TSANN KUEN（CHINA）ENTERPRISE CO., LTD.
1999 ANNUAL REPORT

一、COMPANY PROFILE

Company name	：	TSANN KUEN（CHINA） ENTERPRISE CO . , LTD
Brief Company name	：	TKC
Representative of legal entity	：	TSANN KUEN Wu
The official address	：	Xiamen, China
Headquarters	：	no.88 Xing Long road huli industry district, Xiamen, China
Post code	：	361006
Email Address	：	tcy@tke.tsannkuen.com
Home Page	：	www.cninfo.com.cn
Common stock	：	Common stock of TSANN KUEN China is traded on the Shenzhen Stock Exchange under the symbol **闽灿坤** 2512B.
Board of director' s Secretary	：	Mrs. Ju Yin Teng
Address for contact	：	no.88 Xing Long road huli industry district, Xiamen, China
Telephone	：	0592-6030228
Fax	：	0592-6035905

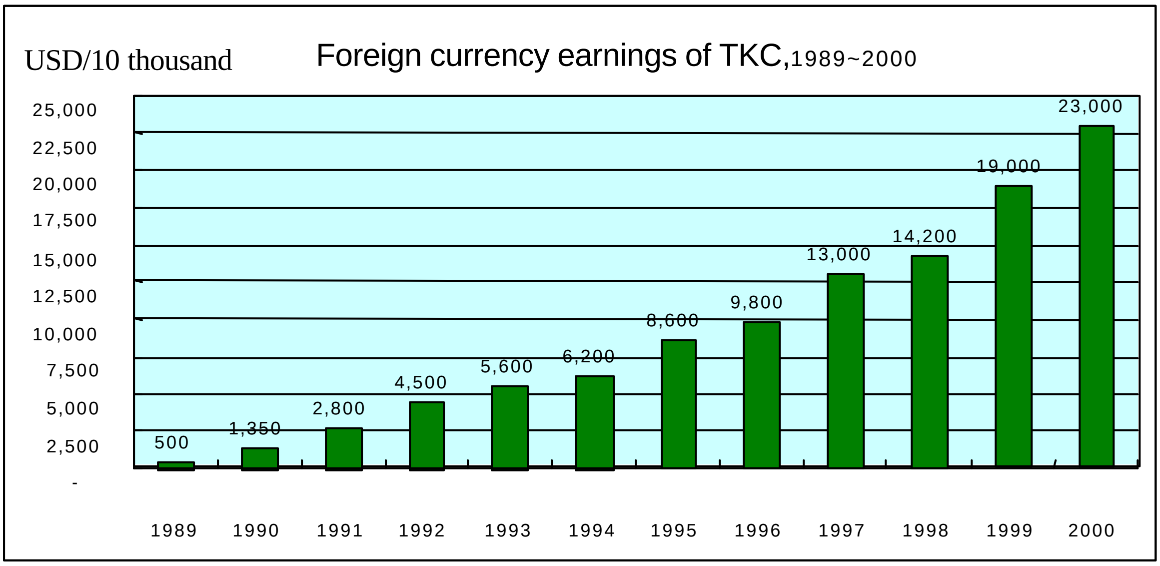
(一)、Milestone：

１、Establish：1988

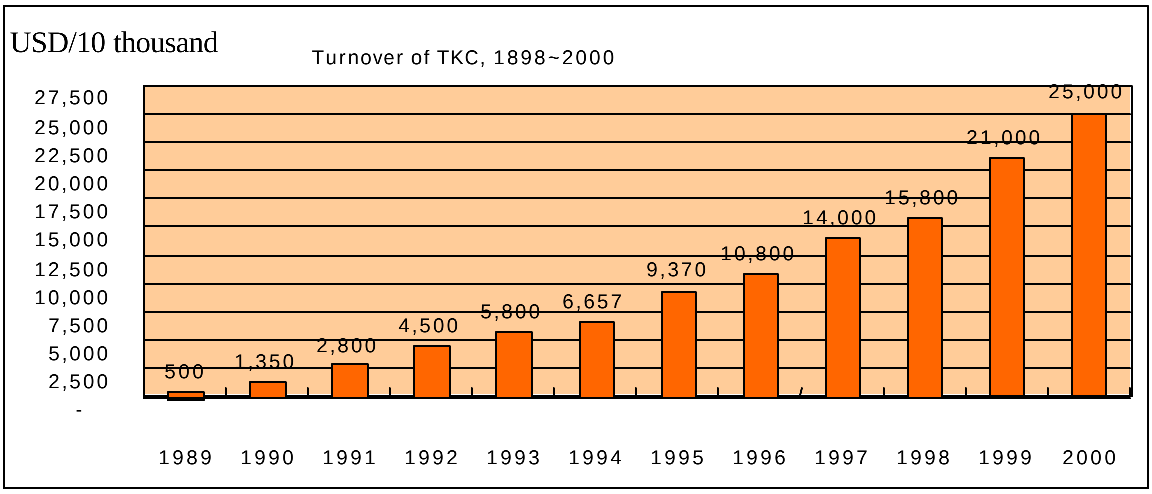
Based on the spirit of its loving motherland, the company decided to set up Tsann Kuen(China) in Xiamen and manufactured small household electric appliances. Our product was broadly divided into three major categories namely, electric irons, electrical cooking appliances and coffee makers.

２、Development

(1)、Foreign currency earnings



(2)、 turnover



(3)、 Capacity of manufacturing：

During the first two years of its establishment, the assembly capacity only reach approximately 980,000 unit all year, today TKC is the biggest factory in manufacturing household electric appliances：

A、 Capacity of Assembly：

Reach an annual capacity of 24 million unit, including electric irons 8,400,000 unit, electrical cooking appliances 12,000,000 unit, and coffee makers 3,600,000 unit.

B、 Capacity of spare parts：

a、 Aluminum processing：

Die-casting Machine 64 sets, non-stick coating oven 6 lines, product capacity reach 72 million pieces per year.

b、 Plastic mould injection：

Plastic injection machine 90 sets, silk printing 2 lines， product capacity reach 45.6 million pieces per year

c、 Bakelite production：

Bakelite molding machine 62 sets， bakelite coating oven 3 lines, product capacity reach 15 million pieces per year

d、 Hardware :

Press machine 58 sets， product capacity reach 40 billion pieces per year

(4)、 Capital

A、 1988 - the initial investment was USD $900,000

B、 1993 - On 16TH February, 1993, the Company was reorganized as a company limited by shares with the approval of the ministry of foreign economy and trade and was named as “Tsann Kuen(china) Enterprise co., Ltd”, in the same year of June 30th, b stock of Tsann Kuen China was offered publicly in Shenzhen Stock Exchange. Total capital amounts to RMB 360 million and 75 thousand in December 31, 1999.

C、 1996 - RMB 192 million and 40 thousand

D、 1997 - RMB 230 million and 88 thousand

E、 1998- RMB 288 million and 60 thousand

E、 1999- RMB 360 million and 75 thousand

(二)、 Important awards honored：

１、 1991~1998: award to be China Double-best Enterprise of Foreign-invested every year.

２、 1992~1999: valued as AAA Good Credit Enterprise every year.

３、 1993 won the quality approval of ISO 9002.

４、 1996 award to be China Best Reputation Enterprise.

５、 1998 , 8, award to be China Leading Export Enterprise of Foreign-invested.

６、 1998 award to be China Mechanics Leading Export Enterprise.

7、1999, 3, listed on top 300 Best Profit Industries and Best Enterprise Image.

8、1999, 7 , elected as High Technology Enterprise.

9、1999, 12 , valued as Famous Brand in FuJian province.

