

Kee Shing (Holdings) Limited*(incorporated in Hong Kong with limited liability)***Announcement of 2002 Interim Results**

On behalf of the Board of Directors, I hereby announce the unaudited interim results of the Group for the first six months ended 30th June, 2002. The interim financial report has been reviewed by the Company's audit committee and the Company's auditor, Deloitte Touche Tohmatsu.

The profit attributable to shareholders for the six months ended 30th June, 2002 amounted to HK\$12.8 million, representing a 43.7% increase over the same period ended 30th, June 2001. Profit from operations also rose by 15.9% to HK\$18.7 million. The Board of directors has resolved to declare an interim dividend of HK1.0 cents per share (2001: HK1.0 cent per share) to shareholders.

Condensed Consolidated Income Statement*For the six months ended 30th June, 2002*

	<i>Notes</i>	Six months ended 30.6.2002 HK\$'000 (unaudited)	Six months ended 30.6.2001 HK\$'000 (unaudited)
Turnover	3	469,150	449,763
Other revenue		1,267	4,403
Changes in inventories of finished goods		776	(6,796)
Purchase of goods held for resale		(430,552)	(394,406)
Raw materials and consumables used		(427)	(1,809)
Staff costs		(10,038)	(9,445)
Depreciation and amortisation		(1,268)	(1,523)
Other operating expenses		(13,703)	(12,787)
Net realised and unrealised gain (loss) on other investments		4,799	(11,259)
Impairment loss recognised in respect of investment securities		(1,300)	—
Profit from operations	3	18,704	16,141
Finance costs		(2,007)	(3,437)
Share of (loss) profit of associates		(290)	1,380
Amortisation of premium arising on acquisition of an associate		(1,709)	(1,511)
Profit before taxation		14,698	12,573
Taxation	4	(1,668)	(2,958)

Profit before minority interests		13,030	9,615
Minority interests		(264)	(730)
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Net profit for the period		12,766	8,885
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Dividend	5	6,683	13,365
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Earnings per share	6	2.9 cents	2.0 cents
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Notes:

1. Basis of Preparation

The condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants (“HKSA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. Principal Accounting Policies

The accounting policies adopted for the preparation of the interim financial report are consistent with those adopted by the Group in its annual financial statements for the year ended 31st December, 2001 except as described below.

In the current period, the Group has adopted, for the first time, the following new and revised SSAPs issued by the HKSA:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

3. Segment information

The turnover and contributions to profit from operations of the Group for the six months ended 30th June, 2001, analysed by business segments and by geographical segments, are as follows:

By business segments:

	For the six months ended 30th June, 2002				For the six months ended 30 June, 2001			
	Revenue			Segment Result	Revenue			Segment Result
	External Sales	Inter-segment sales	Total		External Sales	Inter-segment sales	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of chemicals and metals	459,154	7,900	467,054	12,173	435,641	9,305	444,946	17,225
Property investment	8,700	775	9,475	5,343	9,552	1,109	10,661	7,706
Security investment	1,143	—	1,143	4,699	4,399	—	4,399	(8,491)
Other activities	153	3,917	4,070	(22)	171	3,960	4,131	72
Elimination	—	(12,592)	(12,592)	—	—	(14,374)	(14,374)	—
Consolidated	<u>469,150</u>	<u>—</u>	<u>469,150</u>	<u>22,193</u>	<u>449,763</u>	<u>—</u>	<u>449,763</u>	<u>16,512</u>
Interest income from bank deposits				1,052				3,554
Unallocated other revenue				215				849
Unallocated corporate expenses				(4,756)				(4,774)
Profit from operations				<u>18,704</u>				<u>16,141</u>

By geographical segments:

	For the six months ended 30th June, 2002				For the six months ended 30 June, 2001			
	Revenue			Segment Result	Revenue			Segment Result
	External Sales	Inter-segment sales	Total		External Sales	Inter-segment sales	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	319,396	5,478	324,874	12,882	288,793	13,331	302,124	2,968
Taiwan	58,740	6,623	65,363	1,362	83,128	785	83,913	3,433
Elsewhere in the PRC	62,983	—	62,983	8,134	47,955	258	48,213	8,713
Others	28,031	491	28,522	(185)	29,887	—	29,887	1,398
Elimination	—	(12,592)	(12,592)	—	—	(14,374)	(14,374)	—
Consolidated	<u>469,150</u>	<u>—</u>	<u>469,150</u>	<u>22,193</u>	<u>449,763</u>	<u>—</u>	<u>449,763</u>	<u>16,512</u>
Interest income from bank deposits				1,052				3,554
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Profit from operations				<u>18,704</u>				<u>16,141</u>

