



# KEE SHING (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 174)

## Results for the year ended 31st December, 2003

### RESULTS

The Board of Directors are pleased to announce the audited consolidated results of the Group for the year ended 31st December, 2003 as follows:

	Year ended 2003	31st December, 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover ( <i>Note 2</i> )	1,224,230	1,072,821
Other operating income	2,607	3,238
Changes in inventories of finished goods	31,018	11,458
Purchase of goods held for resale	(1,150,864)	(995,778)
Raw materials and consumables used	(11,260)	(3,530)
Staff costs	(21,992)	(20,859)
Depreciation and amortisation	(1,970)	(2,495)
Other operating expenses	(30,550)	(29,135)
Net realised gain and unrealised gain (loss) on other investments	24,538	(15,878)
Impairment loss recognised in respect of investment securities	–	(1,300)
Surplus (deficit) arising on revaluation of investment properties	5,290	(1,000)
Profit from operations	<u>71,047</u>	<u>17,542</u>
Finance costs	(3,805)	(4,363)
Share of profit (loss) of associates	2,979	(1,235)
Amortisation of goodwill arising on acquisition of an associate	(3,417)	(3,417)
Impairment loss recognised in respect of goodwill arising on acquisition of an associate	(20,504)	–
Profit before taxation	<u>46,300</u>	<u>8,527</u>
Income tax expense ( <i>Note 3</i> )	(6,029)	(3,884)
Profit before minority interests	<u>40,271</u>	<u>4,643</u>
Minority interests	(1,564)	(491)
Net profit for the year	<u>38,707</u>	<u>4,152</u>
Dividends ( <i>Note 4</i> )	<u>13,365</u>	<u>11,138</u>
Earnings per share ( <i>Note 5</i> )	<u>HK8.69 cents</u>	<u>HK0.93 cents</u>

#### Notes:

#### 1. Adoption of Hong Kong Financial Reporting Standards

In the current year, the Group has adopted SSAP 12 (Revised) Income Taxes. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly.

In the current year, the Group has adopted SSAP 35 Accounting for government grants and disclosure of government assistance. In previous years, government grants were credited to current liabilities. In accordance with SSAP 35, government grants are now recognised as income over the periods necessary to match them with the related costs. The Group has elected to apply the requirements of SSAP 35 retrospectively, but the adoption of SSAP 35 has not had any material effect on the results for the current or prior accounting periods.

## 2. Segment information

The turnover and contributions to profit from operations of the Group for the year ended 31st December, 2003, analysed by business segments and by geographical segments, are as follows:

*By business segments:*

	For the year ended 31st December, 2003				For the year ended 31st December, 2002			
	External sales	Inter-segment sales	Total	Segment result	External sales	Inter-segment sales	Total	Segment result
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of chemicals and metals	1,203,238	27,422	1,230,660	35,889	1,054,684	22,526	1,077,210	30,699
Property investment	14,688	1,486	16,174	14,636	14,940	1,531	16,471	8,724
Security investment	4,093	-	4,093	28,599	2,619	-	2,619	(14,614)
Other activities	2,211	47,176	49,387	82	578	37,179	37,757	30
Eliminations	-	(76,084)	(76,084)	-	-	(61,236)	(61,236)	-
Consolidated	<u>1,224,230</u>	<u>-</u>	<u>1,224,230</u>	<u>79,206</u>	<u>1,072,821</u>	<u>-</u>	<u>1,072,821</u>	<u>24,839</u>
Interest income from bank deposits				1,742				2,322
Unallocated other operating income				865				916
Unallocated corporate expenses				(10,766)				(10,535)
Profit from operations				<u>71,047</u>				<u>17,542</u>

*By geographical segments:*

	Revenue by geographical market		Contribution to profit from operations	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	873,892	769,329	48,928	7,955
Taiwan	147,045	123,299	2,880	2,661
Elsewhere in the People's Republic of China	104,035	106,112	18,613	14,018
Others	99,258	74,081	8,785	205
	<u>1,224,230</u>	<u>1,072,821</u>	<u>79,206</u>	<u>24,839</u>
Interest income from bank deposits			1,742	2,322
Unallocated other operating income			865	916
Unallocated corporate expenses			(10,766)	(10,535)
Profit from operations			<u>71,047</u>	<u>17,542</u>