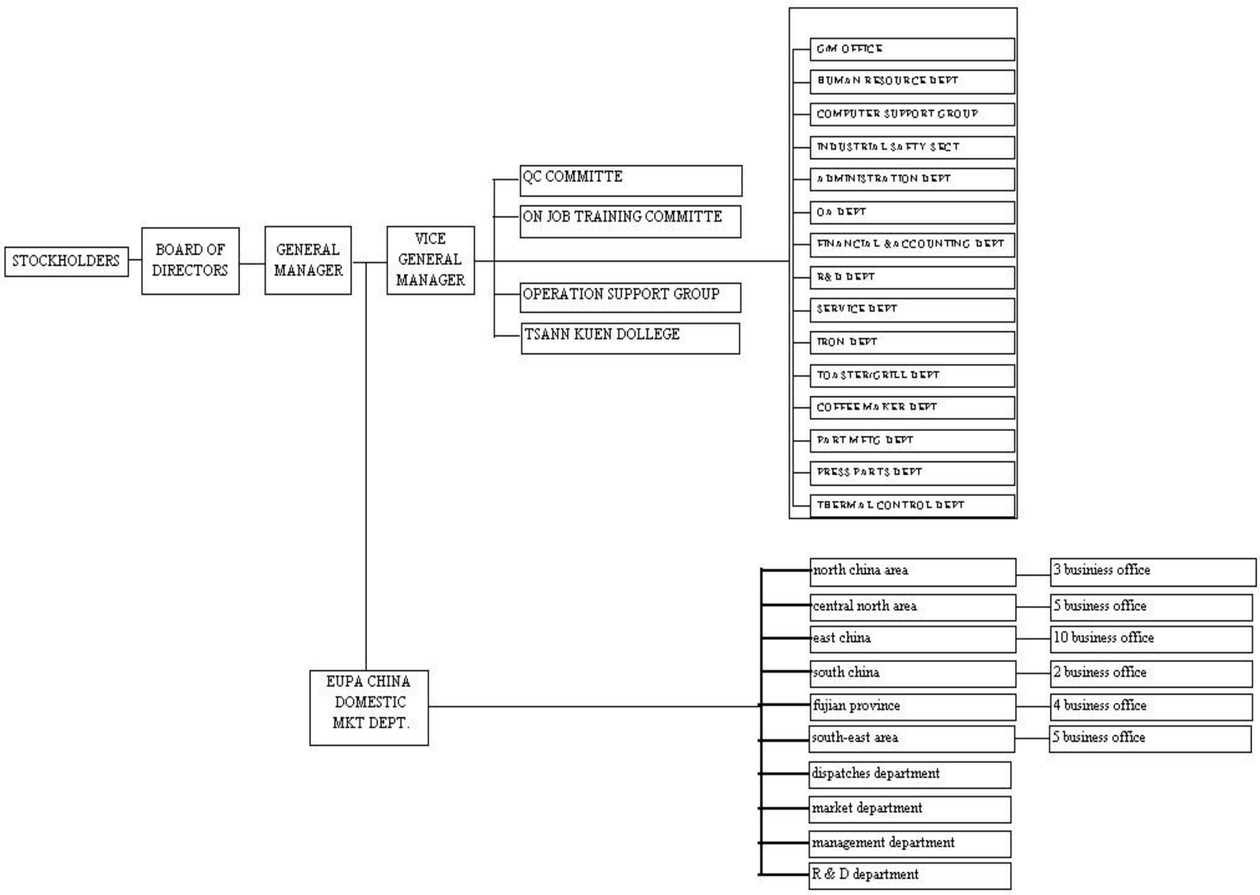
(三)、Business Scope：

1、Research, develop and produce household electric appliances, electronics and light industry products.

2、Design and produce modern office equipment mold of the above products.

3、In addition, we sell the above products in domestic and overseas markets. Along with sales, we also have post-purchase services for the above products. However, the products included foreign investment limited and export regulations were excluded.

(四)、ORGANIZATION CHART：



(五)、Human Resource：

Master	4		R&D Engineer	71
Bachelor	810			
Academy	61		Technicians	622
Middle Academy	154			
Technology School	222		Staff	648
Senior High School	2,167			
Junior High School	2,871		Workers	4,692
Elementary School	32			
Total	6,033		Total	6,033

(六)、MANAGEMENT CONCEPT：

Teamwork, Integrity, Innovation & Gratitude

(七)、MANAGEMENT STRATEGY：

Quality First, Unceasing Improvement, Diligence and Frugal

(八)、MANAGEMENT PHILOSOPHY：

Even the world will end tomorrow, Tsann Kuen still plant tow seeds today：

一、Research And Development

二、Training

(九)、QUALITY POLICY：

The products we made must meet the requirement of customers with reasonable cost.

(十)、QUALITY ASSURANCE：

１、In 1993, TKC has passed the international quality approval ISO-9002.

２、TKC products have been conferred with UL, TUV, EMC, S-MARK, CUL, CE international standards in the past few years

(十一)、Core value：

１、following the latest fashions

２、distribution in a scientific way

３、building bright prospects

二、Financial And Operational Highlights

(一)、Realized profit for this year(before income tax)：RMB 154,592 thousand

(二)、Summary of difference between IAS and PRC GAAP

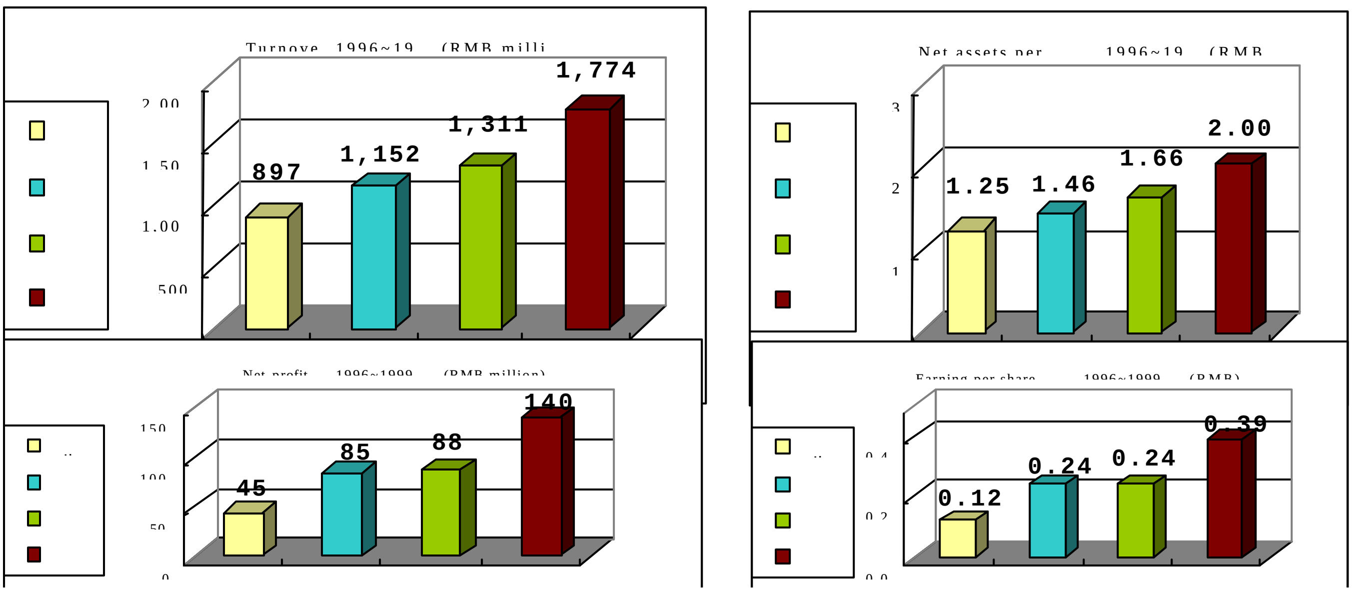
These financial statements are prepared in conformity with IAS which are different from its statutory financial statements which are prepared in accordance with PRC GAAP. The profit as reported under PRC GAAP after taxation is RMB132,513 thousand, and the profit as reported under IAS GAAP after taxation is RMB140,294 thousand.

(三)、Financial information and index

Item/Year	1999	1998	1997	98/97(%)
Sales(RMB'000)	1,773,964	1,310,733	1,152,003	135.34%
Net profit(RMB'000)	140,294	88,059	85,421	159.32%
Net profit(%)	7.91%	6.72%	7.41%	117.71%
Total assets(RMB'000)	1,306,449	1,346,330	949,859	97.04%
Stockholder's equity(RMB'000)	722,131	599,874	526,245	120.38%
Earnings per share(RMB)	0.39	0.24	0.24	162.50%
Net assets value per B share(RMB)	2.00	1.66	1.46	120.48%
Return on shareholder's equity	19.43%	14.68%	16.23%	132.36%

Remark :

*The company had obtained approval from Xiamen Tax Bureau to benefit from full exemption of income tax for the years 1992 to 1995 followed by a 50% exemption for the year 1996 to 2000. Accordingly, the tax rate from 1996 to 2000 is 7.5%.



三、Stock and shareholder’ s equity

（一）、Stock

	Shares of opening of the period	Increase/decrease (+,-)					Shares of the end of the period
			Contribution shares	accumulation funds shares	Others	Total	
Share not in circulation							
1、 founders shares	210,600		21,060	31,590		52,650	263,250
Including:							
Shares of State Molders							
Shares of legal person holders with the boundaries of China							
legal foreign capital holders	210,600		21,060	31,590		52,650	263,250
Others							
2、 Shares of raising legal persons							
3、 Shares of staff and member							
4、 Preference shares or others							
Total shares not in circulation	210,600		21,060	31,590		52,650	263,250
Shares in circulation							
1、 General RMB on sale with the boundaries of China							
2、 Foreign capital shares on sale within the boundaries of China	78,000		7,800	11,700		19,500	97,500
3、 Foreign capital shares on sale outside the boundaries of China							
4、 Others							
Total shares in circulation	78,000		7,800	11,700		19,500	97,500
Total	288,600		28,860	43,290		72,150	360,750

1、TSANN KUEN (CHIAN) ENTERPRISE CO. LTD. (TKC so called here after) adopted the profit distribution of 1998 and gave the bonus share to the whole share holders in the proportion of 1 to 10 (one share granted based on ten shares hold) according to the amount of 288,600,000 shares issued by the end of 1998. The par value of one share is one RMB, therefore RMB 28,860,000 in total was given to the shareholders. Mineachile TKC increased all the shareholders' share through transferring the accumulation funds in the proportion of 1.5 to 10 (one share granted based on ten held). The amount of shares transferred was RMB 43,290,000 with the face value of RMB 1. This project was approved by the Xiamen Securities supervision Committee on June 4,1999.

