

KEE SHING (HOLDINGS) LIMITED  
ANNUAL REPORT  
2001

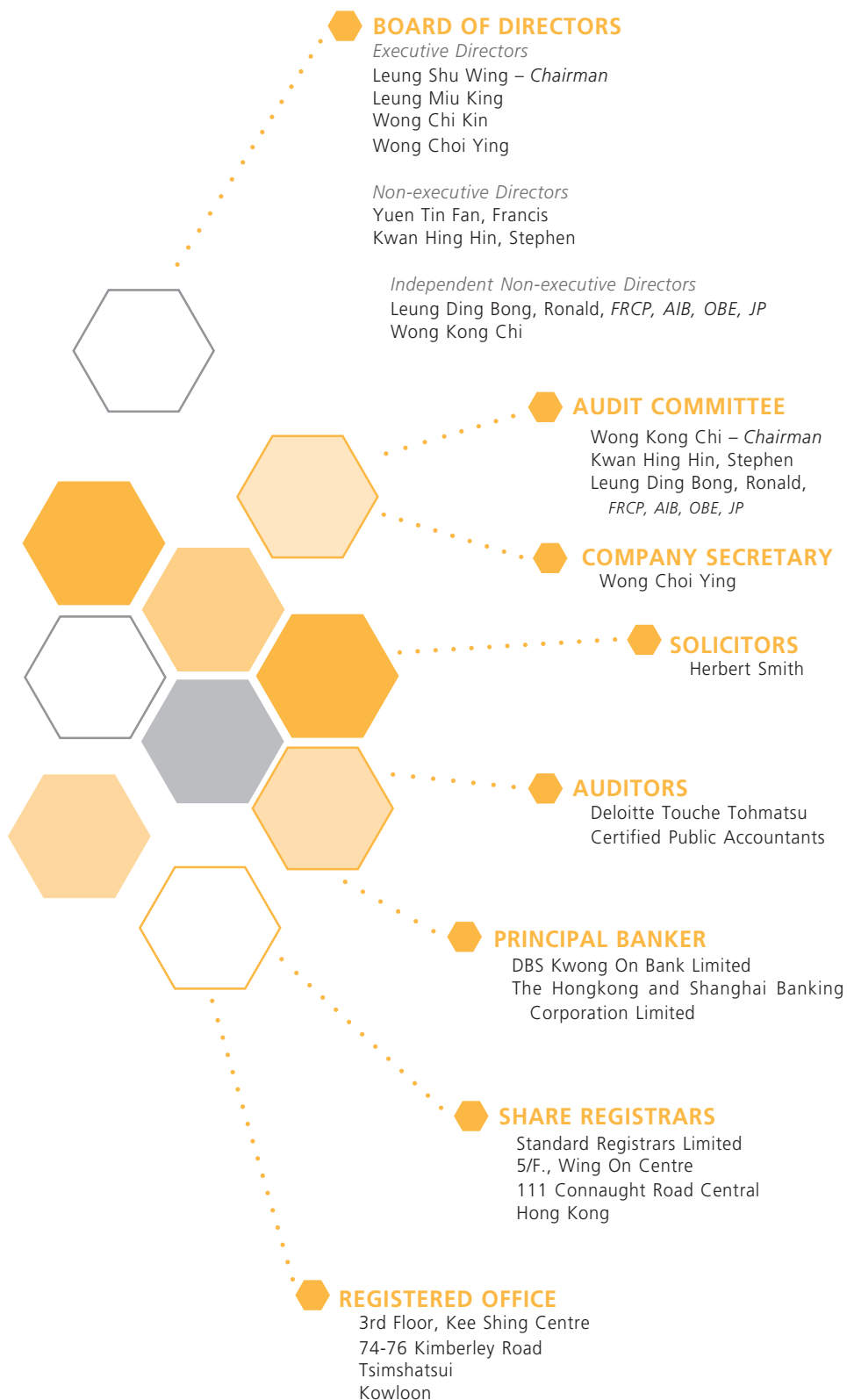
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# Corporate Information

KEE SHING (HOLDINGS) LIMITED



# Financial Highlights

KEE SHING (HOLDINGS) LIMITED

	<b>2001</b>	2000	
	<b>HK\$'000</b>	HK\$'000	<b>Change</b>
<b>INCOME STATEMENTS</b>			
Turnover	<b>860,920</b>	1,053,704	-18.3%
Operating Profit	<b>39,591</b>	64,682	-38.8%
Profit Attributable to Shareholders	<b>30,756</b>	43,878	-29.9%
Dividends	<b>17,820</b>	26,730	-33.3%
<b>BALANCE SHEETS</b>			
Total Assets	<b>796,002</b>	795,298	0.09%
Total Borrowings	<b>137,316</b>	145,454	-5.6%
Shareholders' Funds	<b>592,737</b>	581,166	2.0%
<b>CASH FLOW</b>			
Cash generated from Operating Activities	<b>46,021</b>	56,885	-19.1%
Working Capital	<b>267,929</b>	284,606	-5.9%
Capital Expenditure	<b>14,122</b>	1,155	1,122.7%
Earning Per Share	<b>6.9¢</b>	9.8¢	-29.6%
Dividend Per Share	<b>2.5¢</b>	5¢	-50.0%
Shareholders' Fund Per Share	<b>1.33</b>	1.30	2.3%
Interest Cover	<b>7.21x</b>	4.83x	n.a.
Dividend Cover	<b>2.76x</b>	1.96x	n.a.

*Note:*

- Earning per share is calculated by dividing profit attributable to shareholders by 445,550,000 shares in issue during 2001. (2000: 445,550,000 shares)
- Interest Cover is calculated by dividing profit attributable to shareholders before tax, minority interest and interest charges by interest charges.
- Dividend Cover is calculated by dividing Earning Per Share by Dividend Per Share.

# Ten Year Financial Summary

KEE SHING (HOLDINGS) LIMITED

## CONSOLIDATED INCOME STATEMENT

For the year ended 31st December,

	1992 HK\$'000	1993 HK\$'000	1994 HK\$'000	1995 HK\$'000	1996 HK\$'000	1997 HK\$'000
<b>TURNOVER</b>	1,264,033	830,935	924,052	1,066,896	1,559,027	2,096,755
<b>PROFIT BEFORE TAXATION</b>	65,772	87,480	86,993	37,889	53,121	31,027
<b>TAXATION</b>	(4,161)	(3,577)	(5,496)	(5,945)	(5,446)	(8,447)
<b>PROFIT BEFORE MINORITY INTERESTS</b>	61,611	83,903	81,497	31,944	47,675	22,580
<b>MINORITY INTERESTS</b>	574	(4,640)	(4,824)	(2,659)	(3,890)	(2,383)
<b>NET PROFIT FOR THE YEAR</b>	62,185	79,263	76,673	29,285	43,785	20,197

## CONSOLIDATED BALANCE SHEET

As at 31st December,

	1992 HK\$'000	1993 HK\$'000	1994 HK\$'000	1995 HK\$'000	1996 HK\$'000	1997 HK\$'000
<b>TOTAL ASSETS</b>	486,178	539,387	523,039	594,196	716,225	760,661
<b>TOTAL LIABILITIES</b>	(135,050)	(175,609)	(128,218)	(120,352)	(213,686)	(273,912)
<b>MINORITY INTERESTS</b>	(9,715)	(14,189)	(18,840)	(21,311)	(21,015)	(19,587)
<b>EQUITY</b>	341,413	349,589	375,981	452,533	481,524	467,162

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

## KEY DATA

	1992	1993	1994	1995	1996	1997
Interest cover (times)	8.85	20.35	16.73	5.66	7.97	5.04
Dividends per share (cents)	6.00	6.50	5.00	4.00	4.00	4.00
Earnings per share (cents)	16.70	21.40	20.70	7.80	9.80	4.50
Net assets per share (HK\$)	0.92	0.94	1.01	1.02	1.08	1.05
Gearing	0.15	0.29	0.13	0.13	0.20	0.27

