



KEE SHING (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 174)

Results for the year ended 31st December, 2004

RESULTS

The Board of Directors are pleased to announce the audited consolidated results of the Group for the year ended 31st December, 2004 as follows:

Consolidated Income Statement

For the year ended 31st December, 2004

	2004 HK\$'000	2003 HK\$'000
Turnover (Note 3)	1,770,634	1,224,230
Other operating income	5,231	2,607
Changes in inventories of finished goods	58,254	31,018
Purchase of goods held for resale	(1,679,785)	(1,150,864)
Raw materials and consumables used	(29,164)	(11,260)
Staff costs	(24,317)	(21,992)
Depreciation and amortisation	(2,165)	(1,970)
Other operating expenses	(37,692)	(30,550)
Net realised and unrealised (loss) gain on other investments	(157)	24,538
Surplus arising on revaluation of investment properties	9,540	5,290
Profit from operations	<u>70,379</u>	<u>71,047</u>
Finance costs	(4,052)	(3,805)
Share of (loss) profit of associates	(4,296)	2,979
Amortisation of goodwill arising on acquisition of an associate	-	(3,417)
Impairment loss recognised in respect of goodwill arising on acquisition of an associate	-	(20,504)
Profit before taxation	<u>62,031</u>	<u>46,300</u>
Income tax expense (Note 4)	(9,297)	(6,029)
Profit before minority interests	<u>52,734</u>	<u>40,271</u>
Minority interests	(1,372)	(1,564)
Net profit for the year	<u><u>51,362</u></u>	<u><u>38,707</u></u>
Dividends (Note 5)	<u><u>55,688</u></u>	<u><u>13,365</u></u>
Earnings per share – basic (Note 6)	<u><u>HK11.53 cents</u></u>	<u><u>HK8.69 cents</u></u>

Consolidated Balance Sheet

At 31st December, 2004

	2004 HK\$'000	2003 HK\$'000
Non-current Assets		
Investment properties	260,326	242,430
Property, plant and equipment	34,445	32,879
Interests in associates	24,938	29,207
Investments in securities	23,419	25,804
Long term bank deposits	31,080	38,800
Equity-linked deposits	768	1,110
	<u>374,976</u>	<u>370,230</u>
Current Assets		
Inventories	147,332	89,665
Debtors, deposits and prepayments	145,875	119,285
Bills receivable	27,187	32,122
Investments in securities	128,330	115,984
Taxation recoverable	235	175
Short term bank deposits	96,157	127,950
Bank balances and cash	67,670	79,175
	<u>612,786</u>	<u>564,356</u>
Current Liabilities		
Creditors and accrued charges	32,119	48,236
Taxation payable	4,301	2,571
Bank borrowings	302,130	239,972
	<u>338,550</u>	<u>290,779</u>

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net Current Assets (Liabilities)	274,236	273,577
Total Assets Less Current Liabilities	649,212	643,807
Capital and Reserves		
Share capital	22,275	22,275
Reserves	587,290	584,500
	609,565	606,775
Minority Interests	19,774	17,592
Non-current Liabilities		
Amount due to minority shareholder of a subsidiary	12,400	13,338
Deferred tax liabilities	7,473	6,102
	19,873	19,440
	649,212	643,807

Notes:

1. Review of Annual Results

The annual results have been reviewed by the Audit Committee.

2. Accounting policies

The financial statements have been prepared under the historical cost convention as modified for valuation of certain properties and investments in securities and in accordance with accounting principles generally accepted in Hong Kong.

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December, 2004.

The Group has commenced considering the potential impact of these new HKFRSs but has not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. Segment information

The turnover and contributions to profit from operations of the Group for the year ended 31st December, 2004, analysed by business segments and by geographical segments, are as follows:

By business segments:

	For the year ended 31st December, 2004				For the year ended 31st December, 2003			
	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	1,751,046	-	1,751,046	52,425	1,203,238	-	1,203,238	35,889
Property investment	14,449	1,239	15,688	20,539	14,688	1,486	16,174	14,636
Security investment	4,141	-	4,141	3,528	4,093	-	4,093	28,599
Other activities	998	-	998	86	2,211	-	2,211	82
Eliminations	-	(1,239)	(1,239)	-	-	(1,486)	(1,486)	-
Consolidated	<u>1,770,634</u>	<u>-</u>	<u>1,770,634</u>	<u>76,578</u>	<u>1,224,230</u>	<u>-</u>	<u>1,224,230</u>	<u>79,206</u>
Interest income from bank deposits				2,631				1,742
Unallocated other operating income				2,600				865
Unallocated corporate expenses				(11,430)				(10,766)
Profit from operations				<u>70,379</u>				<u>71,047</u>