(二)、Stockholders

1、Number of stockholders

for the year ended, the total number of stockholders are 4,995。

2、Top ten stockholders

NO.	shareholder	Beginning Shareholding	Increase or decrease	Ending Shareholding	Ratio
1	FORDCHEE DEVELOPMENT LTD.	84,240,000	21,060,000	105,300,000	29.19%
2	EUPA INDUSTRY CORPORATION LTD.	84,240,000	21,060,000	105,300,000	29.19%
3	FILLMAN INVESTMENTS LTD.	42,120,000	10,530,000	52,650,000	14.59%
4	TIMMERTON CO INC	3,763,500	940,875	4,704,375	1.30%
5	TSAI CHIEN FANG	3,012,397	-121,901	2,890,496	0.80%
6	LI,WEI QUAN	2,420,375	392,125	2,812,500	0.78%
7	TSAI SHU HUI	1,114,195	278,548	1,392,743	0.39%
8	TOP DYNAMIC INVESTMENTS LIMITED	1,101,200	187,800	1,289,000	0.36%
9	CHINA PINGAN INSURANCE(HK)	1,017,745	174,286	1,192,031	0.33%
10	EUROWAY DEVELOPMENTS LTD	568,800	319,950	888,750	0.25%

3、Shareholders of holding shares over 10%

Name	Representative	Business scope	mortgage
FORDCHEE DEVELOPMENT LTD.	Yuan Song Tsai	holding company	none
EUPA INDUSTRY CORPORATION LTD.	Tsan Kun Wu	holding company	none
FILLMAN INVESTMENTS LTD.	Tsan Kun Wu	holding company	none

四、Report of Shareholders' General Meeting

（一）、 Report of Shareholders' General Meeting

１、1999 Shareholders' General Meeting was take place on May 21, 1999 at Xiamen Mandarin Hotel. The shareholder' s list is based the list of Shenzhen Stock Exchange Bureau on April 20, 1998. There are seven issues were carried in the meeting as below：

(1)、 1998' s Financial statements

(2)、 Revision of the company constitution

(3)、 the appropriation of retained earning

(4)、 Distribution of Discretionary Accumulated Fund

(5)、 pricing agreement for the related parties transactions with Xiamen state Tax Bureau

(6)、 the 50 million shares increased

(7)、 elected the third panel of directors and supervisors

２、the issues were carried was published in the Shenzhen ＜security daily news＞ and ＜Hong Kong News＞ on May 24, 1999.

３、elected the directors and supervisor

Five persons, namely Mr Wu Tsan Kun, Mr Tasi Yuan Song, Mr. Tsai Yuan zhong, Mr Lin Zong Ming, Mr Wang Tsai wan were elected as the third panel of directors; Miss Tsai Shu hui, Mr. Jian Derong and Mr. Yan Liangjie were elected the third supervision panel in this meeting

４、On August 17, 1999, the first Extraordinary General Meeting took place at Xiamen Mandarin Hotel. The shareholder' s list is based on the list of Shenzhen Stock Exchange Bureau on July 30, 1999. Two issues were put up in the meeting as below：

(1)、 the minimum price about 50 million shares increased and related affairs were resolved

(2)、 Revision of the company constitution

５、 On December 6, 1999, the second Extraordinary General Meeting was take place at Xiamen Mandarin Hotel. The shareholder’ s list is based the list of Shenzhen Stock Exchange Bureau on November 1, 1999. There are two issues were carried in the meeting as below：

(1)、 abandoned the agreement ,purchasing all machinery and module used in manufacturing of home appliance at USD 20 million, has signed with a fellow subsidiary, Tsann Kuen Shanghai Enterprise, On December 24, 1998

(2)、 invest USD 25 million into Tsann Kuen Shanghai Enterprise

６、 The 2000’ s shareholders’ meeting will be take place at 9:00 AM on May 22, 2000 at Xiamen Mandarin Hotel. The presentation is granted to the shareholders whose name was registered on Apr 10, 2000 in ShengZhen Stock Exchange.。

五、 Report of Board of Directors :

（一）、 Business Report

１、 Letter to shareholders

Welcome every shareholder and VIP joint the shareholders’ general meeting, I, Tsann Kuen Wu, represent the board of directors to thank all shareholders unwavering support in the past year. The following is the operational highlights in 1999 of TKC and the business plans in 2000.

Walking out of the shadow of the Asian Financial Crisis, with the new unique products of George Forman Grill, Tsann Kuen Xiamen has made greater achievement in 1999, developing the global-scale business with the advantage of excellent product design and competitive price. Overview the achievement of TKC in 1999 is more outstanding comparing with 1998. Visited by accountants, the sales of Xiamen Tsann Kuen in 1999 is RMB 1,773,964 thousand, the net profit (after taxing) is RMB 1,773,964 thousand. Compared with in 1998, both the sales and profit are increased, the sales is growth 35%, overseas is growth 39%, domestic market is growth 4%, the net profit up 59%. It is an excellent achievement of the TKC management team in such a global economic depresses. Even thought, under the shock of price lowering competition in little electric appliances field and merge 、 corporation of enterprise in the worldwide.

At its 13th anniversary, TKC walks in the more challenge 21th century, when the influence of the technology in internet and communication involved deeply in the enterprise, government and family. Under the hit from the first wave industry revolution, traditional industries face the great changes already happened in the business scope and management of the enterprise. Therefore, how to lead TKC in the new century is what our management team consider very carefully. From the view of humanity development in science, the new generation of information appliance would end the leading role of the personal computer, becoming a new focus. And the electric business would become the transaction model in the digital economy. What TKC succeed in the research and development and OEM, no doubt, would make it do better in the stage of IA, and the electric business of B2B or B2C would be also our way of management innovation.

So, in 2000 we would shift our business from traditional appliance to information appliance. In our way of running, we would still conform to the traditional model of International industry distribution and integration of production and sale, looking for the cooperation of the "top to top", leading the supplier and the customer to build the supply chain management (SCM) of tripple win. We take design as core value , and emphasize in three essential value of 『following the latest fashions』、『distribution in a scientific way』『building bright prospects』We also plan to invest USD 25,000,000 to Tsann Kuen ShangHai in the first half year, to enlarge the benefit of scale economy. And we would also issue another 50,000,000 shares to purchase equipment and build the manufacture building, in order to satisfy the demand of the increasing orders. In the focus of management, we would strengthen the management of CRM, cash flow and human resource.

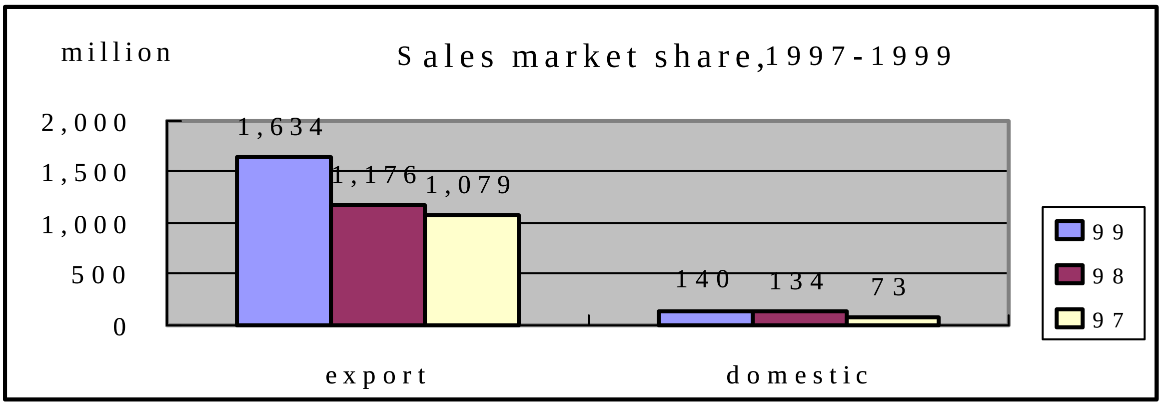
We believe that the prospect is very optimistic under this planned by our management team, More benefits are expected to thank for every shareholder' s supporting.

2、 gross profit

Visited by accountants, the sales of Xiamen Tsann Kuen in 1999 is RMB 1,773,964 thousand, and it is growth 35% comparing with RMB 1,310,733 in 1998. The gross profit is RMB 390,679 thousand, up 19% compared with RMB 328,663 thousand in 1998. And the gross profit ratio is 22.02%, down 3.05% compared with 25.07% in 1998. Overview the significant cause rising the turnover and gross profit is the number of high-profit-oriented products was greatly increased, but the sales volume proportion is down comparing with in 1998, this is one cause downing the ratio of gross profit, the another cause is the price rising in major raw material-aluminum, it cause an increase to manufacturing cost.