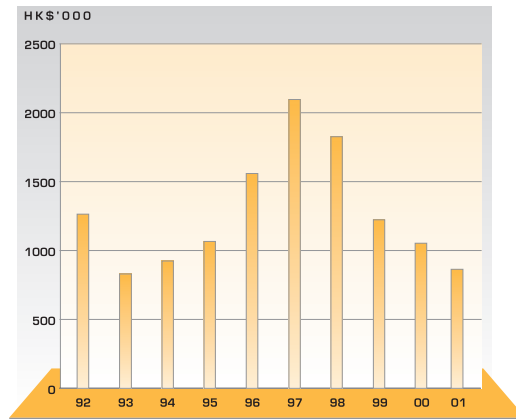


# Ten Year Financial Summary

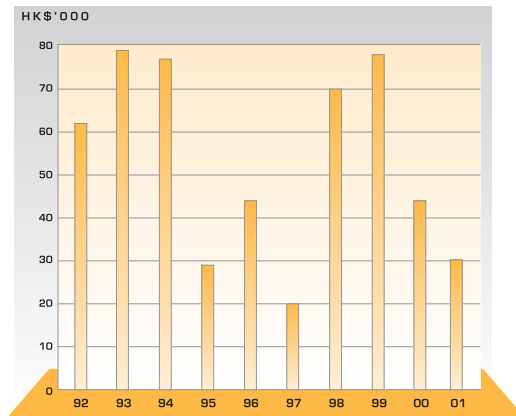
KEE SHING (HOLDINGS) LIMITED

1998	1999	2000	2001
HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>1,826,177</u>	<u>1,223,055</u>	<u>1,053,704</u>	<u>860,920</u>
82,050	85,669	48,208	36,524
<u>(7,540)</u>	<u>(6,810)</u>	<u>(2,946)</u>	<u>(4,640)</u>
74,510	78,859	45,262	31,884
<u>(5,002)</u>	<u>(827)</u>	<u>(1,384)</u>	<u>(1,128)</u>
<u>69,508</u>	<u>78,032</u>	<u>43,878</u>	<u>30,756</u>

## Turnover

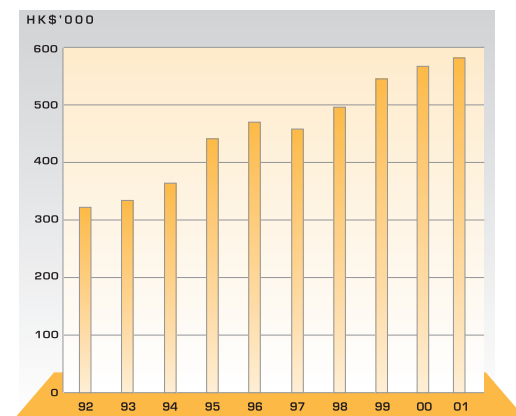


## Net Profit



1998	1999	2000	2001
HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>785,566</u>	<u>800,560</u>	<u>795,298</u>	<u>796,002</u>
(252,355)	(220,520)	(197,432)	(188,002)
<u>(21,210)</u>	<u>(16,726)</u>	<u>(16,700)</u>	<u>(15,263)</u>
<u>512,001</u>	<u>563,314</u>	<u>581,166</u>	<u>592,737</u>

## Equity



1998	1999	2000	2001
9.61	13.70	4.83	7.21
6.00	6.50	5.00	2.50
15.60	17.50	9.80	6.90
1.15	1.26	1.30	1.33
0.35	0.25	0.25	0.23

# Chairman's Statement

KEE SHING (HOLDINGS) LIMITED

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

## RESULTS ■■■

The Group's consolidated profit attributable to shareholders amounted to HK\$30.8 million for the year ended 31st December 2001. This represented a decrease of 29.9% from a year before. Earning per share posted 6.9 cents (2000: 9.8 cents).

## DIVIDEND ■■■

The Board proposed to recommend a final dividend of 1.5 cents per share, which, together with the interim dividend of 1.0 cent per share already paid, will make a total distribution of 2.5 cents per share (2000: 5.0 cents per share). This represented a decrease of 50%. The final dividend will be payable on or before 21st June 2002 to shareholders whose names appears on the register of members of the Company on 23rd May 2002.

## BUSINESS REVIEW ■■■

In 2001, total turnover of the Group declined 18.3% from previous year to HK\$860.9 million. Turnover generated from trading business for the fiscal year ended 31st December 2001 amounted HK\$833.8 million, representing a decrease of 18.5% compared with HK\$1,023.2 million a year earlier. Total turnover generated from rental properties in 2001 rose by 2.9%, from HK\$19.7 million in 2000 to HK\$20.3 million in 2001. Segmental profit generated from trading business posted HK\$28.2 million in 2001, a decline of 23.9% from a year earlier. Segment profit generated from property investment however climbed HK\$16.7 million in 2001 to HK\$32.5 million. A segmental loss from securities investment was recorded amounting HK\$16.9 million in 2001 compared with profit of HK\$9.3 million in 2000.

Undoubtedly, year 2001 was very tough to most industries around the world. The slow down in U.S. economy certainly affected those countries that exported to it. Trading sales in Hong Kong, Taiwan, Singapore and Thailand all reported declines. Downturn in manufacturing sectors cut demand throughout Asian markets and slashed our trading turnover by 18.5%. Profitability was also challenged by severe price-cutting among other competitors in the market. It seemed that only China's economy stayed buoyant during global economic slowdown with remarkable economic growth, and its entry to the World Trade Organization represented one major step onto international business platform. While the rest of the world is slowing down, many foreign companies were eager to gain an early entry into Mainland China. Excess trading with China during the year created an oversupply situation that could not be completely consumed and digested till the end of the year and fierce competition continued. Successive interest rate cuts relieved part of operation cost pressure when competing with other rivals. We also applied a prudent purchasing strategy to avoid exposure towards severe volatility in material prices during the year.

The result of property investment reflected stable rental earnings and resilience on properties value in Shanghai. A gain of HK\$16.1 million was recognized from a surplus on revaluation of investment properties for the year ended 31st December 2001. In 2001, the property investment portfolio performed well with high occupancy rate and stable rental income. Although Hong Kong properties continued to be under pressure, the rebound in Shanghai properties helped to offset the decrease in value of Hong Kong properties. With abundant new supply of properties in Shanghai, there is a lack of momentum to the recent rise in rental rates. Office rent in Hong Kong was still soft without sign of upward force.

# Chairman's Statement

KEE SHING (HOLDINGS) LIMITED

2001 was a dismal year for the global equity markets. Corporate earnings was suffered from the world economy heading into recession during the year and further deteriorated after September 11th tragedy. The increased liquidity supplied by the U.S. Federal Reserve as well as added fiscal stimulus by U.S. government encouraged investors to look beyond near-term weakness, and world equity markets have rallied significantly from their lows in late September and are back to pre-September 11th levels. Rally in global bond markets during the year, on the contrary, was easier to comprehend in light of weakness in global economy and evidence that inflation was declining nearly everywhere. Under such circumstances, our securities portfolio did not perform well and posted a net realized and unrealized loss of HK\$21.8 million for the year ended 31st December 2001. In view of the impact of the market condition, we constructed the portfolio during the year not only to include traditional assets like stocks and bonds but also other financial assets like money market instruments, structured products, private equity, hedge funds etc. so as to balance the portfolio and anticipate re-appraising prospect for the economy and inflation.

## AUDIT COMMITTEE ■■■

The company has an audit committee which comprises of three non-executive directors of the Board with two of them were independent non-executive directors. Chaired by an independent non-executive director, the Audit Committee meets at least three times a year. Their function is to review the internal and external risk control areas of the Group, make plans with external auditors in relation to the nature and scope of the audit, and review the interim and annual reports of the Group before submission to the Board of Directors for approval. The external auditors together with the Group's financial controller and an executive director attend all audit committee meetings. For the year ended 31st December 2001, the audit committee met three times in total.

## PROSPECTS ■■■

Worldwide economic recovery is beginning to take shape as leading economic indicators in U.S. and Europe shown some improvement. However, we are cautiously aware of possible setbacks during the course of such recovery. It is therefore important for us to better control our operation costs and sales strategies. The interest rate cycle in the U.S. is passing its turn and possible rise of interest rate may exert pressure on profitability. Outlook of end-users demand is uncertain but we believe improvement will start as late as the second-half year after surplus inventories have been consumed and consumers' confidence return.

Existing tenancies on Shanghai's properties will expire in 2002 and more than half of such tenancies have been renewed. Total rental income in 2002 is expected to be lower than that of this year.

We remain resolutely confident that by focusing on our core business, we would weather this period of difficulty and be well positioned to benefit from the recovery in the year ahead.

