



# KEE SHING (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

## Results for the year ended 31st December, 2001

### RESULTS

The Board of Directors are pleased to announce the audited consolidated results of the Group for the year ended 31st December, 2001 as follows:

	Year ended 31st December,	
	2001	2000
	HK\$'000	HK\$'000
Turnover (Note 2)	860,920	1,053,704
Other revenue	5,689	9,922
Changes in inventories of finished goods	5,449	(13,685)
Purchase of goods held for resale	(773,658)	(927,192)
Raw materials and consumables used	(4,392)	(5,805)
Staff costs	(20,698)	(24,038)
Depreciation and amortisation	(2,893)	(3,403)
Other operating expenses	(25,165)	(29,813)
Net realised gain and unrealised loss on other investments	(21,771)	3,638
Surplus arising on revaluation of investment properties	16,110	1,354
Profit from operations	39,591	64,682
Finance costs	(5,883)	(12,602)
Gain on dilution of interest in an associate	4,113	–
Share of profit (loss) of associates	1,725	(850)
Amortisation of premium arising on acquisition of an associate	(3,022)	(3,022)
Profit before taxation	36,524	48,208
Taxation (Note 3)	(4,640)	(2,946)
Profit before minority interests	31,884	45,262
Minority interests	(1,128)	(1,384)
Net profit for the year	30,756	43,878
Dividends (Note 4)	17,820	26,730
Earnings per share (Note 5)	HK6.9 cents	HK9.8 cents

Notes:

#### 1. 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. The adoption of these new and revised SSAPs has resulted in the 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 at 1st January, 2000 and 31st December, 2000 by HK\$17,820,000 and HK\$13,365,000 respectively.

#### Leases

In the current year, the Group has adopted SSAP 14 (Revised) “Leases”. Disclosures for the Group’s operating lease arrangements have been modified so as to meet the requirements of SSAP 14 (Revised).

## 2. Segment information

The turnover and contributions to profit from operations of the Group for the year ended 31st December, 2001, analysed by business segments and by geographical segments, are as follows:

By business segments:

	For the year ended 31st December, 2001				For the year ended 31st December, 2000			
	External sales <i>HK\$'000</i>	Inter-segment sales <i>HK\$'000</i>	Total <i>HK\$'000</i>	Segment result <i>HK\$'000</i>	External sales <i>HK\$'000</i>	Inter-segment sales <i>HK\$'000</i>	Total <i>HK\$'000</i>	Segment result <i>HK\$'000</i>
Sales of chemicals and metals	833,771	17,258	851,029	28,211	1,023,216	40,279	1,063,495	37,053
Property investment	20,282	2,308	22,590	32,494	19,712	2,554	22,266	15,832
Security investment	6,594	–	6,594	(16,859)	6,567	–	6,567	9,289
Other activities	273	6,762	7,035	47	4,209	8,307	12,516	(1,145)
Elimination	–	(26,328)	(26,328)	–	–	(51,140)	(51,140)	–
Consolidated	<u>860,920</u>	<u>–</u>	<u>860,920</u>	<u>43,893</u>	<u>1,053,704</u>	<u>–</u>	<u>1,053,704</u>	<u>61,029</u>
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				<u>39,591</u>				<u>64,682</u>

By geographical segments:

	Revenue by geographical market		Contribution to profit from operations	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
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
	<u>860,920</u>	<u>1,053,704</u>	<u>43,893</u>	<u>61,029</u>
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			<u>39,591</u>	<u>64,682</u>

## 3. 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	–	(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. Profits Tax outside Hong Kong is calculated at the rates prevailing in the respective jurisdictions.

#### 4. Dividends

	2001 HK\$'000	2000 HK\$'000
Interim dividend paid in respect of 2001 of HK1 cent (2000: HK2 cents) per ordinary share	4,455	8,910
Final dividend paid in respect of 2000 of HK3 cents (1999: HK4 cents) per ordinary share	13,365	17,820
	<u>17,820</u>	<u>26,730</u>

#### 5. Earning 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.

#### 6. 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
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	-	-	-	-	-	(17,820)	(17,820)
	<u>153,728</u>	<u>26,127</u>	<u>7,011</u>	<u>13,781</u>	<u>550</u>	<u>369,265</u>	<u>570,462</u>
At 31st December, 2001	153,728	26,127	7,011	13,781	550	369,265	570,462

### DIVIDENDS

The Board will recommend at the forthcoming annual general meeting a final dividend of HK1.5 cents (2000: HK3.0 cents) per share payable on or before 21st June, 2002 to shareholders whose names appear on the register of members of the Company on 23rd May, 2002. Including interim dividend, total dividends for the year will be HK2.5 cents per share (2000: HK5.0 cents per share).

### CLOSURE OF REGISTER OF MEMBERS

The register of member of the Company will be closed from 17th May, 2002 to 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 shares 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 16th May, 2002.

### BUSINESS REVIEW

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 the year before. Earning per share posted HK6.9 cents (2000: HK9.8 cents).

In 2001, total turnover of the Group declined 18.3% from the previous year to HK\$860.9 million. Turnover generated from trading business for the fiscal year ended 31st December 2001 amounted HK\$851.0 million, representing a decrease of 20.0% compared with HK\$1,063.5 million a year earlier. Total turnover generated from rental properties in 2001 rose by 1.5%, from HK\$22.3 million in 2000 to HK\$22.6 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. Segmental 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 the 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 20%. 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 the 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 of property values 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. 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.

2001 was a dismal year for the global equity markets. Corporate earnings suffered from the world economy heading into recession during the year and further deteriorated after the September 11th tragedy. The increased liquidity supplied by the U.S. Federal Reserve as well as added fiscal stimulus by the 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.

## **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 offices. 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.

## **FINANCIAL RESOURCES AND LIQUIDITY**

The Group's shareholders' fund increased from HK\$581.1 million at year-end of 2000 to HK\$592.7 million as at 31st December, 2001.

The Group's financial position remained strong with total cash and bank deposit 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 totalling 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 rates charged on bank borrowings during the year ranged between 2.97% to 6.78% 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.

## **FOREIGN CURRENCY RISK**

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.

## **PROSPECTS**

Worldwide economic recovery is beginning to take shape as leading economic indicators in U.S. and Europe shown some improvements. 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 has 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 businesses, we would weather this period of difficulty and be well positioned to benefit from the recovery in the year ahead.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SHARES**

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

## **PUBLICATION OF OTHER FINANCIAL INFORMATION**

Other financial information containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be published on The Stock Exchange of Hong Kong Limited website in due course.

**Leung Shu Wing**  
*Chairman*

Hong Kong, 28th March, 2002

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Shareholders of the Company will be held at VIP room, 1/F., Park Hotel, 61-65 Chatham Road South, Kowloon, Hong Kong on 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 approval in paragraph (a) above shall authorise the directors of the Company during the relevant period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the relevant period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors pursuant to the approval in sub-paragraph (a) of this resolution, otherwise than pursuant to a 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 a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of or the requirements of any recognised regulatory body or any Stock Exchange).”

(2) **“THAT:**

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

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

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

Hong Kong, 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.

Please also refer to the published version of this announcement in the Hong Kong iMail.