Market analysis Unit : RMB' 000,千台

Type		1999	1998	1997	99/98(%)
Export	Volume	17,132	13,653	13,178	125.48%
	Amount	1,633,647	1,176,430	1,078,913	138.86%
	Weight (%)	92.09%	89.80%	93.7%	102.55%
Domestic	Volume	1,490	1,517	841	98.20%
	Amount	140,317	134,303	73,090	104.48%
	Weight(%)	7.91%	10.20%	6.3%	77.55%
TOTAL	Volume	18,622	15,170	14,019	122.75%
	Amount	1,773,964	1,310,733	1,152,003	135.34%

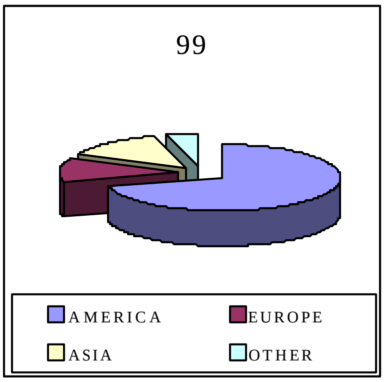


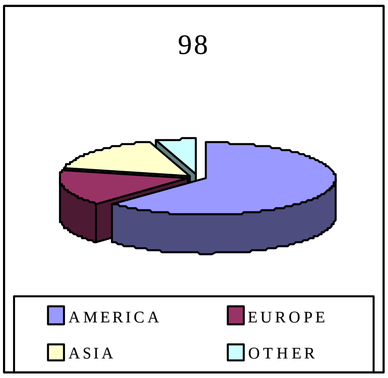
The performance of market share In the oversea market in 1999 is more outstanding comparing with 1998. it was greatly increased to 39%, up to 92% of the total, The domestic market in 1999 is 8% of the total, it is growth 4%, cause by re-engineering of system, transferring consignation system into agency system.

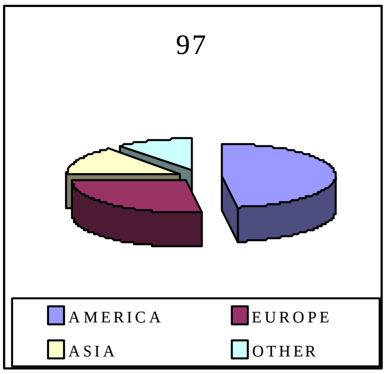
Geographical breakdown Unit : RMB' 000

Type		1999	1998	1997	99/98(%)

AMERICA	Amount	1,255,389	823,784	549,101	152.39%
	Weight(%)	70.77%	62.80%	47.7%	112.69%
EUROPE	Amount	198,743	204,045	314,594	97.40%
	Weight(%)	11.20%	15.60%	27.3%	71.82%
ASIA	Amount	240,170	218,400	159,815	109.97%
	Weight(%)	13.54%	16.70%	13.9%	81.07%
OTHER	Amount	79,662	64,504	128,493	123.50%
	Weight(%)	4.49%	4.90%	11.2%	91.65%
TOTAL	Amount	1,773,964	1,310,733	1,152,003	135.34%



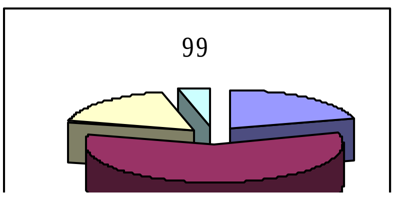


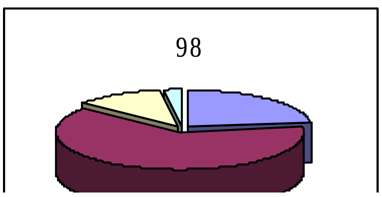


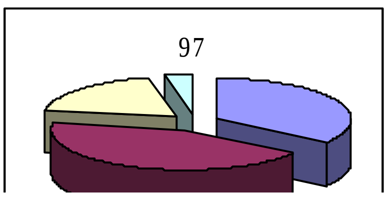
In the world markets, all market is growth comparing with 1998, exclusive of Europe. In the America market, sales volume proportion jumped to 71% from 63% in 1998 owing to the population of George Foreman Grills, Europe proportion was decreased to 11.2% from 15.6% in 1998, Asia market is growth 10%, because of the quick growth of China and Japan market. Other regions sales proportion is greatly growth 24%.

Series contribution Unit : RMB' 000

Type		1999	1998	1997	99/98(%)
HOME COMFORTS	Amount	364,605	300,886	402,161	121.18%
	Weight(%)	20.55%	23.0%	34.91%	89.36%
GOURMET COOKING	Amount	1,026,818	824,388	495,585	124.56%
	Weight(%)	57.88%	62.9%	43.02%	92.02%
TEA/COFFEE BREAKFAST	Amount	313,239	155,199	217,481	201.83%
	Weight(%)	17.66%	11.8%	18.88%	149.64%
OTHER	Amount	69,302	30,259	37,169	229.03%
	Weight(%)	3.91%	2.3%	3.19%	169.85%
TOTAL	Amount	1,773,964	1,310,733	1,152,003	135.34%







Concerning products, the turnover of all category is growth, the number of high-profit-oriented products was greatly increased 25%, although its proportion down to 58% from 63% in 1998, which still produce a fairly good effect to the achievement and efficiency. In the tea/coffee maker market, sales greatly jumped to RMB 313,239 thousand, it is growth 102%, in 18% of the total. The series of home comfort is growth 21%, the proportion of the total is a little decreased. The other product , sales greatly jumped to RMB 69,302 thousand, it is growth 129% compared with 1998.

３、 Financial Status and market analysis

ITEM/YEAR	1999	1998	1997	99/98(%)
Total assets	1,306,449	1,346,330	949,859	97.04%
Long-term liabilities	0	76,780	8,285	0.00%
Shareholders’ equity	722,131	599,874	526,245	123.39%
Gross profit	390,679	328,663	269,680	118.87%
Net profit	140,294	88,059	85,421	159.32%

４、 Investment Status

(１)、 Utilization state of raised funds

TKC has not raised funds since 1994 except the 40,000,000 raised shares outside the boundaries of China in 1993. And there was no raised funds utilized after 1998.

(２)、 Utilization state of non-raised funds：none

５、 There was not any change in government’ s policy, legal rules and operating status, which maybe result in significant effect on our company’ s financial status and operating result.

6、2000 Business plans

(1)、2000 sales target：USD$250 million

(2)、Operating strategy ：

A、international team work and integrating production with sales

B、seek corporation with forced enterprise

C、establish win-win-win supply chain by integrating customer and supplier

D、take design as core value，emphasize 『following the latest fashions』、『distribution in a scientific way』、『building bright prospects』

(3)、Operating Focus ：

A、Customer relationship management

B、Cash flow management

C、human resources development

D、product profile

E、inventories management

(4)、Research And Development Plans

A、Continue in strengthening the R&D, shorten new products lead time

B、Appoint famous foreign designers to design high added value products

C、At least 20 new products in 2000

D、develop information appliance(IA)

(5)、Capital Investment Plan

A、the 50 million b shares increased

B、acquire a new land of 5000 square meter for expansion of plants

C、build two new plants in order to expand capacity

D、purchase Die-casting Machine 22 sets, Bakelite molding machine 20 sets, Plastic injection machine 32 sets, non-stick coating oven 2 lines, bakelite coating oven 1 lines, Press machine 18 sets, assembly line 18 lines, Super sound wave 6 pieces.

E、develop 76 sets of module used by new product

(6)、accelerate BPR(business process reengineer)

A 、transferring the additional home appliance into group of information appliance

B 、integrating merchandise flow and money flow and take part in B2C electronic commerce

C 、 pushing work flow automatic in order to raise management performance and reduce fixed cost

D 、 enforcing 〖knowledge management〗to accumulate core technique and operating KNOW-HOW

E、enforcing the value chain between the company 、suppliers and customers by carrying out the 〖Enterprise Resource Planning〗application

7、Report of the Board of Directors in routine work

(1)、Important decision during this year

A、 On April 14, 1999, the board of directors held the 99’ s first meeting ,solved these issues as below:

a、 the 98’ s Financial statements.
b、 revised company constitution .
c、 the appropriation of retained earnings.
d、 Distribution of Discretionary Accumulated Fund.
e、 pricing agreement for the related parties transactions with Xiamen state Tax Bureau
f、 98’ s annual report .
g、 decide to take place the 1999’ s shareholders’ meeting at 9:00AM on May 21,1999 at Xiamen Mandarin Hotel .

B、 The 99’ s second directors’ Meeting was convened in the June 25,1999, Mr. Wu Tsan Kun was elected to chairman of the board of Directors.

C、 The board of directors held 99’ s third meeting on July 14,1999 and solved these issues as below:

a、 the minimum price about 50 million shares increased and related affairs were resolved
b、decide to take place the 1999’ s first extraordinary shareholders’ meeting at 9:00AM on August 17,1999 at Xiamen Mandarin Hotel.

D、 The 99’ s fourth directors’ Meeting was convened on August 12,1999 and 99’ s medium-term report was approved.