## LEUNG SHU WING

*Chairman*

Hong Kong, 28th March 2002



# Mangement Discussion and Analysis

KEE SHING (HOLDINGS) LIMITED

## 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	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Electroplating Materials and Chemicals	731,669	909,041	27,625	33,897
Paint & Coating Chemicals	82,240	84,229	2,966	3,030
Stainless Steel	19,524	23,004	(477)	1,007
Others	338	6,942	(1,903)	(881)
Total	833,771	1,023,216	28,211	37,053

### *Electroplating Materials and Chemicals*

Total turnover for the year ended 31st December 2001 slide 18.5% from year earlier. Poor global economic conditions during the year cut down market demand in general and further deterioration continued after the September 11th tragedy. Competitors slashed prices to save volume declines. It was unavoidable that profit earnings were substantially trimmed down but was partly helped by successive interest rate cut and the Group's purchase policy. Market in Taiwan, Thailand and Singapore were heavily hit by severely downsizing in export volume especially in the electronics industries. China was the only market recorded a growth in term of quantity despite suffering from fierce competition.

Price of metal that the Group traded also experienced severe volatility during the year. With resilient and prudent purchase strategy, we tried to take neutral position for most of the time during the year to avoid large exposure of metal fluctuation risk. Trade finance cost dropped by 46.3% from a year earlier. Demand from local and overseas customers are still slow in the first quarter of 2002 despite the lower inventory levels. We are cautiously optimistic of a recovery and a resultant lift in the overall demand in the near term.

### *Paint and Coating Chemicals*

Turnover fell 2.4% for the year ended 31st December 2001 compared with HK\$84.2 million in sales for the year ended 31st December 2000. Oversupply situation continued in Mainland China as foreign competitors dumped their surplus materials into China, leading to fierce competition. We successfully shifted some of our core products to other less competitive products in order to offset part of the significant reduction in sales turnover. Sales of other new chemical products also produced satisfactory results.

During the year, one of our major suppliers merged with a Swedish company. We continue to be the sole agent of this new merged company in China market with wider product range. We also successfully obtained two agency agreements with two new suppliers in China. In line with China's strong economic growth, a rise in revenue in 2002 is expected.



# Management Discussion and Analysis

KEE SHING (HOLDINGS) LIMITED

## **Stainless Steel**

Demand was gloomy and slow business in watch industries persisted throughout the year. Strong U.S. dollars against other currencies further pushed down demand in Europe and Middle East region. Market price of stainless steel continued to be weak and soft and stainless steel mills kept lowering their price to reduce stock holding. Shrinking demand around the globe did not reverse and sales were stagnant at the end of the year. Insufficient sales resulted in an operation loss for the year ended 31st December 2001. In 2002, we will concentrate on sales of high-end products and tighten cost management to improve the profitability.

## **Property Investment Division**

Total rental income was up by 2.9% from a year earlier. Office properties in Hong Kong were all rented out at the end of the year and average occupancy rate was 90%. However, demand for office space in Hong Kong remained lackluster and a loss of HK\$1.3 million was incurred on revaluation of Hong Kong properties as at 31st December 2001.

On the other hand, office rental market improved in Shanghai after bottoming in 1999. After China's entry to the World Trade Organization, many foreign companies took up office spaces either to expand their business in China or to take their first step into China's door. Office space in major financial and commercial districts like Huaihai Zhong Road, Nanjing West Road, and Lujiazui district became limited and market rent rose by more than 35% from the bottom. Demand was cooling down after the September 11th event and rental remained stable at the year-end.

Total occupancy rate of Shanghai's office spaces were 100% during the year. As all existing tenancies in Shanghai offices will expire in 2002, it is expected that office rental will fall in 2002.

After the implementation of the merge of local-owned and foreign-owned residential scheme on 1st August 2001, Shanghai's residential properties value, particularly of downtown luxury apartments and villa houses, improved in general. It was notable that part of the rise in residential properties prices was supported by mortgage financing subsidies after relaxation of banking regulation by local banks. More than 90% of the new homebuyers were financed by mortgage. Taiwanese were also the major buyers during the year. However, this new wave of purchases suppressed the rise in rental because of lower cost in mortgage financing. Average occupancy rate during the year was 89.5% compared with 78.7% for the year of 2000. As at 31st December 2001, occupancy rate was 92%.

With the appreciation of Shanghai properties, a net revaluation gain arising from investment properties amounted HK\$16.1 million was recorded. Return on properties investment for the year ended 31st December 2001 was 8.5%.

## **Securities Investment Division**

Market value of the securities portfolio increased from HK\$159.8 million as at 31st December 2000 to HK\$174.7 million as at 31st December 2001.

# Mangement Discussion and Analysis

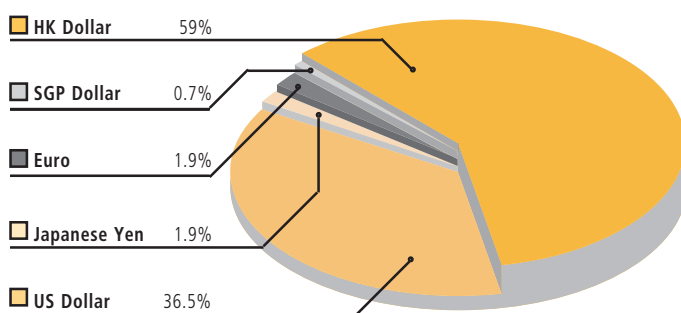
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An analysis of the portfolio by type of securities as at 31st December 2001 is listed as below:

	Market Value of Investment	Distribution in Percentage
Equities	HK\$114.8 Million	65.7%
Bonds	HK\$25.9 Million	14.8%
Unit Fund – Equities	HK\$28.1 Million	16.1%
Unit Fund – Debt	HK\$5.9 Million	3.4%

As at 31st December 2001, the Group used its own fund to finance 96% of total securities holdings and the remaining 4.0% was financed by bank borrowings.

## An analysis of the portfolio by currency denomination as at 31st December 2001 is listed as below:



Year 2001 was a very difficult year for equity markets around the world, including the U.S. and Hong Kong equity markets. Sharp decline in value was recorded in September but was recovered in the period from October to December. For the year ended 31st December 2001, an unrealized loss of HK\$21.9 million was recorded. During the year, we disposed part of our corporate bonds and equities to the market with a total gain of HK\$165,550. Total interests and dividend income generated from the portfolio accounted HK\$6.6 million for the year ended 31st December 2001.

Most investors are expecting economic recovery in 2002 but current global economic data, such as consumer confidence, leading economic indicators, equity indexes, etc. presented a mixed picture. Interest rate may start to rise in the second half of the year 2002 but such rise is not expected to be significant. In 2001, we selected high quality unit funds and structured products to improve part of the portfolio performance. In hope of taking advantage of the better economic climate in 2002 and beyond, we will continue to monitor the progress of markets and to position cautiously our portfolio in the year ahead.

## EMPLOYEES ■■

The Group employed a staff of 93 at the year-end of 2001 of whom 60 worked in Hong Kong, 12 worked in Mainland China and 21 worked in overseas office. A decrease of 9 staff was mainly due to the cessation of one of the Group's subsidiaries and closure of the Group's Beijing office at the beginning of the year.

All qualified Hong Kong staff were under the Group's Mandatory Provident Fund Scheme. Retirement scheme for those staff working in other offices was in place in accordance with the relevant rules and regulations.

The Group offers a competitive package to staff with bonus award based on staff performance evaluation and the individual company's performance. We also encourage staff to enhance their knowledge and improve their skill by taking external courses.

# Management Discussion and Analysis

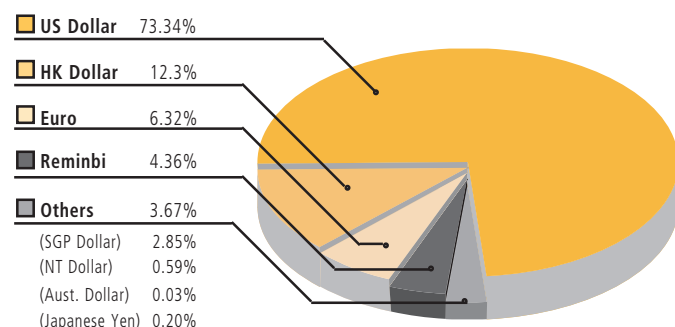
KEE SHING (HOLDINGS) LIMITED

On behalf of the Group's management team, I would like to thank all staff who works very hard under such difficult environment. Their efforts are the main force to drive the Group's achievement during the challenging year.

## FINANCIAL RESOURCES AND LIQUIDITY ■■■

The Group's total shareholders' fund increased from HK\$581.1 million at year-end of 2001 to HK\$592.7 million as at 31st December 2001.

