opinion of the directors, the Group is in a position to exercise significant influence over the management of this company.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 18. INVESTMENTS IN SECURITIES

### THE GROUP

	Investment securities		Other investments		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Equity securities:						
Listed – Hong Kong	–	–	37,081	39,330	37,081	39,330
Listed – overseas	3,132	3,132	18,979	12,410	22,111	15,542
Unlisted	–	–	1,170	3,701	1,170	3,701
	<u>3,132</u>	<u>3,132</u>	<u>57,230</u>	<u>55,441</u>	<u>60,362</u>	<u>58,573</u>
Mutual funds:						
Quoted	–	–	9,271	–	9,271	–
Unlisted	18,574	10,628	23,210	20,161	41,784	30,789
	<u>18,574</u>	<u>10,628</u>	<u>32,481</u>	<u>20,161</u>	<u>51,055</u>	<u>30,789</u>
Debt securities:						
Listed – overseas	–	–	20,748	12,634	20,748	12,634
Unlisted	543	8,343	19,041	31,449	19,584	39,792
	<u>543</u>	<u>8,343</u>	<u>39,789</u>	<u>44,083</u>	<u>40,332</u>	<u>52,426</u>
Total securities						
Listed	3,132	3,132	76,808	64,374	79,940	67,506
Unlisted	19,117	18,971	52,692	55,311	71,809	74,282
	<u>22,249</u>	<u>22,103</u>	<u>129,500</u>	<u>119,685</u>	<u>151,749</u>	<u>141,788</u>
Market value of listed securities	<u>6,591</u>	<u>4,019</u>	<u>76,808</u>	<u>64,374</u>	<u>83,399</u>	<u>68,393</u>
Carrying amount analysed for reporting purposes as:						
Non-current	22,249	22,103	1,170	3,701	23,419	25,804
Current	–	–	128,330	115,984	128,330	115,984
	<u>22,249</u>	<u>22,103</u>	<u>129,500</u>	<u>119,685</u>	<u>151,749</u>	<u>141,788</u>

Particulars of the Group's other investments which exceed 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. (note)	People's Republic of China	Registered capital	30%
Shenzhen Far East Oil Tools Co., Ltd. (note)	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.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 19. INVENTORIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Raw materials	144	949
Finished goods	147,188	88,716
	<u>147,332</u>	<u>89,665</u>

Included in inventories are finished goods of HK\$1,224,000 (2003: HK\$1,500,000) carried at net realisable value.

## 20. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows an average credit period ranging from cash on delivery to 120 days to its trade debtors. The aged analysis of trade debtors of HK\$128,800,000 (2003: HK\$112,143,000) which are included in the Group's debtors, deposits and prepayments are as follows:

	2004 HK\$'000	2003 HK\$'000
0 – 30 days	69,387	73,254
31 – 60 days	32,645	25,325
61 – 90 days	16,102	8,858
91 – 120 days	7,434	2,854
121 – 365 days	3,232	1,852
	<u>128,800</u>	<u>112,143</u>

The Company did not have any trade debtors at the balance sheet dates.

## 21. CREDITORS AND ACCRUED CHARGES

The aged analysis of the trade creditors of HK\$12,071,000 (2003: HK\$25,071,000) which are included in the Group's creditors and accrued charges are as follows:

	2004 HK\$'000	2003 HK\$'000
0 – 30 days	11,816	23,944
31 – 60 days	203	934
61 – 90 days	6	131
Over 90 days	46	62
	<u>12,071</u>	<u>25,071</u>

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

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 22. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
The bank borrowings, which are due within one year, comprise:				
Bank overdrafts	-	113	-	-
Bank loans				
- secured ( <i>Note</i> )	6,669	-	-	-
- unsecured	23,695	10,816	15,000	2,500
Trust receipt and import loans	271,766	229,043	-	-
	<b>302,130</b>	<b>239,972</b>	<b>15,000</b>	<b>2,500</b>

Note: The bank loan was secured by the Group's cash deposits, marketable securities, notes and bonds charged to the bank from time to time.

## 23. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.05 each		
Authorised:		
At beginning and at end of the years 2003 and 2004	700,000,000	35,000
Issued and fully paid:		
At beginning and at end of the years 2003 and 2004	445,500,000	22,275

## 24. RESERVES

	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>THE COMPANY</b>			
At 1st January, 2003	153,728	207,298	361,026
Net profit for the year	-	43,284	43,284
Dividends paid ( <i>note 12</i> )	-	(13,365)	(13,365)
At 31st December, 2003	153,728	237,217	390,945
Net profit for the year	-	90,208	90,208
Dividends paid ( <i>note 12</i> )	-	(55,688)	(55,688)
At 31st December, 2004	153,728	271,737	425,465

The Company's reserves available for distribution to shareholders as at 31st December, 2004 comprised the retained profits of HK\$271,737,000 (2003: HK\$237,217,000).