## 3. Income tax expense

	2003	2002
	HK\$'000	HK\$'000
The tax charge attributable to the Company and its subsidiaries comprises:		
Current taxation		
Hong Kong Profits Tax	4,511	2,973
Profits tax outside Hong Kong	703	887
	<u>5,214</u>	<u>3,860</u>
Deferred taxation		
- current year	659	-
- Attributable to change in tax rate	113	-
Share of taxation attributable to associates	43	24
	<u>6,029</u>	<u>3,884</u>

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the year. Taxation outside Hong Kong is calculated at the rates prevailing in the respective jurisdictions.

## 4. Dividends

	2003	2002
	HK\$'000	HK\$'000
Interim dividend paid in respect of 2003 of 1.5 cent (2002: 1 cent) per ordinary share	6,683	4,455
Final dividend paid in respect of 2002 of 1.5 cents (2001: 1.5 cents) per ordinary share	6,682	6,683
	<u>13,365</u>	<u>11,138</u>

## 5. Earning per share

The calculation of the earnings per share is based on the net profit for the year of HK\$38,707,000 (2002: HK\$4,152,000) and on 445,500,000 ordinary shares (2002: 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	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 31st December, 2002	153,728	22,988	6,916	11,571	1,140	362,516	558,859
Exchange differences arising on translation of overseas operations	-	-	-	-	101	-	101
Share of an associate's movement in reserves	-	-	(56)	3	457	2	406
Deferred tax liability arising on change in tax rate	-	-	-	(208)	-	-	(208)
Net profit for the year	-	-	-	-	-	38,707	38,707
Dividends paid	-	-	-	-	-	(13,365)	(13,365)
At 31st December, 2003	153,728	22,988	6,860	11,366	1,698	387,860	584,500

### DIVIDENDS

The Board will recommend at the forthcoming annual general meeting a final dividend of HK2.5 cents (2002: HK1.5 cents) per share payable on or before 23rd June, 2004 to shareholders whose names appear on the register of members of the Company on 28th May, 2004. Including interim dividend, total dividends for the year will be HK4.0 cents per share (2002: HK2.5 cents per share).

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 24th May, 2004 to 28th May, 2004, 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, G/F, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 21st May, 2004.

### BUSINESS REVIEW

#### Trading Division

##### *Electroplating Materials and Chemicals*

Overall, 2003 was a good year for metal industries. Although we were suffered from decreased demand and aggressive price-cutting during the first half year, our performance was greatly improved in the second half due to continuous rises of metal prices and reduced stockpiles in Asian region.

Business of precious metal-plating products performed worse-than-expected because of increasing competition arising from China-made products. After deregulation of Chinese government toward trading gold and silver, market shares of related imported goods were eroded by local competitors. Electroplating chemicals business, however, grew satisfactorily as the Group focused on expanding imitation jewelry industry. Demand of plating nickel experienced volatile market conditions during 2003. Having huge stockpiles in Asian region in the first half year that was mainly initiated by speculators, the market suffered from fierce price-cutting and dumping action. Overall selling premium was largely dragged down. With gradual reducing stockpiles and benefited from unprecedented high metal prices since the second half year, the market shifted from over-supply situation to normal situation and profitability also improved at the end of the year.

Foreseeing possible tight supply of products in the coming year, the Group kept extra stocks to ensure stable supply to customers.

##### *Paint and Coating Chemicals*

In 2003, appreciation of Euro against US dollar, high raw materials price and occasional production problems seriously affected our biggest supplier in Europe to fulfill their supply volume to us. With the help of increase in new products introduced into the market over the past years, consequently, total sales turnover slightly fell by 1.7% over that in 2002.

Local China market continued to grow prosperously throughout 2003, even the period of SARS in April. It is expected that demand growth in 2004 will sustain due to China's relatively stable political environment and huge local consumption condition. In spite of full support granted by our suppliers, high raw material prices and continuous slump of European currencies against US dollar will no doubt exert pressure on competitive edges of European import products against Japanese, US or locally-made products.