### An analysis on cash and bank deposits by currencies as at 31st December 2001 is set out below:



The Group's financial position remained strong with total cash and bank deposits of HK\$162.3 million as at 31st December 2001, a slight decrease of HK\$0.5 million compared with that of previous year. Net cash position was HK\$25.0 million as at 31st December 2001 compared with that of HK\$17.4 million as at 31st December 2000. Gearing ratio, representing total bank borrowings divided by shareholders' fund, was 0.23 as at 31st December 2001.

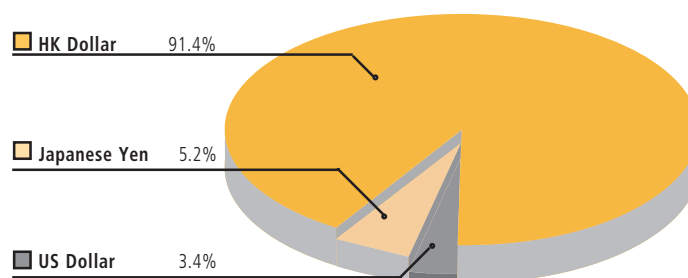
Total bank borrowings utilized about 32% of total available banking facilities granted by various banks as at 31st December 2001. Group assets totaling HK\$41.2 million were pledged to secure these bank facilities.

## DEBT STRUCTURE ■■■

As at 31st December 2001, all bank borrowings were in form of trust receipts and money market loans. Interest rate charged on total borrowings during the year were at range of 6.78% to 2.97% p.a. on monthly average basis.

All borrowings were on a floating rate basis. Interest expenses for the year ended 31st December 2001 were HK\$5.9 million, representing a decrease of HK\$6.7 million compared from a year earlier.

### An analysis on bank borrowings as at 31st December 2001 is as below:



## FOREIGN CURRENCY RISK ■■■

During the year, the Group's transactions were conducted in Hong Kong Dollars, United States Dollars, Japanese Yen, Euro, British Sterling, Reminbi, 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 2001.

Short-term borrowings denominated in foreign currencies other than United States Dollars were used to finance assets purchased in the same currencies.



# Director's Profiles

KEE SHING (HOLDINGS) LIMITED

## EXECUTIVE DIRECTORS ■■■

**Mr. Leung Shu Wing**, aged 63, is the founder of the Group and chairman of the company. Mr. Leung has over 37 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 32, 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 51, joined the Group in 1984. He has over 28 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 49, 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 22 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 49, is Chairman of Tien Fung Hong Group of companies and a non-executive director of a number of companies whose share are listed on The Stock Exchange of Hong Kong Limited. From 1988 to 1991, he was the chief executive of The Hong Kong Stock Exchange. Mr. Yuen is also a member of Shanghai People's Political Consultative Committee.

**Mr. Kwan Hing Hin, Stephen**, aged 53 joined the group in 1980 and was the co-founder of Kee Shing Industrial Products Limited. He holds a master degree of philosophy from Leeds University in the United Kingdom and is a member of the British Institute of Management and an associate of the Textile Institute. He worked with Jardine Matheson & Co., Limited for over 5 years prior to joining the group. Mr. Kwan has over 26 years of experience in metals and chemicals trading. He changed his role from executive director to non-executive director on 30th September, 1998.

## INDEPENDENT NON-EXECUTIVE DIRECTORS ■■■

**Dr. Leung Ding Bong, Ronald**, *FRCP, AIB, OBE, JP*, aged 67, is an experience banker. He is Chairman of Kwong On Bank, Limited. Dr. Leung joined the Group in December 1993 as an independent non-executive director.

**Mr. Wong Kong Chi**, aged 43, is 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.



# Senior Management Profiles

KEE SHING (HOLDINGS) LIMITED

**Mr. Herman Santoso**, aged 65, joined the Group in 1980. He has over 33 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 62, 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 58, 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 27 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 47, 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 24 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 43, joined the Group in 1987. He has over 21 years of experience in China trade. Mr. Wong is the director and general manager of Sam Wing International Limited.

# Notice of Annual General Meeting

KEE SHING (HOLDINGS) LIMITED

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Shareholders of the Company will be held at VIP room, 1/F., Park Hotel, 61-65 Chatham Road South, Kowloon, Hong Kong on Thursday, 23rd May, 2002 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, 2001;
2. To declare a final dividend;
3. To re-elect retiring directors and authorise the board to fix the remuneration of the directors;
4. To appoint auditors and to authorise the board to fix their remuneration;
5. As special business, to consider and, if thought fit, pass with or without modification the following resolutions as Ordinary Resolutions:

(1) **"THAT:**

- (a) subject in sub-paragraph (c) of this resolution, the exercise by the directors of the Company during the relevant period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the 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 right 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

"right issue" means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register on 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

KEE SHING (HOLDINGS) LIMITED

(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, 28th March 2002

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 Friday, 17th May, 2002 to Thursday, 23rd May, 2002 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Standard Registrars Limited, 5/F., Wing On Centre, 111 Connaught Road, Central, Hong Kong not later than 4:00 p.m. on Thursday, 16th May, 2002. Dividend warrants will be despatched to Shareholders on or before Friday, 21st June, 2002.



# Directors' Report

KEE SHING (HOLDINGS) LIMITED

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31st December, 2001.

## 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, 2001 are set out in the consolidated income statement on page 20.

An interim dividend of 1 cent per share, amounting to HK\$4,455,000, was paid to the shareholders of the Company during the year. The directors now recommend the payment of a final dividend of 1.5 cents per share to the shareholders of the Company whose names appear on the register of members on 23rd May, 2002, amounting to HK\$6,682,500, and the retention of the remaining profit for the year.

## INVESTMENT PROPERTIES ■■■

All of the investment properties of the Group were revalued at 31st December, 2001, as set out in note 13 to the financial statements. The resulting surplus arising on revaluation, which amounted to HK\$16,110,000, has been credited to the consolidated income statement.

Particulars of the investment properties of the Group as at 31st December, 2001 are set out on pages 51 and 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 14 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  
Tang Sai Kwan, Pipvide (resigned on 15th February, 2001)

### Independent non-executive directors:

Leung Ding Bong, Ronald  
Wong Kong Chi



# Directors' Report

KEE SHING (HOLDINGS) LIMITED

In accordance with Article 116 of the Company's Articles of Association, Messrs. Wong Chi Kin, Yuen Tin Fan, Francis and Wong Kong Chi 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 term of office for each non-executive director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

## DIRECTORS' INTERESTS IN CONTRACTS ■■■

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

## DIRECTORS' INTERESTS IN SHARES ■■■

At 31st December, 2001, the interests of the directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Personal interest	Number of shares held	
		Corporate interest	Other interest
Leung Shu Wing	184,691,075	–	–
Yuen Tin Fan, Francis	–	26,984,000 (Note 1)	74,760,000 (Note 2)
Leung Miu King	20,434,000	–	–
Kwan Hing Hin, Stephen	5,000,000	–	–
Wong Chi Kin	767,000	–	–
Wong Choi Ying	9,500	–	–

Notes:

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

The personal beneficial interests of the directors in the non-voting preferred shares of the Company's subsidiaries as at 31st December, 2001 were as follows:

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

Save as disclosed above, at 31st December, 2001, none of the directors or their associates had any interests in the securities of the Company or any of its subsidiaries or associated corporations as defined in the SDI Ordinance.

# Directors' Report

KEE SHING (HOLDINGS) LIMITED

## 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" above, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no other person as having an interest representing 10% or more of the issued share capital of the Company as at 31st December, 2001.

## MAJOR CUSTOMERS AND SUPPLIERS ■■■

For the year ended 31st December, 2001, 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 94% of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 40% 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, 2001 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## DONATION ■■■

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

## 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

28th March, 2002

## 德勤·關黃陳方會計師行

Certified Public Accountants  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

香港中環干諾道中111號  
永安中心26樓

**Deloitte  
Touche  
Tohmatsu**

### 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 20 to 50 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS ■■■

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

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

### BASIS OF OPINION ■■■

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

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

### OPINION ■■■

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2001 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.