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 25. DEFERRED TAXATION

	Revaluation of investment properties <i>HK\$'000</i>	Revaluation of leasehold land and building <i>HK\$'000</i>	Accelerated tax depreciation <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2003	1,704	2,218	1,200	5,122
Charge (credit) to income for the year	822	–	(163)	659
Effect of change in tax rate				
– charge to income	–	–	113	113
– charge to property revaluation reserve	–	208	–	208
At 31st December, 2003	2,526	2,426	1,150	6,102
Charge to income for the year	731	–	–	731
Charge to investment property revaluation reserve	640	–	–	640
At 31st December, 2004	3,897	2,426	1,150	7,473

At the balance sheet date, the Group had unused tax losses of approximately HK\$119 million (2003: HK\$120 million) available for offset against future profits. No deferred tax asset has been recognised in respect of such unused tax losses due to the unpredictability of future profit streams. Such tax losses may be carried forward indefinitely.

## 26. OPERATING LEASE COMMITMENTS

### The Group as lessee:

At the balance sheet date, the Group and the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP		THE COMPANY	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Within one year	1,625	1,400	602	422
In the second to fifth year inclusive	2,489	19	60	242
	4,114	1,419	662	664

Operating lease payments represent rentals payable by the Group and the Company for certain of its office premises. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 26. OPERATING LEASE COMMITMENTS (continued)

### The Group as lessor:

Property rental income earned during the year was HK\$14,449,000 (2003: HK\$14,688,000). The properties held have committed tenants in the range from one to three years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Within one year	9,708	11,368
In the second to fifth year inclusive	2,433	5,129
	<u>12,141</u>	<u>16,497</u>

## 27. CONTINGENT LIABILITIES

	THE COMPANY	
	2004	2003
	HK\$'000	HK\$'000
Extent of banking facilities utilised by subsidiaries in respect of which guarantees were given to banks by the Company	<u>278,435</u>	<u>237,472</u>

During 2003, a subsidiary entered into a consignment agreement with a supplier in respect of the consignment inventories under the custody of the subsidiary. The Company had given a guarantee in respect of the payment and performance of the subsidiary pursuant to the consignment agreement. At 31st December, 2004, the consignment inventories amounted to HK\$305,000 (2003: HK\$787,000)

## 28. CAPITAL COMMITMENTS

	THE GROUP AND THE COMPANY	
	2004	2003
	HK\$'000	HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the financial statements	<u>101</u>	<u>151</u>

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 29. PLEDGE OF ASSETS

At 31st December, 2004 certain leasehold properties with aggregate carrying values of HK\$7,650,000 (2003: HK\$7,498,000) were pledged to banks to secure banking facilities granted to the Group.

## 30. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

The retirement benefits cost charged to the consolidated income statement represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

## 31. RELATED PARTY TRANSACTION

During 2002, the Company entered into an agreement with a subsidiary of an associate of the Group for the software development services to be provided to the Group at the consideration of HK\$755,000. In addition to the aggregate amount of HK\$604,000 paid in previous years, the Company further paid HK\$75,000 during the year for this service.

## 32. SUBSIDIARIES

Particulars of the subsidiaries at 31st December, 2004 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 Company %	Principal activities
			Ordinary	Non-voting preferred (note)		
Asia Fame International Limited	Hong Kong	Hong Kong	HK\$1,000,000	–	100*	Manufacturing of electroplating chemicals and solutions
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 and trading
Electrochemical Technologies Limited	Hong Kong	Hong Kong	HK\$2	–	100*	Securities investment
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
Gold Asset Properties Limited	Hong Kong	Elsewhere in the People's Republic of China	HK\$10,000	–	90	Property investment

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 32. SUBSIDIARIES (continued)

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 Company	Principal activities
			Ordinary	Non-voting preferred (note)	%	
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 Supplies Limited	Hong Kong	Hong Kong	HK\$800,000	HK\$400,000	100	Trading in stainless steel
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	Hong Kong	HK\$2	-	100*	Securities investment
Kee Shing (Investments) Limited	Cook Islands	Hong Kong	US\$1,000	-	100*	Investment holding
Kee Shing Property Consultants (Shanghai) Co., Ltd.#	Shanghai, People's Republic of China	Elsewhere in the People's Republic of China	RMB2,902,060	-	100*	Property management
King Shen Industrial Products Company Limited	Taiwan	Taiwan	NT\$5,000,000	-	70	Trading in 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

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 32. SUBSIDIARIES (continued)

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 Company %	Principal activities
			Ordinary	Non-voting preferred (note)		
Sam Wing International Limited	Hong Kong	Elsewhere in the People's Republic of China	HK\$200	HK\$2,160,000	100*	Trading in chemicals and securities investment
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
Winbase Properties Limited	Hong Kong	Elsewhere in the People's Republic of China	HK\$10,000	–	90	Property investment

\* Directly held by the Company

# A wholly foreign owned enterprise

None of the subsidiaries had any loan capital subsisting at 31st December, 2004 or at any time during the year.

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

## Particulars of Investment Properties

At 31st December, 2004

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