E、On October 27, 1999, the board of directors held the 99’ s fifth meeting ,solved these issues as below:

a、 abandoned the agreement ,purchasing all machinery and module used in manufacturing of home appliance at USD 20 million, has signed with a fellow subsidiary, Tsann Kuen Shanghai Enterprise, On December 24, 1998.

b、 invest USD 25 million into Tsann Kuen Shanghai Enterprise

c、 decide to take place the 1999' s second extraordinary shareholders' meeting at 9:00AM on December 6,1999 at Xiamen Mandarin Hotel.

(2)、 The performance of the board to the decision in the meeting of stock holder

A、 TKC adopted the profit distribution of 1998 and gave cash dividend in the proportion of 1 to 0.05(one share granted based on ten shares hold) according to the amount of 288,600,000 shares issued by the end of 1998., the par value of one share is one RMB, therefore RMB 14,430,000 in total was given to the shareholders, the bonus share to the whole share holders in the proportion of 1 to 10, therefore RMB 28,860,000 in total was given to the shareholders., TKC also increased all the shareholders' share through transferring the accumulation funds in the proportion of 1.5 to 10, the amount of shares transferred was RMB 43,290,000 with the face value of RMB 1.

B、 The post-dividend date and date for issuance of both cash and stock dividends is June 30th, 1999. The cash dividend would be discounted according to the exchange rate of the USD and HKD in the same day, and has been transmitted on July, 6 1999. The stock dividend was transferred directly to the stock account of each shareholder on July, 5 1999. And advise them to take it from Shengzhen register company.

8、 Advanced Management Person' s Data and employee

(1)、 directors, supervisors and advanced manager

A、 Mr. Wu Tsan Kun：

aged 48 **,** is the Chairman of the board of Directors and one of the co-founders of the Company. He studied in Southern California Management School. He was one of the recipients of the 1990 Ten Young Pioneers Award of Taiwan and was awarded the 1990 National Inventor Award of Taiwan and the 1992 1st Stone Foundation Award of Taiwan, He' s pay is RMB 5000, and he' s personal holding is 0.

B、 Mr. Tasi Yuan Song：

aged 44, is the general manager and one of the co-founders of the Company.

He was previously the manager of electrical households department and manager of the research and development department of TKE, He' s pay is RMB 3000, and he' s personal holding is 0.

C、 Mr. Tasi Yuan Zhong：

aged 47, Director, Mr. Tsai graduated from the Nanrong Technical Institute. He was formerly the head of the trade department of the Company. He' s pay is RMB 2000, and he' s personal holding is 0.

D、 Mr Lin Zong Ming：

aged 42, director and vice general manager, Mr Lin graduated from Far East Engineering Specialized School. He was previously the manager of aboard department of TKE. He' s pay is RMB 3000, and he' s personal holding is 0.

E、 Mr Wang Tsai Wan:

aged 41, director, Mr Wang graduated from Huwei Engineering Specialized School. He was previously the manager of purchase department of TKE. He' s pay is RMB 3000, and he' s personal holding is 0.

F、 Miss Tsai Shu Hui ：

aged 45, Supervisor, Miss Tsai graduated from Taidong Normal School in Taiwan province. He' s pay is RMB 2000, and he' s personal holding is 0.

G、 Mr. Jian Derong：

aged 39, supervisor. Mr Jian graduated from the Pratt Industrial Design College. He was formerly the head of the marketing department. Mr. Jian is currently the vice president of TKJ. He' s salary is RMB 3000 per month, and he' s personal holding is 0.

H、 Mr. Yan Liangjie：

aged 54, Supervisor, Mr.Yan graduated from the Feng Jia Uiversity. Mr. Yan is currently the manager of human resource department of TKE. His pay is RMB 2000, and his personal holding is 0.

9、 Distribution of Retained Earnings

（1）、Distribution of Retained Earnings

Unit : RMB' 000

Description	Amount	Remark
Beginning Net retained earnings	0	
Net Profit After Tax	140,294	Distribution of dividend reserve : 1、 cash dividend per one share is 0.05 RMB. 2、 Stock dividend per 10 shares is 1.5 share.
Legal Reserve (10%)	13,251	
Available Retained Earnings For Distribution	127,043	
Distribution:		
1、 Discretionary Accumulated Fund (5%)	6,630	
2、 Staff Bonus And Welfare Funds (20%)	26,503	
3、 Dividends Reserve (54.45%)	72,150	
Net retained earnings	21,760	

The post-dividend date and date for issuance of cash dividends is June 30th, 2000, would be discounted to the exchange rate of USD and HKD in the same day and transmitted in a month.

The post-dividend date and date for issuance of stock dividends is June 30th, 2000. According to the registration book of the stock holder in the same day in Sheng- zhen register company, and take it from that after we have finished the procedure of the surplus fund transferred to capital.

Above proposal will take effect based on resolution of shareholder' s general meeting.

(2) 、Distribution of Discretionary Accumulated Fund

Unit : RMB' 000

Description	Amount	Remark
Distribution of Discretionary Accumulated Fund on Dec31, 1998	82,958	Stock dividend per 10 shares is 1share.
Distribution:		
1 share of Non-compensatory stock dividend per 10 share	36,075	
Retained reserve after Discretionary Accumulated Fund	46,883	
Retained earnings for distribution of Discretionary Accumulated Fund from 1997 Distribution of Retained Earnings	26,503	

Accumulative Discretionary Accumulated Fund after distribution of Discretionary Accumulated Fund	73,386	

六、Report of board of supervisor

（一）、supervisor' s meeting

On April 15, 1999, the board of supervisor held the 99' s first meeting, the 1998 financial reports and statements of the company, prepared by the board of directors and duly audited by Deloitte Touche Tohmatsu Shanghai CPA, and the auditors' comments have been further examined as being correct and accurate.

The 99' s second supervisor' Meeting was convened on August 13,1999 and 99' s medium-term report was approved.

（二）、The administrations of the board of directors have been monitored and were not found against the laws.

（三）、The lasted raised funds was spend is concordant with decided item by board of directors.

（四）、The transactions with relative company is fair, and it will not make a loss to company and shareholders.

八、Major Event

（一）、Significant litigation or arbitration：

On Aug. 24, 1998, our Xian agent made a contract <contract agreement> with Shang Xi Xian Ding Sheng business co.,ltd(BUYER), which regulated that the Ding Sheng Co. would be our wholesaler in China, selling the IRON with brand EUPA, and Ding Sheng Co. prepaid RMB 13,120,000 for the goods. After we have sold the goods valued to RMB4,783, we received a shipment advice from Ding Sheng Co. about the balance goods we haven' t sold, which we think is breach of the the <contract agreement>, and so the shipment was pending to be released. But Ding Sheng Co. apply for the arbitration to XIAN Arbitrage Committee about the breach, and the result is as follows:

1. We would repay RMB 834,000 which buyer prepaid.
2. We pay the interest of breach amount RMB 900,000
3. We pay the wages of lawyer, transporation fee, charge for the stock for buyer RMB 100,000

4. We pay the charge of arbitration RMB 600,000
5. We could take back the exceeding feed-back profit RMB1,670,000

The above result of arbitration would be addressed publicly in <STOCK EXCHANGE> dated 1999, 11, 23.

On Feb. 16 and Feb. 17, 2000, the seller and the buyer made a compromise through friendly negotiation in Xian Kaiyen Hotel.

1. We pay RMB8,480,000 to solve all the dispute resulted from the original agreement.
2. The payment would be made in installment.
3. The buyer and the seller would apply to the Xian Middle Court for the compromise agreement and the buyer would wholly conform to that.

（二）、Significant Purchase or disposal of assets and acquisition or merge：

Purchase to an agreement dated December 24, 1998, the company agreed to purchase the plant and equipments of TKS at an appraisal value of USD 19,524,000, approximately RMB 161,615,000. At December 31, 1998, the company has paid USD 19,000,000, approximately RMB 157,278000 as a deposit for this acquisition, in addition, in February 1999, the company also agreed to lease the plant and building from TKS for a period from the effective date of the acquisition to march 2042. The initial annual rental will be TMB 3,744,000 and then it will be subject to review by every 5years.

However, due to practical difficulties in getting govermment approval and possible loss of tax benefits, both parties canceled the above agreements. Instead, the company agreed to invest USD 25,000,000 approximately RMB 206,982,000, into TKS by converting the amount due from TKS which includes the deposit paid as mentioned above at December 31, 1999 as paid in capital. The amount will represent 62.6% of the enlarged capital of TKS. The resolution was approved by shareholders' meeting on December 7,1999. The investment in TKS is still in the process of getting government approval at December 31, 1999, s no consolidated financial statements is prepared at December 31, 1999.