  
Certified Public Accountants

28th March, 2002

# Consolidated Income Statement

KEE SHING (HOLDINGS) LIMITED

For the year ended 31st December, 2001

		2001	Restated
	Notes	HK\$'000	2000
			HK\$'000
Turnover	4	<b>860,920</b>	1,053,704
Other revenue	5	<b>5,689</b>	9,922
Changes in inventories of finished goods		<b>5,449</b>	(13,685)
Purchases of goods held for resale		<b>(773,658)</b>	(927,192)
Raw materials and consumables used		<b>(4,392)</b>	(5,805)
Staff costs		<b>(20,698)</b>	(24,038)
Depreciation and amortisation		<b>(2,893)</b>	(3,403)
Other operating expenses		<b>(25,165)</b>	(29,813)
Net realised gain and unrealised loss on other investments		<b>(21,771)</b>	3,638
Surplus arising on revaluation of investment properties		<b>16,110</b>	1,354
Profit from operations	6	<b>39,591</b>	64,682
Finance costs	7	<b>(5,883)</b>	(12,602)
Gain on dilution of interest in an associate		<b>4,113</b>	–
Share of profit (loss) of associates		<b>1,725</b>	(850)
Amortisation of premium arising on acquisition of an associate		<b>(3,022)</b>	(3,022)
Profit before taxation		<b>36,524</b>	48,208
Taxation	10	<b>(4,640)</b>	(2,946)
Profit before minority interests		<b>31,884</b>	45,262
Minority interests		<b>(1,128)</b>	(1,384)
Net profit for the year		<b>30,756</b>	43,878
Dividends	11	<b>17,820</b>	26,730
Earnings per share	12	<b>6.9 cents</b>	9.8 cents



# Balance Sheet

KEE SHING (HOLDINGS) LIMITED

At 31st December, 2001

	Notes	THE GROUP		THE COMPANY	
		2001 HK\$'000	Restated 2000 HK\$'000	2001 HK\$'000	Restated 2000 HK\$'000
<b>ASSETS</b>					
<b>Non-current Assets</b>					
Investment properties	13	238,140	220,146	-	-
Property, plant and equipment	14	33,526	41,751	345	443
Investments in subsidiaries	15	-	-	38,587	38,587
Interests in associates	16	54,479	51,880	-	-
Investments in securities	17	23,749	10,040	-	-
Amounts due from subsidiaries		-	-	446,220	424,396
		<b>349,894</b>	<b>323,817</b>	<b>485,152</b>	<b>463,426</b>
<b>Current Assets</b>					
Inventories	18	46,935	40,849	-	-
Debtors, deposits and prepayments	19	67,788	92,735	1,010	463
Bills receivable		9,575	17,521	-	-
Taxation recoverable		271	180	-	-
Dividends receivable		-	-	-	1,650
Investments in securities	17	159,248	157,391	-	-
Short term bank deposits		102,236	66,099	-	-
Bank balances and cash		60,055	96,706	92	33
		<b>446,108</b>	<b>471,481</b>	<b>1,102</b>	<b>2,146</b>
<b>Total Assets</b>		<b>796,002</b>	<b>795,298</b>	<b>486,254</b>	<b>465,572</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Share capital	20	22,275	22,275	22,275	22,275
Reserves	21	570,462	558,891	339,175	267,906
		<b>592,737</b>	<b>581,166</b>	<b>361,450</b>	<b>290,181</b>
<b>Minority Interests</b>		<b>15,263</b>	<b>16,700</b>	<b>-</b>	<b>-</b>
<b>Non-current Liability</b>					
Amount due to minority shareholder of a subsidiary		9,823	10,557	-	-
<b>Current Liabilities</b>					
Creditors and accrued charges	23	38,668	36,666	1,014	2,078
Bills payable		-	2,106	-	-
Taxation payable		2,195	2,649	-	-
Bank borrowings	24	137,316	145,454	10,000	10,000
Amounts due to subsidiaries		-	-	113,790	163,313
		<b>178,179</b>	<b>186,875</b>	<b>124,804</b>	<b>175,391</b>
<b>Total Equity and Liabilities</b>		<b>796,002</b>	<b>795,298</b>	<b>486,254</b>	<b>465,572</b>

The financial statements on pages 20 to 50 were approved and authorised for issue by the Board of Directors on 28th March, 2002 and are signed on its behalf by:

LEUNG SHU WING  
DIRECTOR

WONG CHOI YING  
DIRECTOR

# Consolidated Statement of Recognised Gains and Losses

KEE SHING (HOLDINGS) LIMITED

For the year ended 31st December, 2001

	<b>2001</b>	Restated
	<b>HK\$'000</b>	2000
		<i>HK\$'000</i>
Exchange differences arising on translation of overseas operations	<b>(1,195)</b>	379
Share of an associate's movements in:		
– Capital reserve	<b>(189)</b>	191
– Investment property revaluation reserve	<b>(151)</b>	302
– Property revaluation reserve	<b>(79)</b>	–
– Exchange reserve	<b>19</b>	(168)
– Retained profits	<b>195</b>	–
	<b>(205)</b>	325
Net (losses) gains not recognised in the consolidated income statement	<b>(1,400)</b>	704
Net profit for the year	<b>30,756</b>	43,878
Total recognised gains	<b>29,356</b>	44,582
Effect of change in accounting policy on adoption of Statement of Standard Accounting Practice 9 (Revised) – see note 2 – increase in retained profits at 1st January, 2000		17,820

# Consolidated Cash Flow Statement

KEE SHING (HOLDINGS) LIMITED

For the year ended 31st December, 2001

	Notes	2001 HK\$'000	2000 HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	25	<b>46,021</b>	56,885
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends paid		<b>(17,820)</b>	(26,730)
Interest paid		<b>(5,883)</b>	(12,602)
Dividends paid to minority shareholders of subsidiaries		<b>(2,045)</b>	(1,154)
Interest received from bank deposits		<b>5,223</b>	7,824
Dividend received from an unlisted investment		–	228
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<b>(20,525)</b>	(32,434)
TAXATION			
Hong Kong Profits Tax paid		<b>(3,394)</b>	(2,538)
Profits tax outside Hong Kong paid		<b>(1,725)</b>	(1,209)
Hong Kong Profits Tax refunded		–	1,270
NET CASH OUTFLOW FROM TAXATION		<b>(5,119)</b>	(2,477)
INVESTING ACTIVITIES			
Purchase of investments in securities		<b>(13,709)</b>	–
Purchase of property, plant and equipment		<b>(413)</b>	(1,155)
Proceeds from disposal of property, plant and equipment		<b>2,162</b>	239
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<b>(11,960)</b>	(916)
NET CASH INFLOW BEFORE FINANCING		<b>8,417</b>	21,058
FINANCING	26		
Amount repaid to minority shareholder of a subsidiary		<b>(734)</b>	(1,260)
INCREASE IN CASH AND CASH EQUIVALENTS		<b>7,683</b>	19,798
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		<b>17,351</b>	(2,452)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		<b>(59)</b>	5
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	27	<b>24,975</b>	17,351



# Notes to the Financial Statements

KEE SHING (HOLDINGS) LIMITED

For the year ended 31st December, 2001

## 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. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE ■■■

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods.

### Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment reporting". Segment disclosures for the year ended 31st December, 2000 have been amended so that they are presented on a consistent basis.

### Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the balance sheet date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively. The effect of this change has been to increase shareholders' funds of the Group and the Company at 1st January, 2000 and 31st December, 2000 by HK\$17,820,000 and HK\$13,365,000 respectively.

As a result of the revision of SSAP 9 (Revised) "Events after the balance sheet date", SSAP 18 "Revenue" has also been revised. Accordingly, the dividends proposed or declared after the balance sheet date by the subsidiaries are not recognised by the Company at the balance sheet date. This change in accounting policy has also been applied retrospectively. The effect of this change has been to decrease shareholders' funds of the Company as at 1st January, 2000 and 31st December, 2000 by HK\$34,710,000 and HK\$44,990,000, respectively.

### Leases

In the current year, the Group has adopted SSAP 14 (Revised) "Leases". Disclosures for the Group's operating lease arrangements as set out in note 28 have been modified so as to meet the requirements of SSAP 14 (Revised). Comparative figures have been restated in order to achieve a consistent presentation.

### 3. SIGNIFICANT ACCOUNTING POLICIES ■■■

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

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

#### **Basis of consolidation**

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

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 continues 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.

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.

#### **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.

# Notes to the Financial Statements

KEE SHING (HOLDINGS) LIMITED

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Revenue recognition

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

Commission income is recognised when services are rendered.

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

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

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

### Investment properties

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

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

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

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

### Property, plant and equipment

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

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.

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 SSAP 17 (Revised) "Property, plant and equipment" issued by the Hong Kong Society of Accountants 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 $\frac{1}{3}$ %



## 3. SIGNIFICANT ACCOUNTING POLICIES – continued ■■■

### **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 premium paid 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 other than held-to-maturity debt securities are classified as investment securities and other investments.