##### *Stainless Steel*

Overall business performance was encouraging during the year. Due to sharp surge of raw materials prices and excessive demand situation, most stainless steel mills raised prices continuously since the second half year of 2003. Sales turnover climbed by 30% in 2003 compared to that in 2002. In early 2004, limited supply of stainless steel's component materials and over-demand situation endures. Having experiences of delay shipment from suppliers during 2003, we stocked up extra tonnages of stainless steel at the end of year to ensure stable supply to customers.

#### Property Investment Division

Total rental income fell slightly from HK\$14.9 million in 2002 to HK\$14.7 million in 2003.

Average occupancy rate for the office properties in Hong Kong was 87%. Office demand was severely hit during the SARS period in Hong Kong and barely recovered by the end of the year. Rental price also declined so badly that at least 15% of rental drop was noted within a year. It is expected that the rental market will start to improve following the recovery in Hong Kong's economy in early 2004.

Supported by improved affordability of local buyers and insatiable appetite from foreign and non-Shanghaiese investors, Shanghai residential property market grew robust in 2003. After suffering from sudden fall in demand during the SARS period, overall property market immediately recovered in the second half year. Average occupancy rate in 2003 was 85.7%, rising from 83.8% for the year 2002. Yet, average monthly rent in 2003 reduced by 5% compared to that in 2002. As at 31st December, 2003, occupancy rate was 96%.

For the year ended 31st December, 2003, a surplus arising on revaluation of investment properties amounting HK\$5.3 million was recorded.

#### **Securities Investment Division**

In the face of weakening U.S. currencies and volatile markets, the Group's quest is to moderate risk and increase the portfolio's return. For the year 2003, the Group recorded a realized gain of HK\$16.5 million and an unrealized gain of HK\$8.0 million in our securities investment division. At the end of the year, the Group's securities portfolio included equities, corporate bonds, alternative investments and capital preservation products. Dividend and interest income generated from securities portfolio accounted HK\$1.9 million and HK\$2.2 million respectively during 2003.

#### **EMPLOYEES**

The Group employed a staff of 87 at the end of 2003 of whom 62 worked in Hong Kong, 15 worked in Mainland China and 10 worked in overseas offices. Due to performance-related bonus contribution, total remuneration slightly increased by 5.4% in 2003 to HK\$22.0 million over a year earlier (2002: HK\$20.9 million).

#### **FINANCIAL RESOURCES AND LIQUIDITY**

The Group held total cash and short term bank deposits of HK\$207.1 million as at 31st December, 2003, an increase of HK\$20.8 million compared with HK\$186.3 million as at 31st December, 2002. Also, the Group placed HK\$38.8 million cash into long term bank deposits at of 31st December, 2003. Including the long term bank deposits, net cash position as at 31st December, 2003 was HK\$6.0 million compared with net cash of HK\$7.3 million as at 31st December, 2002. The main net cash outflow related to the increase in inventories amounting HK\$31.2 million, the increase of HK\$16.4 million in debtors, deposits and prepayments and the increase of bill receivable of HK\$17.6 million. For the year 2003, the Group raised additional HK\$60.8 million bank borrowings to finance additional inventories and trade receivable.

#### **DEBT STRUCTURE**

Total bank borrowings rose from HK\$179.0 million as at 31st December, 2002 to HK\$240.0 million as at 31st December, 2003. Gearing ratio, representing total bank borrowing divided by shareholders' fund, was 0.4 as of 31st December, 2003. All bank borrowings were in forms of trust receipts, bank overdrafts and money market loans as at 31st December, 2003.

#### **FOREIGN CURRENCY RISK**

During the year, the Group's transactions were conducted in Hong Kong Dollars, United States Dollars, Japanese Yen, Euro, British Sterling, Reminbi, Singapore Dollars and New Taiwanese Dollars. The Group used forward exchange contracts to hedge its foreign currency exposure in trading activities when considered appropriate. There were no outstanding forward exchange contracts as at 31st December, 2003. Short-term borrowings denominated in foreign currencies other than United States Dollars were used to finance assets purchased in the same currencies.