By geographical segments:

	Revenue by geographical market		Contribution to profit from operations	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Hong Kong	1,216,380	873,892	42,130	48,928
Taiwan	265,323	147,045	4,721	2,880
Elsewhere in the PRC	127,767	104,035	22,476	18,613
Others	161,164	99,258	7,251	8,785
	<u>1,770,634</u>	<u>1,224,230</u>	<u>76,578</u>	<u>79,206</u>
Interest income from bank deposits			2,631	1,742
Unallocated other operating income			2,600	865
Unallocated corporate expenses			(11,430)	(10,766)
Profit from operations			<u>70,379</u>	<u>71,047</u>

4. Income tax expense

	2004 HK\$'000	2003 HK\$'000
The tax charge attributable to the Company and its subsidiaries comprises:		
Current taxation		
Hong Kong Profits Tax	6,565	4,511
Profits tax outside Hong Kong	1,558	703
	<u>8,123</u>	<u>5,214</u>
Underprovision in prior years – profit tax outside Hong Kong	<u>383</u>	<u>–</u>
Deferred taxation		
– current year	731	659
– Attributable to change in tax rate	–	113
	<u>60</u>	<u>43</u>
Share of taxation attributable to associates	<u>9,297</u>	<u>6,029</u>

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

5. Dividends

	2004 HK\$'000	2003 HK\$'000
Interim dividend paid in respect of 2004 of 10 cents (2003: 1.5 cents) per ordinary share	44,550	6,683
Final dividend paid in respect of 2003 of 2.5 cents (2002: 1.5 cents) per ordinary share	11,138	6,682
	<u>55,688</u>	<u>13,365</u>

6. Earning per share

The calculation of the basic earnings per share is based on the net profit for the year of HK\$51,362,000 (2003: HK\$38,707,000) and on 445,500,000 ordinary shares (2003: 445,500,000 ordinary shares) in issue during the year.

7. 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, 2003	153,728	22,988	6,860	11,366	1,698	387,860	584,500
Surplus arising on revaluation of investment properties	–	–	8,356	–	–	–	8,356
Minority interests' share of surplus arising on revaluation of investment properties	–	–	(572)	–	–	–	(572)
Exchange differences arising on translation of overseas operations	–	–	–	–	(115)	–	(115)
Share of an associate's movement in reserves	–	–	–	–	85	2	87
Deferred tax liability on revaluation of properties	–	–	(640)	–	–	–	(640)
	<u>–</u>	<u>–</u>	<u>7,144</u>	<u>–</u>	<u>(30)</u>	<u>2</u>	<u>7,116</u>
Net gain (loss) not recognised in the consolidated income statement	–	–	–	–	–	51,362	51,362
Net profit for the year	–	–	–	–	–	(55,688)	(55,688)
Dividends paid	–	–	–	–	–	–	–
	<u>153,728</u>	<u>22,988</u>	<u>14,004</u>	<u>11,366</u>	<u>1,668</u>	<u>383,536</u>	<u>587,290</u>
At 31st December, 2004	<u>153,728</u>	<u>22,988</u>	<u>14,004</u>	<u>11,366</u>	<u>1,668</u>	<u>383,536</u>	<u>587,290</u>

DIVIDENDS

The Board will recommend at the forthcoming annual general meeting a final dividend of HK10.0 cents (2003: HK2.5 cents) per share payable on or before 23rd June, 2005 to shareholders whose names appear on the register of members of the Company on 31st May, 2005. Including interim dividend, total dividends for the year will be HK20.0 cents per share (2003: HK4.0 cents per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 26th May, 2005 to 31st May, 2005, 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 25th May, 2005.

BUSINESS REVIEW

Trading Division

Electroplating Materials and Chemicals

Sales performance in 2004 was exceptionally outstanding benefited from high metal prices and strong demand in Asian region. Global imbalance of supply and demand in base metals supported persistent high international prices throughout the year. Nevertheless, overall gross profit margin in most products fell during the year as many factories faced pressure on their margins when they failed to pass on additional costs to end customers.

Sales in precious metal products performed fairly as a result of ample supply in China and keen competition. Offsetting the rises in metal price, total sales in precious metal products slight grew by 3.4% over that of a year earlier. Keen competition from Chinese makers not only led to a reduction in sales quantities but also gross profit margin.

In spite of credits tightening by most Chinese local banks and shortage of power supply in many factories domiciled in China, robust economic growth in China and its neighboring countries like Korea

and other South East Asian countries supported the nickel consumption in general. Nevertheless, gross profit margin on nickel was unable to catch up in line with the rise in metal price partly because of committed premiums charged on long-term customers and partly because of price pressure exerted from reversed pricing strategy initiated by Chinese primary producer causing lower market price selling in China when comparing with international market price.