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

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

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost 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 losses are 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, but so 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**

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

### **Operating leases**

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

# Notes to the Financial Statements

KEE SHING (HOLDINGS) LIMITED

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued ■■■

### Foreign currencies

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

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

### 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.

## 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, 2001

	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>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Revenue</b>						
External sales	833,771	20,282	6,594	273	–	860,920
Inter-segment sales	17,258	2,308	–	6,762	(26,328)	–
Total revenue	851,029	22,590	6,594	7,035	(26,328)	860,920
Inter-segment sales are charged at prevailing market rates.						
<b>Result</b>						
Segment result	28,211	32,494	(16,859)	47	–	43,893
Interest income from bank deposits						5,223
Unallocated other revenue						466
Unallocated corporate expenses						(9,991)
Profit from operations						39,591
Finance costs						(5,883)
Gain on dilution of interest in an associate				4,113		4,113
Share of profit of associates				1,725		1,725
Amortisation of premium arising on acquisition of an associate				(3,022)		(3,022)
Profit before taxation						36,524
Taxation						(4,640)
Profit before minority interests						31,884
Minority interests						(1,128)
Net profit for the year						30,756

# Notes to the Financial Statements

KEE SHING (HOLDINGS) LIMITED

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued ■■■

At 31st December, 2001

### 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>
<b>Assets</b>					
Segment assets	128,316	242,363	183,285	59	554,023
Interests in associates	453	–	–	54,026	54,479
Unallocated corporate assets					187,500
Consolidated total assets					796,002
<b>Liabilities</b>					
Segment liabilities	158,467	21,181	7,259	5	186,912
Unallocated corporate liabilities					1,090
Consolidated total liabilities					188,002

### 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	96	132	–	185	413
Depreciation and amortisation	1,331	1,278	–	3,306	5,915
Other non-cash expenses	1,178	–	21,936	35	23,149

# Notes to the Financial Statements

KEE SHING (HOLDINGS) LIMITED

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

For the year ended 31st December, 2000

	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>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Revenue</b>						
External sales	1,023,216	19,712	6,567	4,209	–	1,053,704
Inter-segment sales	40,279	2,554	–	8,307	(51,140)	–
Total revenue	1,063,495	22,266	6,567	12,516	(51,140)	1,053,704
Inter-segment sales are charged at prevailing market rates.						
<b>Result</b>						
Segment result	37,053	15,832	9,289	(1,145)	–	61,029
Interest income from bank deposits						7,824
Unallocated other revenue						2,098
Unallocated corporate expenses						(6,269)
Profit from operations						64,682
Finance costs						(12,602)
Share of loss of associates				(850)		(850)
Amortisation of premium arising on acquisition of an associate				(3,022)		(3,022)
Profit before taxation						48,208
Taxation						(2,946)
Profit before minority interests						45,262
Minority interests						(1,384)
Net profit for the year						43,878



# Notes to the Financial Statements

KEE SHING (HOLDINGS) LIMITED

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued ■■■

At 31st December, 2000

### 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>
<b>Assets</b>					
Segment assets	154,670	228,981	167,503	2,472	553,626
Interests in associates	453	–	–	51,427	51,880
Unallocated corporate assets					189,792
Consolidated total assets					795,298
<b>Liabilities</b>					
Segment liabilities	149,213	23,408	21,427	1,209	195,257
Unallocated corporate liabilities					2,175
Consolidated total liabilities					197,432

### 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	767	134	–	254	1,155
Depreciation and amortisation	1,624	1,415	–	3,386	6,425
Other non-cash expenses	–	–	16,927	–	16,927

### Geographical segments

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

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

# Notes to the Financial Statements

KEE SHING (HOLDINGS) LIMITED

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

### Geographical segments – continued

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

	Revenue by geographical market		Contribution to profit from operations	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Hong Kong	565,078	635,337	2,690	20,200
Taiwan	140,676	222,158	5,028	5,877
Elsewhere in the People's Republic of China	102,109	114,199	35,297	19,696
Others	53,057	82,010	878	15,256
	<b>860,920</b>	<b>1,053,704</b>	<b>43,893</b>	<b>61,029</b>
Interest income from bank deposits			5,223	7,824
Unallocated other revenue			466	2,098
Unallocated corporate expenses			(9,991)	(6,269)
Profit from operations			<b>39,591</b>	<b>64,682</b>

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 31.12.2001 HK\$'000	At 31.12.2000 HK\$'000	Year ended 31.12.2001 HK\$'000	Year ended 31.12.2000 HK\$'000
Hong Kong	430,175	445,515	274	709
Taiwan	12,103	41,741	–	284
Elsewhere in the People's Republic of China	259,737	248,229	132	134
Others	93,987	59,813	7	28
	<b>796,002</b>	<b>795,298</b>	<b>413</b>	<b>1,155</b>

# Notes to the Financial Statements

KEE SHING (HOLDINGS) LIMITED

## 5. OTHER REVENUE ■■■

Other revenue comprises:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Interest income from bank deposits	5,223	7,824
Sundry income	466	1,838
Dividend income from an unlisted investment	–	228
Gain on disposal of property, plant and equipment	–	32
	<b>5,689</b>	<b>9,922</b>

## 6. PROFIT FROM OPERATIONS ■■■

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Auditors' remuneration	1,117	1,076
Loss on disposal of property, plant and equipment	1,178	–
Rental payments in respect of properties under operating leases	1,571	1,955
Retirement benefits scheme contributions	557	134
and after crediting:		
Dividend income from listed investment	5,325	4,966
Gross rental income from properties under operating leases after outgoings of HK\$69,000 (2000: HK\$74,000)	20,213	19,638
Interest income from investments	1,269	1,601
	<b>1,269</b>	<b>1,601</b>

## 7. FINANCE COSTS ■■■

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

## 8. DIRECTORS' EMOLUMENTS ■■■

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Directors' fees	510	530
Other emoluments to directors:		
Salaries and other benefits	2,916	2,909
Performance related incentive payments	115	323
	<b>3,031</b>	<b>3,232</b>
Total directors' emoluments	<b>3,541</b>	<b>3,762</b>

The amounts disclosed above include directors' fees of HK\$230,000 (2000: HK\$230,000) and other emoluments of HK\$170,000 (2000: HK\$170,000) payable to independent non-executive directors.

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

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

# Notes to the Financial Statements

KEE SHING (HOLDINGS) LIMITED

## 9. EMPLOYEES' EMOLUMENTS ■■■

The five highest paid individuals of the Group included three directors (2000: two directors), details of whose emoluments are included in the amounts disclosed in note 8 above. The emoluments of the remaining highest paid employees, other than directors of the Company, are follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Salaries and other benefits	1,934	3,172
Performance related incentive payments	241	314
	<u>2,175</u>	<u>3,486</u>

Their emoluments were within the following bands:

	2001 Number of employees	2000 Number of employees
Nil to HK\$1,000,000	1	–
HK\$1,000,001 to HK\$1,500,000	1	3

## 10. TAXATION ■■■

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
The tax charge attributable to the Company and its subsidiaries comprises:		
Current taxation		
Hong Kong Profits Tax	2,922	3,002
Profits tax outside Hong Kong	1,706	1,476
	<u>4,628</u>	<u>4,478</u>
Deferred taxation		
Hong Kong Profits Tax ( <i>note 22</i> )	–	(1,558)
	<u>4,628</u>	<u>2,920</u>
Share of taxation attributable to associates	12	26
	<u>4,640</u>	<u>2,946</u>

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the year.

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

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



# Notes to the Financial Statements

KEE SHING (HOLDINGS) LIMITED

## 11. DIVIDENDS ■■■

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Interim dividend paid in respect of 2001 of 1 cent (2000: 2 cents) per ordinary share	4,455	8,910
Final dividend paid in respect of 2000 of 3 cents (1999: 4 cents) per ordinary share	<u>13,365</u>	<u>17,820</u>
	<u>17,820</u>	<u>26,730</u>

The final dividend of 1.5 cents for the year ended 31st December, 2001 (2000: 3 cents) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

## 12. EARNINGS PER SHARE ■■■

The calculation of the earnings per share is based on the net profit for the year of HK\$30,756,000 (2000: HK\$43,878,000) and on 445,500,000 ordinary shares (2000: 445,500,000 ordinary shares) in issue during the year.