（三）、Significant Related party transactions：See Financial statement footnote

九、 Introduction of 1999 new products

十、 Financial Statement

TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

Report and Financial Statements
for the year ended December 31, 1999
(Prepared under International Accounting Standards)

Registered Office:
88 Xinlong Road, HuLi Industry Zone
Xiamen China

TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Prepared under International Accounting Standards)

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DTT(A)00I

REPORT OF THE INTERNATIONAL AUDITORS

TO THE HOLDERS OF B SHARES OF TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

We have audited the accompanying balance sheet of the Tsann Kuen (China) Enterprise Co., Ltd. (The "Company") as of December 31, 1999 and the related statements of income, changes in equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating of the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of December 31, 1999 and of the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

Deloitte Touche Tohmatsu Shanghai CPA

April 18, 2000

TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 1999
(Prepared under International Accounting Standards)

	NOTES	1999 RMB' 000	1998 RMB' 000
Revenue	5	1,773,964	1,310,733
Cost of sales		(1,383,285)	(982,070)
Gross profit		390,679	328,663
Other income	7	10,743	10,733
Distribution costs		(117,548)	(131,224)
Administrative expenses		(109,095)	(87,565)
Profit from operations	9	174,779	120,607
Interest expenses		(20,187)	(22,882)
Profit before tax		154,592	97,725
Income taxes	10	(14,298)	(9,666)
Net profit for the year		140,294	88,059
		RMB	RMB
Basic earnings per share	12	39 cents	24 cents

See accompanying notes to financial statements.

TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

BALANCE SHEET

AS AT DECEMBER 31, 1999

(Prepared under International Accounting Standards)

	NOTES	12.31.1999 RMB' 000	12.31.1998 RMB' 000
ASSETS			
Non-current assets			
Property, plant and equipment	13	447,761	424,855
Investment in to a related company	26 (c)	206,982	-
Other investments	14	71	71
Amount due from a related company	26 (c)	-	41,632
Deposit paid to a related party	26 (c)	-	157,278
		654,814	623,836
Current assets			
Inventories	15	273,422	366,807
Trade and other receivables		174,377	22,318
Value added tax refundable	7	-	2,150
Amounts due from related companies	26 (e)	158,299	213,636
Bank balances and cash		45,537	44,326
		651,635	649,237
Total assets		1,306,449	1,273,073
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	16	360,750	288,600
Retained profits		75,873	28,860
Other reserves	17	285,508	282,414
		722,131	599,874
Non-current liabilities			
Loan from a related company	26 (e)	-	76,780
Current liabilities			
Trade and other payables		304,868	237,956

Amounts due to related companies	26 (e)	69,755	41,587
Income tax liabilities		12,738	8,946
Proposed dividend	11	18,037	14,430
Short-term borrowings	18	178,920	293,500
		584,318	596,419
Total equity and liabilities		1,306,449	1,273,073

See accompanying notes to financial statements.

TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 1999
(Prepared under International Accounting Standards)

			Other reserves					
	Share capital	Share premium	Statutory surplus fund	Discretionary surplus fund	Statutory public welfare fund	Sub-total	Retained profits	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
YEAR ENDED DECEMBER 31, 1998								
Balance at January 1, 1998	230,880	128,655	29,593	95,485	3,834	257,567	37,798	526,245
Capitalization issues	57,720	-	-	(23,088)	-	(23,088)	(34,632)	-
Transfer	-	-	-	3,834	(3,834)	-	-	-
Net profit for the year	-	-	-	-	-	-	88,059	88,059
Appropriations	-	-	8,148	35,587	4,200	47,935	(62,365)	(14,430)
Balance at December 31, 1998	288,600	128,655	37,741	111,818	4,200	282,414	28,860	599,874
YEAR ENDED DECEMBER 31, 1999								
Balance at January 1, 1999	288,600	128,655	37,741	111,818	4,200	282,414	28,860	599,874
Capitalization issues	72,150	-	-	(43,290)	-	(43,290)	(28,860)	-
Net profit for the year	-	-	-	-	-	-	140,294	140,294
Appropriations	-	-	13,251	26,503	6,630	46,384	(64,421)	(18,037)

TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

Balance at December 31, 1999	360,750	128,655	50,992	95,031	10,830	285,508	75,873	722,131

See accompanying notes to financial statements.

TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 1999
(Prepared under International Accounting Standards)

	NOTES	1999 RMB' 000	1998 RMB' 000
NET CASH INFLOW FROM OPERATING ACTIVITIES	19	272,991	132,807
INVESTING ACTIVITIES			
Interest received		957	818
Purchases of property, plant and equipment		(123,540)	(111,188)
Deposit paid for property, plant and equipment		-	(157,278)
Sales proceeds on disposals of property, plant and equipment	20	-	9,731
NET CASH USED IN INVESTING ACTIVITIES		(122,583)	(257,917)
FINANCING ACTIVITIES			
Interest paid on loans		(20,187)	(22,882)
Dividends paid		(14,430)	(11,544)
Repayments of loans		(412,393)	(470,414)
New loans raised		297,813	577,652
New loan from a related company		-	76,780
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(149,197)	149,592
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,211	24,482
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		44,326	19,844

CASH AND CASH EQUIVALENTS AT END OF YEAR	45,537	44,326
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	45,537	44,326

See accompanying notes to financial statements.

1. GENERAL

Tsann Kuen (China) Enterprise Co., Ltd. ("The Company") was established in the People's Republic of China (the "PRC") in 1988 under the name of Tsann Kuen China (Xiamen) Ltd. as a wholly owned foreign investment enterprise. On February 16, 1993, with the approval of the Ministry of Foreign Trade and Economic Co-operation, the Company was reorganised into a company limited by shares and was renamed as Tsann Kuen (China) Enterprise Co., Ltd., as a joint stock company limited by shares. Its ultimate holding company is Tsann Kuen Enterprise Co., Ltd., incorporated in Taiwan.

In June 1993, the Company issued 40,000,000 new shares pursuant to an international placing and public offer and these new shares ("B shares") were then listed on the Shenzhen Stock Exchange on June 30, 1993.

2. PRESENTATION OF FINANCIAL STATEMENTS

The Company maintains its accounting records and prepares its statutory financial statements in accordance with the accounting standards and regulations applicable to joint stock companies limited by shares of the People's Republic of China ("PRC GAAP").

These financial statements have been prepared in accordance with International Accounting Standards ("IAS"). The accounting policies and bases adopted in the preparation of the statutory financial statements differ in certain respects from IAS. The differences arising from the restatement of the results of operations and the net assets for compliance with IAS are adjusted in the financial statements but are not taken up in the accounting records of the Company.

A reconciliation of the Company's profit and net assets under IAS and PRC GAAP is stated in note 27.

3. ADOPTION OF INTERNATIONAL ACCOUNTING STANDARDS

In current year, the Company has adopted the following International Accounting Standards for the first time.

IAS 17 (Revised 1997)	Leases
IAS 19 (Revised 1998)	Employee Benefits

3. ADOPTION OF INTERNATIONAL ACCOUNTING STANDARDS - continued

IAS 17 (Revised 1997) specifies additional disclosures for the Company's leasing arrangements. Disclosures for all of the Company's leasing arrangements have been modified so as to meet the requirements of IAS 17 (Revised 1997). Comparative amounts have been restated in order to achieve a consistent presentation.

IAS 19 (Revised 1998) specifies the accounting treatment for employee benefits, its including retirement benefits plans. As the Company's accounting policy for its defined contribution retirement benefit plan was already in line with the requirements of the revised standard, the implementation does not have any effect on the results for the current or prior periods and no prior year adjustment has been required.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention.

They financial statements have been prepared in accordance with International Accounting Standards (IAS). The principal accounting policies adopted are set out below.

Revenue recognition

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

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

Rental income, including rental invoiced in advance, from properties under operating leases is recognised on a straight line basis over the lease terms.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange ruling on the first day of the month in which the transaction take place which is similar to the rates of exchange ruling on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

Research and development costs

Research costs are recognised as an expense in the period on which they are incurred.

Expenditure on development is charged to income in the year in which it is incurred except where a clearly-defined project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activity. Such development costs are recognised as an intangible asset and amortised on a straight-line basis over the life of the project from the date of commencement of commercial operation, which is on average 5 years.

Borrowing costs

Borrowing costs are recognised as expenses when they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as defined contribution plans where the Company' s obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation is charged so as to write off the cost of assets other than construction in progress, over their estimated useful lives, using the straight-line method, on the following bases:

Land use rights	over the term of lease
Buildings and investment properties	4.5%
Machinery and equipment	9%

Motor vehicles	18%
Furniture and office equipment	18%
Moulds	18%

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment - continued

The gain or loss arising on the 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 income.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets

The Company's principal financial assets are bank balances and cash, trade and other receivables and amounts due from related companies.

Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated recoverable amounts.

Bank balances and cash and amounts due from related companies are stated at their nominal values.

Financial liabilities

Significant financial liabilities include interest-bearing bank borrowings, trade and other payables and amounts due to related companies.

Interest bearing bank borrowings are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accrual basis. Trade and other payables and amounts due to related companies are stated at their nominal values.

5. REVENUE

The Company's revenue represent sales of household electrical products.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Company is engaged solely in manufacturing and sale of household electrical appliances and operates in the PRC. All identifiable assets of the Company are located in the PRC.