It is expected that tight supply of most metals and chemicals will continue in 2005 but massive volatility in international metal markets prompt us to keep cautious in managing risks associated with purchases and inventory controls.

Paint and Coating Chemicals

In 2004, demand of most local small-to-medium-sized Chinese factories that manufactured paints and coatings products shrank because of global shortage of raw materials as well as increasing costs in meeting higher standard of production facilities enforced by the Chinese government. However, consumption of foreign-owned and state-owned factories continued to perform well and helped support a rapid growing demand from China's major industries during the year. Amid weak US dollar against major currencies, maintenance stoppage of producers' factories as well as insufficient supply of upstream materials in making paints and coating chemicals, majority of our trading products suffered from insufficient supply during the year, resulting in total sales slightly below our expectation. Average selling prices of major chemicals during 2004 recorded increases from 10% to 47% and total quantities of 2004 sales were advanced by 14.9% over that of 2003.

Profits in 2004 also improved benefited from rally in products prices as well as diversification of products application to different industries. In the coming year, we will continue to solidify our customers' bases to multinational companies of which they are rapidly expanding their production capacity in China. With appreciation of much stricter rules and regulation on environment and health enforced by Chinese government, our products shall gain better competitive edges against other rivals.

Stainless Steel

Stainless steel prices remained robust throughout the year. Average selling price of first-grade stainless steel rose 27.6% in 2004 over that in 2003. The significant rise was mainly driven by the high prices in raw materials like molybdenum, nickel, etc., due to continuous supply deficits in the world. As many factories hardly charged such large increases in costs to their end customers, these factories either slowed down their purchases or gradually shifted to purchase lower-quality materials. Total sales quantities slightly dropped by 1.8% in 2004 compared with total quantities in 2003. Even so, close to the year end, we were still facing tight supply in stainless steel mills and delayed shipments were not yet solved. Amid high stainless steel prices, 2004 gross profit improved by 48.6% over the previous year and profit margin also enhanced by 14.3%. It is expected that stainless steel prices will remain firm in 2005 because of solid material costs as well as enduring tight supply.

Property Investment Division

Segmental profit climbed by 40.4% to HK\$20.5 million for the year of 2004.

2004's average occupancy rate for Hong Kong office was reported at 88%, same as that in 2003. But average monthly rental per square foot fell 20.9% to HK\$8 per square foot. As at 31st December, 2004, about 6% of total area was available for rent. Atmosphere of Hong Kong property market in general has improved a great deal during 2004 but rental market around Tsimshatsui area remained competitive as abundant supply of vacant office is still available in this area.

Rental for Grade A offices in Shanghai slightly dropped by 2.6% in 2004 when compared with the rent received in 2003. The decrease was primarily a result of one-to-two months' interior renovation period before handing over to new tenants after one major tenant delivered the premises to us in the beginning of the year. Therefore, average occupancy rate dropped to 92.4% in 2004 when compared with 96.6% in 2003, although all spaces were fully rented as at 31st December, 2004. In the beginning of 2005, we have concluded several renewal tenancy agreements with a rise of 18.6% in average on monthly rental.

Amid credits tightening and governmental measures to cool down the market, property prices of residential properties in Shanghai remained overheated during the year. Although demand of residential properties stood firm, increasing supply on investment-purposed residential properties put pressures on average rental growth. In view of furious rise in residential property market, close to the year end, the Group decided to steadily selling 50 units of residential flats located in Haihua Garden, Shanghai. In January, 2005, we have already sold 2 units with average price of HK\$1,130.60 per square foot. Another 2 units were sold with over HK\$1,300.00 per square foot.

As at 31st December, 2004, a surplus arising on revaluation of investment properties amounting HK\$17.9 million was record, of which a gain of HK\$9.5 million was credited to income statement and the remaining balance of HK\$8.4 million was credited to reserve. Carrying amount of total investment properties as at 31st December, 2004 was HK\$208.3 million and that of properties under for sales was HK\$52.0 million.

Securities Investment Division

As at 31st December 2004, the Group used its own fund to finance 91.9% of total securities holdings and the remaining 8.1% was financed by bank borrowings.

In 2004, global economy is clouded with the threat of high oil price, geopolitical instability, twin deficits, i.e. Federal deficits and trade deficits, of the United States, weak job growth in U.S. and Europe, as well as inflationary pressure. The most significant issue during the year was the fate of the U.S. dollar. In the past three years, the U.S. dollars have already declined by about 57.2% against Gold and 52.4% against Euro. To combat against inflation pressure, U.S. Federal Reserve policymakers have raised its benchmark interest rate by 1.25% during 2004 to 2.25% at the end of the year. It is widely believed that the Federal Reserve will tighten its policy further in 2005.