4. Taxation

	Six months ended 30.6.2002 HK\$'000	Six months ended 30.6.2001 HK\$'000
The tax charge comprises:		
Current taxation		
Hong Kong Profits Tax	1,173	1,780
Profits tax outside Hong Kong	<u>477</u>	<u>1,177</u>
	1,650	2,957
Share of taxation attributable to associates	<u>18</u>	<u>1</u>
	<u>1,668</u>	<u>2,958</u>

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

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

5. Dividend

	Six months ended 30.6.2002 HK\$'000	Six months ended 30.6.2001 HK\$'000
Final dividend paid in respect of the year ended 31st December, 2001 of 1.5 cents (year ended 31st December, 2000: 3 cents) per ordinary share	<u>6,683</u>	<u>13,365</u>

Interim dividend of 1.0 cent per share, amounting to HK4,455,000, was approved by the board of directors on 30th August, 2002.

6. Earnings per Share

The calculation of the earnings per share is based on the net profit for the period of HK\$12,766,000 (six months ended 30.6.2001: HK\$8,885,000) and on 445,500,000 ordinary shares (six months ended 30.6.2001: 445,500,000 ordinary shares) in issue during the period.

INTERIM DIVIDEND

Interim dividend of 1.0 cent per share (2001: 1.0 cent per share) has been declared payable on or before 27th September, 2002 to shareholders whose names appear on the register of members of the Company on 25th September, 2002. The register of members of the Company will be closed from 20th September, 2002 to 25th September, 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer accompanied by the relevant share certificates must be lodged with the Company's share register, Standard Registers Limited, 5/F., Wing On Center, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on 19th September, 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

Trading Division

The division reported a first half-year segmental profit of HK\$12.2 million in 2002, representing a decrease of 29% compared with HK\$17.2 million for the same period of 2001. The fall in demand continued after 2001 and slashed prices of most of the Group's trading products as well as their profit margin as competition among rivals intensified. The situation was much improved starting from the second quarter of the year although profitability was still under pressure. Total turnover rose by 5.4% for the first six months ended 30th June, 2002 over the same period last year to HK\$459.2 million.

Electroplating Materials and Chemicals

Turnover recorded a slight increase of 1.2% for the first half of the year compared with the corresponding period in the previous year. In the first quarter, the market was extremely tough and demand continued to shrink following the event of the U.S. terrorist attack. Price competition was fierce as traders and suppliers slashed prices to liquidate their inventory. The slight growth in turnover, mainly contributed by the rise in metal prices and improved demand from customers in the second quarter, was substantially offset by the continuing downward price pressure and keen competition. Gross profitability shrank by over 20% during the period under review. Demand in Mainland China remained strong in line with its economic growth but prices were subdued. Given that the recovery is under way, it is expected turnover will continue to improve in the third quarter and the profitability will gradually improve.

Paint and Coating Chemicals

Turnover rose by 42.3% for the six months ended 30th June, 2002 compared with that of the same period last year. China market was very competitive, as global suppliers continued to dump stocks into China and led to an oversupply situation. While facing such tough environment, sales still rose because of introduction of new chemical products in the market that helped diversify slow sales generated from the core chemical products and improve the overall profitability. In the coming months, it is expected that the market will continue to be sluggish. We will explore more new chemicals products to widen the trading product lines and improving earnings.

Stainless Steel

Demand improved satisfactory in the first half year of 2002. Orders for replenishment from the U.S. markets increased continuously. Global supply was in shortage during the period as many major suppliers cut production, driving up stainless steel price to a new high over the last year. Turnover climbed by 27.2% over the same period last year. In anticipation of continuous strong demand in the second half year, we will modestly adjust and streamline operation so as to improve profitability.