An analysis of Company's revenue by geographical market, irrespective of original of the goods/services is as follows:

	Sales Revenue by Geographical Market	
	1999	1998
	RMB' 000	RMB' 000
North America	1,226,816	776,323
South America	28,573	47,461
Europe	198,743	204,045
PRC	140,317	134,303
Japan	99,853	84,097
Others	79,662	64,504
	1,773,964	1,310,733

7. OTHER INCOME

	1999	1998
	RMB' 000	RMB' 000
Interest income	957	818
Value added tax ("VAT") refund income	2,229	4,399
Rental income	312	424
Income from sales of materials	7,245	5,092
	10,743	10,733

In accordance with local tax law, when the tax burden of a foreign investment enterprises established before December 31, 1993, increases due to the change in tax laws on January 1, 1994, such enterprises may, upon application to and with the approval of the tax authorities, obtain a refund of any tax paid in excess of the amount which would have been paid under the previous legislation. The maximum period for application of this provision is five years. During the year, the Company has recorded a tax refund of RMB 2,229,000 (1998: RMB 4,399,000) with respect to entitlements pursuant to this provision. At December 31, 1999, the VAT refundable balance is NIL (1998: RMB 2,150,000).

8. OPERATING EXPENSES

	1999	1998
	RMB' 000	RMB' 000
Increase (decrease) in inventories of finished goods and work in progress	108,482	(121,007)
Raw materials and consumables used	1,136,177	989,245
Staff costs	109,619	88,245
Depreciation	80,511	85,041

9. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	1999	1998
	RMB' 000	RMB' 000
Net foreign exchange losses	2,665	1,556
Research and development costs	7,847	7,974

10. INCOME TAXES

	1999	1998
	RMB' 000	RMB' 000
PRC income tax for the year	14,298	9,666

The Company has obtained approval from the Xiamen Tax Bureau that it is exempted from PRC income tax for four years from the first profitable year of operation followed by a 50% relief on the PRC income tax for the next five years. The first profitable year was the year ended December 31, 1992, being the year in which there was taxable profit after allowance for losses carried forward from previous years. The current year is the fourth year that the Company enjoys the 50% relief in the PRC income tax, the applicable tax rate is 7.5%.

10. INCOME TAXES - continued

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

	1999		1998	
	RMB' 000	%	RMB' 000	%
Profit before tax	154,592		97,725	
Tax at the PRC tax rate of 7.5% (1998: 7.5%)	11,594	7.5	7,329	7.5
Tax effect of expenses that are not deductible in determining taxable profit	2,704	1.7	2,337	2.4
Tax expense and effective tax rate for the year	14,298	9.2	9,666	9.9

No provision for deferred taxation has been made in the financial statements because there are no significant temporary differences at the balance sheet date.

11. DIVIDENDS

	1999	1998
	RMB' 000	RMB' 000
Final proposed 5 cents (1998: 5 cents) per share	18,037	14,430

The directors also proposed a bonus issue of 15 bonus shares for every 100 shares. This is subject to the approval of the shareholders at the next Annual General Meeting.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

Earnings

	1999 RMB' 000	1998 RMB' 000
Earnings for the purposes of basic earnings per share (net profit for the year)	140,294	88,059

Number of shares

	1999	1998
Weighted average number of ordinary shares for the purposes of basic earnings per share	360,750	360,750

The denominators for the purposes of calculating basic earnings per share have been adjusted to reflect the capitalisation issue on May 21, 1999 (see note 16).

13. PROPERTY, PLANT AND EQUIPMENT

	Land use rights and buildings RMB' 000	Investment properties RMB' 000	Machinery and equipment RMB' 000	Motor vehicles RMB' 000	Furniture and office equipment RMB' 000	Moulds RMB' 000	Construction in progress RMB' 000	Total RMB' 000
COST								
At January 1, 1999	90,688	11,913	195,211	21,509	56,419	408,603	17,606	801,949
Additions	780	-	19,395	607	14,784	64,620	23,354	123,540
Reclassification	9,183	(9,093)	2,460	332	309	22,319	(25,510)	-
Disposals	(765)	-	(10,784)	(470)	(12,148)	(3,836)	(2,640)	(30,643)
At December 31, 1999	99,886	2,820	206,282	21,978	59,364	491,706	12,810	894,846

ACCUMULATED DEPRECIATION								
At January 1, 1999	19,238	2,518	52,804	9,408	23,157	269,969	-	377,094
Reclassification	1,228	(1,228)	-	-	-	-	-	-
Charge for the year	5,197	127	18,518	3,507	8,404	44,758	-	80,511
Eliminated on disposals	(527)	-	(4,817)	(371)	(3,696)	(1,109)	-	(10,520)
At December 31, 1999	25,136	1,417	66,505	12,544	27,865	313,618	-	447,085
NET BOOK VALUES								
At December 31, 1999	74,750	1,403	139,777	9,434	31,499	178,088	12,810	447,761
At December 31, 1998	71,450	9,395	142,407	12,101	33,262	138,634	17,606	424,855

The Company has pledged certain property, plant and equipment having net book values of totally approximately RMB 55.68 millions (1998: RMB 99.40 million) to secure general banking facilities granted to the Company.

14. OTHER INVESTMENTS

	12.31.1999	12.31.1998
	RMB' 000	RMB' 000
At cost less provision:		
Unlisted shares	71	71

In the opinion of directors, other investments are worth at least their book value.

15. INVENTORIES

	12.31.1999	12.31.1998
	RMB' 000	RMB' 000
Raw materials	82,986	83,524
Work-in-progress	48,156	91,549
Finished goods	110,532	176,785
Goods in transit	31,748	14,949
	273,422	366,807
Carrying amount of inventories carried at net realisable value	22,534	107,209
Carrying amount of inventory pledged as security for liabilities	-	20,000

16. SHARE CAPITAL

	12.31.1999	12.31.1998
	RMB' 000	RMB' 000
Registered, issued and fully paid:		
Legal person shares of RMB 1 each	263,250	210,600

B shares of RMB 1 each	97,500	78,000
	360,750	288,600
Balance at January 1, 1999	288,600	230,880
Captialization issues	72,150	57,720
Balance at December 31, 1999	360,750	288,600

All the shares rank pari passu with each other in all respects and except that the B shares can only be owned by overseas investors and are listed on the Shenzhen Stock Exchange.

16. SHARE CAPITAL - continued

At a shareholder' s meeting held on May 21, 1999, a resolution was passed for a capitalization issue of 15 bonus shares for every 100 shares held from the discretionary surplus fund and a capitalization issue of 10 bonus shares for every 100 shares held from retained profits.

17. OTHER RESERVES

(a) Other reserves of the Company include statutory surplus reserve, discretionary surplus reserve and statutory public welfare reserve, which form part of shareholders' equity.

Statutory surplus reserve / Discretionary surplus reserve

In accordance with relevant PRC laws and regulations and the Company' s Articles of Association, the Company is required to appropriate 10% of its profit after taxation reported in its PRC statutory financial statements to the statutory surplus fund. Allocation to a discretionary surplus reserve shall be approved by the shareholders in general meeting.

The appropriation of statutory surplus reserve may cease to apply if the balance of the statutory surplus reserve has reached 50% of the Company' s registered capital. Surplus reserve can be used to make up losses or for conversion into share capital. The Company may, upon the approval by a resolution of shareholders' general meeting, convert its surplus reserves into share capital by issuing new shares to existing shareholders in proportion to their original shareholding or by increasing the nominal value of each share. However, when converting the Company' s statutory surplus reserve into share capital, the amount of such fund remaining unconverted must not be less than 25% of the registered capital.

Statutory public welfare reserve

In accordance with relevant PRC laws and regulations and the Company' s Articles of Association, the Company is required to appropriate 5% to 10% of the profit after tax as reported in its the PRC statutory financial statements to the statutory public welfare reserve. The statutory public welfare fund shall only apply to collective welfare of staff and workers and welfare facilities remain a property of the Company.

When the public welfare reserve is utilized, an amount equal to the cost of the assets acquired is transferred to discretionary surplus reserve. On disposal of the relevant assets, the original transfers from the reserve are reserved. The amount utilized during the year was NIL (1998: RMB 3,834,000).

17. OTHER RESERVES - continued

(b) Basis for profit distribution

In accordance with the Company's articles of association, profit available for distribution to shareholders should be based on the lower of the amount determined under PRC accounting standards and regulations and the amount determined under IAS after deduction of the current year's appropriation to the statutory reserves. The unappropriated profit carried forward for distribution to shareholders as at December 31, 1999 was RMB 75,873,000.

18. BORROWINGS

	12.31.1999	12.31.1998
	RMB' 000	RMB' 000
Short-term bank loans	161,976	193,597
Trust receipt loans	16,944	99,903
	178,920	293,500

The loans at December 31, 1999 are with fixed interest rate at 4.85% - 7.29% per annum.

Short-term borrowings of RMB 48,988,000 (1998: RMB 143,008,000) are secured by pledged of property, plant and equipment of the Company, see note 13.