For the year of 2004, huge volatility in the market led us to be more cautious in structuring our

portfolio. Having experienced instant changes of market directions and knowing many variables presented in global economies, we have diversified our holdings into alternative investments including traditional equities funds, hedge funds and multi-strategic funds, etc. In 2005, we will remain watchful of the economy and direction of markets.

As at 31st December 2004, we recorded an unrealized loss of HK\$0.6 million, which it included an impairment loss of HK\$2.5 million in one of our China's investment. During the year, we disposed of HK\$40.0 million securities, mainly corporate debt, and gained HK\$0.4 million. Dividend and interest income generated from securities portfolio accounted for HK\$1.5 million and HK\$2.6 million respectively in 2004.

EMPLOYEES

The Group employed a staff of 89 at the end of 2004 of whom 63 worked in Hong Kong, 15 worked in Mainland China and 11 worked in overseas offices. Having recognized achievement of good results for 2004, we increased performance rewards to the Group's staff at the year end. Thus, total staff costs for the year 2004 rose by 10.5% to HK\$24.3 million (2003: HK\$22.0 million).

FINANCIAL RESOURCES AND LIQUIDITY

The Group held total cash and short-term bank deposits of HK\$163.8 million as at 31st December 2004, representing a decrease of 20.9% over HK\$207.1 million as at 31st December, 2003. The Group also placed HK\$31.1 million cash into long-term bank deposits as of 31st December, 2004 (HK\$38.8 million as at 31st December, 2003). Including the long term bank deposits, a net borrowing of HK\$107.2 million was reported at the year end of 2004 whereas a net cash of HK\$6.0 million was recorded as at 31st December, 2003. Net cash outflow from the Group was primarily related to substantial increase in Group's interim dividend distribution. Increases in inventories of HK\$57.5 million as well as account receivable of HK\$26.0 million also explained the rise in net cash outflow. For the year 2004, the Group raised additional HK\$62.1 million on bank borrowings mainly for financing additional stocks.

DEBT STRUCTURE

Total bank borrowings rose from HK\$240.0 million as at 31st December, 2003 to HK\$302.1 million as at 31st December, 2004. Gearing ratio, representing total bank borrowing divided by shareholders' fund, was 0.50 as of 31st December, 2004. All bank borrowings were in forms of trust receipts and money market loans as at 31st December 2004.

FOREIGN CURRENCY RISK

During the year, the Group's transactions were conducted in Hong Kong Dollars, United States Dollars, Japanese Yen, Euro, British Sterling, Renminbi, 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 2004. Short-term borrowings denominated in foreign currencies other than United States Dollars were used to finance assets purchased in the same currencies.

PROSPECTS

In the first half of 2005, we expect to see further growth in demand from Asian region, in particular of China, and solid commodity prices. However, the Group's revenue may be adversely affected as many customers are forced to scale down their operation under the current high raw material prices. Following our past strategies, we will cautiously monitor the Group's inventory and purchase measures, and, at the same time, maintain our services roles in supporting stable supply to customers. Property markets in Shanghai and Hong Kong have shown marked improvement and we see such trend will continue in the year of 2005. For the securities portfolio, we will remain alerts to changes in global economic environment and seek opportunities to improve our return for the year.

With support of sound financial balance sheet, the Group is well position to manage different kinds of risks exposing to the markets. With thanks to all our staff who has delivered their hardworking during the year, the Group will continue to devote all strengths in pursuing further improvement in coming years.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

CODE OF BEST PRACTICE

With the exception that non-executive Directors have no set term of office but retire from office on a rotational basis in accordance with the Articles of Association of the Company, the Company has complied throughout the year ended 31st December 2004 with the Code of Best Practice contained in Appendix 14 (which was in force during the said period) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules").

The Code of Best Practice contained in Appendix 14 to the Listing Rules has been replaced by the Code on Corporate Governance Practices with effect from 1st January 2005 and the new Code will apply for subsequent reporting periods.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's annual report containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules in force prior to 31 March 2004, which remain applicable to results announcement in respect of accounting periods commencing before 1 July 2004 under the transitional arrangement, will be subsequently published on the website of the Stock Exchange in due course.

As at the date hereof, the Board consists of the following persons:

Executive Directors:

Leung Shu Wing (*Chairman*)

Leung Miu King

Wong Chi Kin

Wong Choi Ying

Non-Executive Directors:

Yuen Tin Fan, Francis

Independent Non-Executive Directors:

Wong Kong Chi

Lai Chung Wing, Robert

Chan Wing Lee

Leung Shu Wing
Chairman

Hong Kong, 8th April, 2005

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