## 13. INVESTMENT PROPERTIES ■■■

	<b>THE GROUP</b> <i>HK\$'000</i>
<b>VALUATION</b>	
At 1st January, 2001	220,146
Transfer from leasehold land and buildings	1,884
Surplus arising on revaluation	<u>16,110</u>
At 31st December, 2001	<u>238,140</u>

The Group's investment properties comprise:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Properties held under medium-term leases:		
– in Hong Kong	9,600	9,000
– elsewhere in the People's Republic of China	<u>184,080</u>	<u>166,686</u>
	<b>193,680</b>	175,686
Properties held under long leases:		
– elsewhere in the People's Republic of China	<u>44,460</u>	<u>44,460</u>
	<u>238,140</u>	<u>220,146</u>

All of the investment properties of the Group were revalued at 31st December, 2001 by Knight Frank, an independent firm of professional valuers, on an open market value existing use basis. The resulting surplus arising on revaluation, which amounted to HK\$16,110,000, has been credited to the consolidated income statement.

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

# Notes to the Financial Statements

KEE SHING (HOLDINGS) LIMITED

## 14. 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>						
COST OR VALUATION						
At 1st January, 2001	42,795	13,428	4,100	1,404	2,172	63,899
Currency realignment	(579)	(18)	(106)	–	(12)	(715)
Additions	–	329	–	9	75	413
Disposals	(3,649)	(577)	–	–	(91)	(4,317)
Transfer to investment properties	(2,205)	–	–	–	–	(2,205)
At 31st December, 2001	36,362	13,162	3,994	1,413	2,144	57,075
Comprising:						
At cost	8,562	13,162	3,994	1,413	2,144	29,275
At valuation – 1991	27,800	–	–	–	–	27,800
	36,362	13,162	3,994	1,413	2,144	57,075
DEPRECIATION AND AMORTISATION						
At 1st January, 2001	5,520	10,805	2,711	1,324	1,788	22,148
Currency realignment	(74)	(17)	(81)	–	(10)	(182)
Provided for the year	822	1,243	536	36	256	2,893
Eliminated on disposals	(364)	(534)	–	–	(91)	(989)
Transfer to investment properties	(321)	–	–	–	–	(321)
At 31st December, 2001	5,583	11,497	3,166	1,360	1,943	23,549
NET BOOK VALUES						
At 31st December, 2001	30,779	1,665	828	53	201	33,526
At 31st December, 2000	37,275	2,623	1,389	80	384	41,751

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\$19,823,000 (2000: HK\$23,585,000).

# Notes to the Financial Statements

KEE SHING (HOLDINGS) LIMITED

## 14. 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>			
COST			
At 1st January, 2001	2,548	1,634	4,182
Additions	133	52	185
Disposals	(140)	(62)	(202)
At 31st December, 2001	2,541	1,624	4,165
DEPRECIATION			
At 1st January, 2001	2,369	1,370	3,739
Provided for the year	74	209	283
Eliminated on disposals	(140)	(62)	(202)
At 31st December, 2001	2,303	1,517	3,820
NET BOOK VALUES			
At 31st December, 2001	238	107	345
At 31st December, 2000	179	264	443

The Group's leasehold land and buildings comprise:

	Leasehold land and buildings	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Properties held under medium-term leases:		
– in Hong Kong	23,488	25,961
– elsewhere in the People's Republic of China	–	3,347
	23,488	29,308
Properties held under long leases:		
– overseas	7,291	7,967
	30,779	37,275

# Notes to the Financial Statements

KEE SHING (HOLDINGS) LIMITED

## 15. INVESTMENTS IN SUBSIDIARIES ■■■

	THE COMPANY	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	<b>38,587</b>	38,587

Particulars of the subsidiaries at 31st December, 2001 are set out in note 32.

## 16. INTERESTS IN ASSOCIATES ■■■

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	<b>27,141</b>	21,520
Premium arising on acquisition, net	<b>27,338</b>	30,360
	<b>54,479</b>	51,880

Particulars of the associates at 31st December, 2001 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

KEE SHING (HOLDINGS) LIMITED

## 17. INVESTMENTS IN SECURITIES ■■■

### THE GROUP

	Investment securities		Other investments		Total	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Equity securities:						
Listed – Hong Kong	–	–	103,093	122,857	103,093	122,857
Listed – overseas	3,132	3,132	7,913	7,115	11,045	10,247
Unlisted	5,216	3,207	3,701	3,701	8,917	6,908
	<b>8,348</b>	6,339	<b>114,707</b>	133,673	<b>123,055</b>	140,012
Mutual funds:						
Unlisted	3,900	–	30,100	14,743	34,000	14,743
Debt securities:						
Listed – overseas	–	–	3,363	10,042	3,363	10,042
Unlisted	7,800	–	14,779	2,634	22,579	2,634
	<b>7,800</b>	–	<b>18,142</b>	12,676	<b>25,942</b>	12,676
Total securities:						
Listed	3,132	3,132	114,369	140,014	117,501	143,146
Unlisted	16,916	3,207	48,580	21,078	65,496	24,285
	<b>20,048</b>	6,339	<b>162,949</b>	161,092	<b>182,997</b>	167,431
Market value of listed securities	3,294	3,432	114,369	140,014	117,663	143,446
Carrying amount analysed for reporting purposes as:						
Non-current	20,048	6,339	3,701	3,701	23,749	10,040
Current	–	–	159,248	157,391	159,248	157,391
	<b>20,048</b>	6,339	<b>162,949</b>	161,092	<b>182,997</b>	167,431

# Notes to the Financial Statements

KEE SHING (HOLDINGS) LIMITED

## 17. INVESTMENTS IN SECURITIES – continued ■■■

Particulars of the Group's investments in equity securities 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.

## 18. INVENTORIES ■■■

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Raw materials	863	226
Finished goods	46,072	40,623
	<u>46,935</u>	<u>40,849</u>

Included in inventories are finished goods of HK\$7,300,000 (2000: HK\$9,283,000) carried at net realisable value.

## 19. DEBTORS, DEPOSITS AND PREPAYMENTS ■■■

The Group allows an average credit period ranging from cash on delivery to 120 days to its trade debtors. The ageing analysis of trade debtors of HK\$60,002,000 (2000: HK\$81,023,000) which are included in the Group's debtors, deposits and prepayments are as follows:

	2001 HK\$'000	2000 HK\$'000
0 – 30 days	29,816	37,412
31 – 60 days	18,179	24,665
61 – 90 days	9,696	12,628
91 – 120 days	1,621	3,965
121 –365 days	690	2,353
	<u>60,002</u>	<u>81,023</u>

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

# Notes to the Financial Statements

KEE SHING (HOLDINGS) LIMITED

## 20. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.05 each		
Authorised:		
At beginning and at end of the years 2000 and 2001	700,000,000	35,000
Issued and fully paid:		
At beginning and at end of the years 2000 and 2001	445,500,000	22,275

## 21. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Investment property revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>THE GROUP</b>							
At 1st January, 2000							
– as previously stated	153,728	26,090	5,280	15,440	1,515	321,166	523,219
– prior year adjustment (note 2)	–	–	–	–	–	17,820	17,820
– as restated	153,728	26,090	5,280	15,440	1,515	338,986	541,039
Exchange differences arising on translation of overseas operations	–	–	–	–	379	–	379
Share of an associate's movement in reserves	–	191	302	–	(168)	–	325
Net profit for the year	–	–	–	–	–	43,878	43,878
Dividends paid (note 11)	–	–	–	–	–	(26,730)	(26,730)
At 31st December, 2000	153,728	26,281	5,582	15,440	1,726	356,134	558,891
Exchange differences arising on translation of overseas operations	–	–	–	–	(1,195)	–	(1,195)
Share of an associate's movement in reserves	–	(189)	(151)	(79)	19	195	(205)
Goodwill released on disposal of a subsidiary	–	35	–	–	–	–	35
Reclassification on transfer of properties	–	–	1,580	(1,580)	–	–	–
Net profit for the year	–	–	–	–	–	30,756	30,756
Dividends paid (note 11)	–	–	–	–	–	(17,820)	(17,820)
At 31st December, 2001	153,728	26,127	7,011	13,781	550	369,265	570,462
Attributable to:							
Company and subsidiaries	153,728	26,125	6,860	13,860	1,003	368,233	569,809
Associates	–	2	151	(79)	(453)	1,032	653
	153,728	26,127	7,011	13,781	550	369,265	570,462