#### **PROSPECTS**

In 2004, we can see demand expansion from China persists, property market in Hong Kong rebounds and activities increases in financial markets. Fuelling from fast growing demand from Mainland China, tighter supply from upstream sources eases pressures from price competition among wholesaling industries. Being a long-term material supplier, our services play a key role in supporting stable supply to customers. With potential risk of unexpected volatility in commodity prices, we will cautiously manage inventory changes and purchasing strategies over the year. Also, we are continuously introducing new products into market so as to expand our product lines.

Hong Kong office demand shows slightly recovery in early of 2004 but declining market rents remain. Rental markets in Shanghai office and residential properties stay strong. With optimism on improving market sentiment and growth outlook in the near term, the Group will position the securities portfolio aiming for yield enhancement and sheltering any unexpected shock circumstances.

The Group remains confident to the prospects of economy growth in 2004 and will devote all strengths in pursuing further improvement in future.

#### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES**

There was no purchases, sale or redemption of the Company's listed shares 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, 26th March, 2004

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Shareholders of the Company will be held at Platino Room, M/F, The Empire Hotel Kowloon, 62 Kimberley Road, Tsim Sha Tsui, Kowloon on Friday, 28th May, 2004 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, 2003;
2. To declare a final dividend;
3. To re-elect retiring directors and authorise the board to fix the remuneration of the directors;
4. To appoint auditors and to authorise the board to fix their remuneration;
5. As special business, to consider and, if thought fit, pass with or without modification the following resolutions as Ordinary Resolutions:

(1) **“THAT:**

- (a) subject to sub-paragraph (c) of this resolution, the exercise by the directors of the Company during the relevant period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the 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 rights issue shall not exceed twenty per cent of the aggregate nominal amount of the issued share capital of the Company, and this approval shall be limited accordingly; and
- (d) for the purpose of this Resolution:

“relevant period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
- (iii) the date on which the authority set out in this resolution is revoked or varied by way of ordinary resolution in general meeting; and

“rights issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register on 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(1) and 5(2) in the notice convening this meeting being passed, the aggregate nominal amount of the number of shares which are repurchased by the Company after this resolution becoming effective (up to maximum of 10 per cent of the issued share capital of the Company in issue at the date of this resolution) shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to the resolution 5(1) in the said notice referred to above.”



6. As special business, to consider and, if thought fit, pass the following resolution as a Special Resolution:-  
“**THAT** the Articles of Association of the Company be and are hereby amended in the following manner:
- (1) Article 2
    - (i) By adding the following definition after the definition of “the Companies Ordinance” or “the Ordinance”:  
“Listing Rules” shall mean the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time;
    - (ii) By adding the following definition after the definition of “Directors” or “Board”:  
“associate” shall have the meaning ascribed to it under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
  - (2) By adding the following Article as Article 85A after the existing Article 85:  
“85A. Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.”
  - (3) By deleting Article 120 and substituting the following:  
“120. No person, other than a retiring Director, shall be eligible for election to the office of Director at any general meeting, unless notice in writing by a member (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the registered office of the Company in the period commencing no earlier than the day after the despatch of the notice of the general meeting appointed for such election and ending no later than seven days prior to the date of such meeting, provided that such period shall be at least seven days.”
  - (4) By deleting sub-article (iii) of Article 107(A) in its entirety and substituting therefor the following:  
“(iii) Save as otherwise provided by the Articles, a Director shall not vote (nor be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or any other proposal in which he or any of his associates has a material interest, but this prohibition shall not apply to any of the following matters:
    - (a) the giving of any security or indemnity either:
      - (i) to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or
      - (ii) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
    - (b) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
    - (c) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associates is derived) or of the voting rights;
    - (d) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:
      - (i) the adoption, modification or operation of any employees’ share scheme or any share incentive or share option scheme under which the Director or his associate(s) may benefit; or
      - (ii) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his associate(s) as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates;

- (e) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.”

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

Hong Kong, 26th March, 2004

*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 Monday, 24th May, 2004 to Friday, 28th May, 2004 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Standard Registrars Limited, G/F, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 21st May, 2004. Dividend warrants will be despatched to Shareholders on or before Wednesday, 23rd June, 2004.
4. A circular containing details regarding resolutions 5 and 6 will be sent to shareholders together with the Company's 2003 Annual Report.

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