Property Investment Division

Total rental income fell by 9% to HK\$8.7 million for the six months ended 30th June, 2002 compared with that of same period last year.

Average occupancy rate in Hong Kong offices recorded 83% during the period. Demand in Hong Kong office spaces remained weak and market rent continued to fall in the first half year as tenant pressured down rental due to excessive supply. Rental of new and renewed tenancy is expected to drop by 30% in the second half year.

Demand in Grade A offices in Shanghai grew continuously in the first six month of 2002, but supply also rose steadily. In the coming months, office leasing market will remain active encouraged by influx of foreign companies as well as business expansion of existing companies.

Average occupancy rate of our Shanghai office spaces was 87.1% for the first half year of 2002. Rental income is expected to fall in the second half year due to vacancy period after the expiration of tenancies.

Steady influx of foreign capital supported the leasing residential market in Shanghai, especially downtown luxury apartment and villa houses. Average occupancy rate of our Shanghai residential properties was 91.3% for the six months ended 30th June, 2002.

Securities Investment Division

Market value of the securities portfolio increased from HK\$174.7 million as at 31st December, 2001 to HK\$175.7 million as at 30th June, 2002.

The market responded nervously on the progress of global economic recovery, regional conflicts, and corporate accounting irregularities in the U.S.. A combination of uncertainties led to an increasing preference for capital preservation rather than capital growth. For the period ended 30th June, 2002, we recorded an unrealized gain of HK\$1.2 million for other investment sector. We also disposed investment, such as corporate bonds, equities and some currency-linked derivatives with total gain of HK\$2.9 million. Total interests and dividend income generated from the portfolio during the period accounted for HK\$1.1 million.

FINANCIAL REVIEW

As at 30th June, 2002, the Group held cash deposit totalling HK\$163.7 million, representing an increase of 0.9% compared with total cash held as 31st December, 2001. Net borrowings as at 30th June, 2002 were HK\$7.7 million whereas a net cash position of HK\$25.0 million was recorded as at 31st December, 2001. The increase in net borrowings was mainly due to the increase in trade receivables for the period ended. The Group's gearing ratio, representing total bank borrowings divided by shareholders' funds, was 0.28 compared with 0.23 as at 31st December, 2001.

All bank borrowings were in forms of trust receipts and money market loans as at 30th June, 2002. Total bank borrowings utilized about 37% of total available banking facilities granted by various banks as at 30th June, 2002. Guarantee given in respect of bank loans to the Group's companies as at 30th June, 2002 amounted to HK\$457.3 million.

Average monthly interest rates during the period ranged from 1.78% to 2.31% p.a.. Interest expense for the first six months ended 30th June, 2002 was HK\$2.0 million, representing a decrease of 41.6% as compared with HK\$3.4 million for the first six months ended 30th June, 2001.

The Group used forward exchange contracts to hedge its foreign currency exposure in trading activities when considered appropriate. There was no forward foreign contract outstanding as at 30th June, 2002. Short-term borrowings denominated in foreign currencies other than United States Dollars were used to finance assets purchased in the same currencies.

PROSPECTS

We see tremendous uncertainties in the second half-year. With evidence of latest economic data released in U.S., it is quite certain that global economies are in midst of gradual but steady recovery from recession. However, the financial markets are suffering from a severe crisis of confidence in U.S. and Europe. Global economic growth is expected to be softer in the coming months. The Group will well position itself to achieve a better performance in trading business in the second half year. Office rental is likely to be pressurized due to large supply and its performance is expected to be lower than that of last year. We will remain conservative in managing our securities investment. Despite the economic uncertainties ahead, the Group will continue to focus on its core business.

Purchase, sale and redemption of shares

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months to 30th June, 2002.

Compliance with the Code of best practice

None of the directors is aware of any information that would reasonably indicate that the Company is not or was not for any part of the six months ended 30th June, 2002, in compliance with the Code of Best Practice set out in Appendix 14 of the Rules Governing the listing of Securities issued by the Stock Exchange of Hong Kong Limited.

Publication of other financial information

Other financial information containing all the information required by paragraphs 46(1) to 46(6) 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.

By order of the Board

Leung Shu Wing

Chairman

Hong Kong, 30th August, 2002

Please also refer to the published version of this announcement in The Standard.