# Notes to the Financial Statements

KEE SHING (HOLDINGS) LIMITED

## 21. RESERVES – continued

	Share premium HK\$'000	Capital reserve HK\$'000	Investment property revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>THE COMPANY</b>							
At 1st January, 2000							
– as previously stated	153,728	–	–	–	–	117,327	271,055
– restatement of dividend receivable (note 2)	–	–	–	–	–	(34,710)	(34,710)
– other prior year adjustment (note 2)	–	–	–	–	–	17,820	17,820
– as restated	153,728	–	–	–	–	100,437	254,165
Net profit for the year	–	–	–	–	–	40,471	40,471
Dividends paid (note 11)	–	–	–	–	–	(26,730)	(26,730)
At 31st December, 2000	153,728	–	–	–	–	114,178	267,906
Net profit for the year	–	–	–	–	–	89,089	89,089
Dividends paid (note 11)	–	–	–	–	–	(17,820)	(17,820)
At 31st December, 2001	153,728	–	–	–	–	185,447	339,175

The balance of investment property revaluation reserve of the Group at 31st December, 2001 includes an amount of HK\$6,860,000 (2000: HK\$5,280,000), which represents the accumulated amount transferred from the property revaluation reserve as a result of the change in usage of certain previously self-occupied leasehold properties to investment properties. Such revaluation reserve has been frozen upon the transfer and will be transferred to retained profits when the relevant properties are disposed of.

The Company's reserves available for distribution to shareholders as at 31st December, 2001 comprised the retained profits of HK\$185,447,000 (2000: HK\$114,178,000).

## 22. DEFERRED TAXATION

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
At beginning of the year	–	1,558
Credit for the year (note 10)	–	(1,558)
At end of year	–	–

## 22. DEFERRED TAXATION – continued ■■■

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

At 31st December, 2001, the Group had an unrecognised deferred tax asset of approximately HK\$17,755,000 (2000: HK\$14,694,000) relating to unutilised tax losses of certain subsidiaries. The deferred tax asset has not been recognised as it is uncertain whether the benefit will crystallise in the foreseeable future.

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

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

## 23. CREDITORS AND ACCRUED CHARGES ■■■

The ageing analysis of the trade creditors of HK\$20,585,000 (2000: HK\$14,338,000) which are included in the Group's creditors and accrued charges are as follows:

	2001 HK\$'000	2000 HK\$'000
0 – 30 days	14,917	12,827
31 – 60 days	5,613	1,335
61 – 90 days	55	168
91 – 120 days	–	2
121 –365 days	–	6
	<b>20,585</b>	<b>14,338</b>

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

## 24. BANK BORROWINGS ■■■

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
The bank borrowings, which are all due within one year, comprise:				
Bank loans – secured	4,112	17,782	–	–
– unsecured	15,489	17,498	10,000	10,000
Trust receipt loans – unsecured	117,715	110,174	–	–
	<b>137,316</b>	<b>145,454</b>	<b>10,000</b>	<b>10,000</b>



# Notes to the Financial Statements

KEE SHING (HOLDINGS) LIMITED

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

	2001 HK\$'000	2000 HK\$'000
Profit before taxation	36,524	48,208
Share of (profit) loss of associates	(1,725)	850
Amortisation of premium arising on acquisition of an associate	3,022	3,022
Unrealised loss on investments in securities	21,936	16,927
Surplus arising on revaluation of investment properties	(16,110)	(1,354)
Interest income from bank deposits	(5,223)	(7,824)
Interest expenses	5,883	12,602
Gain on dilution of interest in an associate	(4,113)	–
Depreciation and amortisation	2,893	3,403
Dividend income from an unlisted investment	–	(228)
Loss (gain) on disposal of property, plant and equipment	1,178	(32)
Goodwill written off on disposal of a subsidiary	35	–
(Increase) decrease in inventories	(6,214)	13,550
Decrease in debtors, deposits and prepayments	24,505	11,917
Decrease (increase) in bills receivable	7,946	(4,685)
Increase in other investments	(23,855)	(17,850)
Increase (decrease) in creditors and accrued charges	1,445	(23,178)
(Decrease) increase in bills payable	(2,106)	1,557
	<u>46,021</u>	<u>56,885</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>46,021</u>	<u>56,885</u>

## 26. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR ■■■

	Minority interests HK\$'000
Balance at 1st January, 2000	28,543
Currency realignment	(256)
Minority interests in the profit of subsidiaries	1,384
Dividends paid to minority shareholders of subsidiaries	(1,154)
Amount repaid to minority shareholders of a subsidiary	(1,260)
	<u>27,257</u>
Balance at 31st December, 2000	27,257
Currency realignment	(520)
Minority interests in the profit of subsidiaries	1,128
Dividends paid to minority shareholders of subsidiaries	(2,045)
Amount repaid to minority shareholder of a subsidiary	(734)
	<u>25,086</u>
Balance at 31st December, 2001	<u>25,086</u>

# Notes to the Financial Statements

KEE SHING (HOLDINGS) LIMITED

## 27. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS ■■■

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Short term bank deposits	102,236	66,099
Bank balances and cash	60,055	96,706
Bank borrowings	<u>(137,316)</u>	<u>(145,454)</u>
	<u>24,975</u>	<u>17,351</u>

## 28. OPERATING LEASE ARRANGEMENTS ■■■

### 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	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Within one year	1,376	1,344	495	698
In the second to fifth year inclusive	<u>874</u>	<u>55</u>	<u>290</u>	<u>60</u>
	<u>2,250</u>	<u>1,399</u>	<u>785</u>	<u>758</u>

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.

### The Group as lessor:

Property rental income earned during the year was HK\$20,282,000 (2000: HK\$19,712,000). The properties held have committed tenants in the range from the next half year to two 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	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Within one year	7,268	18,787
In the second to fifth year inclusive	<u>224</u>	<u>5,402</u>
	<u>7,492</u>	<u>24,189</u>

# Notes to the Financial Statements

KEE SHING (HOLDINGS) LIMITED

## 29. CONTINGENT LIABILITIES ■■■

	THE COMPANY	
	2001 HK\$'000	2000 HK\$'000
Extent of banking facilities utilised by subsidiaries in respect of which guarantees were given to banks by the Company	<b>137,316</b>	147,560

## 30. PLEDGE OF ASSETS ■■■

At 31st December, 2001, certain leasehold properties and investments in securities with aggregate carrying values of HK\$7,286,000 (2000: HK\$7,967,000) and HK\$33,898,000 (2000: HK\$45,498,000), respectively, were pledged to banks to secure banking facilities granted to the Group.

## 31. 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.

## 32. SUBSIDIARIES ■■■

Particulars of the subsidiaries at 31st December, 2001 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*	Securities investment
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

# Notes to the Financial Statements

KEE SHING (HOLDINGS) LIMITED

## 32. SUBSIDIARIES – continued

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Issued/ registered and		Percentage of issued/ registered capital	Principal activities
			fully paid capital		held by	
			Ordinary	Non-voting preferred (note)	the Company	
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
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

# Notes to the Financial Statements

KEE SHING (HOLDINGS) LIMITED

## 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)	%	
Kee Shing International Limited	Hong Kong	Hong Kong	HK\$2	–	100*	Securities investment
Kee Shing (Investments) Limited	Cook Islands	Cook Islands	US\$1,000	–	100*	Investment holding
Kee Shing Property Consultants (Shanghai) Co., Ltd.	People's Republic of China	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



# Notes to the Financial Statements

KEE SHING (HOLDINGS) LIMITED

## 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)	%	
Pacific Wide Properties Limited	Hong Kong	Elsewhere in the People's Republic of China	HK\$10,000	–	90	Property investment
Pakwell Investment Limited	Hong Kong	Hong Kong	HK\$10,000	–	55*	Inactive
Sam Wing International Limited	Hong Kong	Elsewhere in the People's Republic of China	HK\$200	HK\$2,160,000	100*	Trading in chemicals 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

# Notes to the Financial Statements

KEE SHING (HOLDINGS) LIMITED

## 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)	%	
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*

None of the subsidiaries had any loan capital subsisting at 31st December, 2001 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

KEE SHING (HOLDINGS) LIMITED

At 31st December, 2001

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 Huadua Court, Haihua Garden the Junction of Xiexu Road and Dapu Road Luwan District Shanghai People's Republic of China	Residential	Long lease

# Particulars of Investment Properties

KEE SHING (HOLDINGS) LIMITED

LOCATION	TYPE	LEASE TERM
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

KEE SHING (HOLDINGS) LIMITED  
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奇盛（集團）有限公司

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