Analysis of borrowings by currency:

	12.31.1999	12.31.1998
	RMB' 000	RMB' 000
Renminbi	134,045	109,324
US Dollar	44,875	184,176
	178,920	293,500

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

	1999 RMB' 000	1998 RMB' 000
Profit before tax	154,592	97,725
Adjustments for:		
Interest expenses	20,187	22,882
Interest income	(957)	(818)
Depreciation of property, plant and equipment	80,511	85,041
Loss on disposals of property, plant and equipment	15,181	3,929
Operating cash flows before movements in working capital	269,514	208,759
Decrease (increase) in inventories	93,385	(113,817)
(Increase) Decrease in trade and other receivables	(152,059)	90,715
Increase (decrease) in value added tax refundable	2,150	(2,150)
Decrease (Increase) in amounts due from related companies (note 20)	52,207	(176,972)
Increase in trade and other payables	66,912	98,322
(Decrease) increase in amounts due to related companies	(48,612)	35,718
Cash generated by operations	283,497	140,575
Income taxes paid	(10,506)	(7,768)
NET CASH INFLOW FROM OPERATING ACTIVITIES	272,991	132,807

20. NON CASH TRANSACTIONS

Increase in amounts due from related companies during the year amounting to RMB

4,942,000 arose from sales proceeds on disposal of certain property, plant and equipment.

21. CONTINGENT LIABILITIES

	12.31.1999	12.31.1998
	RMB' 000	RMB' 000
Bills discounted with recourse	673	-
Guarantees given to banks in respect of bank facilities utilized by related companies	-	103,484
	673	103,484

22. CAPITAL COMMITMENTS

	12.31.1999	12.31.1998
	RMB' 000	RMB' 000
Commitments for the acquisition of property, plant and equipment:		
- contracted for but not provided in the financial statements	3,156	9,372

23. OPERATING LEASE COMMITMENTS

	12.31.1999	12.31.1998
	RMB' 000	RMB' 000
Minimum lease payments paid under operating leases	8,341	5,286

At the balance sheet date, the Company had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	12.31.1999	12.31.1998
	RMB' 000	RMB' 000

Within one year	5,355	9,584
In the second to fifth years inclusive	4,404	18,932
After five years	3,962	143,271
	13,721	171,787

Operating lease payments represent rentals payable by the Company for certain of its office properties. Leases are negotiated and rental are fixed for an average term of 2 years.

24. FINANCIAL INSTRUMENTS

The financial assets of the Company include bank balances and cash, trade and other receivables and amounts due from related companies. The financial liabilities of the Company include bank borrowings, trade and other payables and amounts due to related companies.

(a) Interest rate risk

The interest rates and terms of repayment of bank borrowings of the Company are disclosed in Note 18.

(b) Credit risk

Bank balances and cash

Bank balances and cash comprise cash deposits held by the Company treasury function. The carrying amount of these assets approximates to there fair value.

Trade receivable

The Company does not have a significant exposure to any individual customer or counterparty. The major concentrations of credit risk arise from exposures to a substantial number of trade receivable operating in one geographical region, the PRC.

Amounts due from related companies

Out of the total balance of RMB 370 million, receivable amounted to approximately RMB 149 million are guaranteed by the major shareholder of the ultimate holding company.

(c) Fair value

The fair values of bank balances, trade and other receivable, amounts due from related companies, trade and other payable and amounts due to related companies are not materially different from their carrying amounts.

25. RETIREMENT BENEFITS PLANS

The employees of the Company are members of a state-managed retirement benefit scheme operated by the local government. The Company are required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to income of RMB 5 million (1998: RMB 2 million) represents contributions payable to these schemes by the Company at rates specified in the rules of the schemes. As at December 31, 1999, contributions of RMB 0.47 million (1998: NIL) due in respect of the current reporting period had not been paid over to the schemes.

26. RELATED PARTY TRANSACTIONS

The ultimate holding Company of the Company is Tsann Kuen Enterprise Ltd., a Company incorporated in Taiwan.

(a) During the year, the Company entered into the following transactions with its related companies.

	1999 RMB' 000	1998 RMB' 000
Transactions		
Sales of raw materials and finished goods		
- Ultimate holding Company	13,316	-
- Fellow subsidiaries	75,729	33,969
- Companies in which the Company' s directors have controlling interests	6,192	15,186
Purchases of raw materials and finished goods		

- Ultimate holding Company	241,869	159,150
- Companies in which the Company' s directors have controlling interests	68,514	88,025
Sales of mould and machinery		
- Companies in which the Company' s directors have controlling interests	4,942	9,740
Purchases of mould, machinery and mould design fee		
- Ultimate holding Company	93,493	35,148
- Fellow subsidiaries	3,164	2,490
- Companies in which the Company' s directors have controlling interests	9,367	6,232

26. RELATED PARTY TRANSACTIONS - continued

(a) During the year, the Company entered into the following transactions with its related companies: - continued

	1999 RMB' 000	1998 RMB' 000
Other services received		
Technology and know-how fee		
- Ultimate holding Company	50,149	35,517
Sales commissions		
- Fellow subsidiaries	10,089	16,180
Agency fee		
- Companies in which the Company' s directors have controlling interests	3,935	6,740
Processing fee		
- Companies in which the Company' s directors have controlling interests	-	167
Other services rendered		
Rental income		
- Companies in which the Company' s directors have controlling interests	217	289
Management income		
- Companies in which the Company' s directors have controlling interests	1,987	1,541

The above transactions were carried out at contract prices or at mutual agreed rates.

(b) Pursuant to a supply agreement signed by the Company with Tsann Kuen China

(Shanghai) Enterprise Ltd. (TKS) at August 1, 1999, a company in which the Company's directors have controlling interest, the Company should pay a compensation to TKS if purchases from TKS during the year do not reach to the minimum agreed quantity as specified in the agreement. In 1999, the Company paid approximately RMB 18,000,000 to TKS for such a compensation.

26. RELATED PARTY TRANSACTIONS - continued

(c) Pursuant to an agreement dated December 24, 1998, the Company agreed to purchase the plant and equipment of TKS at an appraisal value of USD 19,524,000, approximately RMB 161,615,000. At December 31, 1998, the Company has paid USD 19,000,000, approximately RMB 157,278,000 as a deposit for this acquisition. In addition, in February 1999, the Company also agreed to lease the plant and building from TKS for a period from the effective date of the acquisition to March 2042. The initial annual rental will be RMB 3,744,000 and then it will be subject to review by every 5 years.

However, due to practical difficulties in getting government approval and possible loss of tax benefits, the above agreements were cancelled by both parties. Instead, the Company agreed to invest USD 25,000,000 approximately RMB 206,982,000, into TKS by converting the amount due from TKS which includes the deposit paid as mentioned above at December 31, 1999 as paid-in capital. The amount will represent 62.5% of the enlarged capital of TKS. The resolution was approved by shareholders' meeting at December 7, 1999. Up to the reporting date of this financial statements, the investment in TKS is still in the process of getting government approval, so no consolidated financial statements is prepared at December 31, 1999.

(d) Directors' and executives' remuneration

Remuneration paid to directors and other members of key management during the year was as follows:

	1999	1998
	RMB' 000	RMB' 000
Salaries	634	583
Advances to directors	1,113	555

The advances to directors are unsecured, interest free and have no fixed repayment terms.

26. RELATED PARTY TRANSACTIONS - continued

(e) Amounts due from/to related parties

Accounts	12.31.1999 RMB' 000	12.31.1998 RMB' 000
Amounts due from related parties		
- Fellow subsidiaries	49,542	28,659
- Companies in which the Company's directors have controlling interest	108,757	184,977
	158,299	213,636
Amounts due to related parties		
- Ultimate holding company	66,499	38,789
- Fellow subsidiaries	2,118	2,301
- Companies in which the Company's directors have controlling interest	1,138	497
	69,755	41,587
Loan from a related company		
- Fellow subsidiaries	-	76,780

The Company has appointed several of its related companies as sales agents for its export sales. The customers of the Company place their orders with its related companies and sales proceeds are collected by those related companies on the Company's behalf. The Company records those sales as its own sales as the Company bears substantially all the risks of these transactions.

At December 31, 1999, amounts due from related companies of RMB 149 million mainly represent sales proceeds received on the Company's behalf. The major shareholder of the ultimate holding Company has issued a letter of guarantee for the repayment of this balance.

27. SUMMARY OF DIFFERENCES BETWEEN IAS AND PRC GAAP

These financial statements are prepared in conformity with IAS which are different from its statutory financial statements which are prepared in accordance with PRC GAAP.

The statutory financial statements for the year ended December 31, 1999 reported profit after taxation as RMB 132,513,000 and net assets at RMB 702,041,000. The principal IAS adjustments made for profit after taxation and net assets are as follows:

	Profit after taxation RMB' 000	Net assets RMB' 000
As reported under PRC GAAP	132,513	702,041
Adjustments to confirm IAS:		
Adjustment to record fixed assets acquired before 1994 at swap rates	(2,327)	23,702
Elimination of revaluation reserves	1,879	(5,522)
Adjustment for amortisation of deferred exchange arised from unification of exchange rates on January 1, 1994	8,223	-
Others	6	1,910
As reported under IAS	140,294	722,131

28. COMPARATIVE FIGURES

Certain related companies balances have been offset to conform with the current year' s presentation.

29. LANGUAGE

The English text of the financial statements is a translated version for the convenience of

English readers and for reference only. The Chinese text of the financial statements will prevail over the English text.

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