

KSH**KEE SHING (HOLDINGS) LIMITED***(Incorporated in Hong Kong with limited liability)***Results for the year ended 31st December, 2002****RESULTS**

The Board of Directors are pleased to announce the audited consolidated results of the Group for the year ended 31st December, 2002 as follows:

	Year ended 31st December,	
	2002	2001
	HK\$'000	HK\$'000
Turnover (<i>Note 2</i>)	1,072,821	860,920
Other operating income	3,238	5,689
Changes in inventories of finished goods	11,458	5,449
Purchase of goods held for resale	(995,778)	(773,658)
Raw materials and consumables used	(3,530)	(4,392)
Staff costs	(20,859)	(20,698)
Depreciation and amortisation	(2,495)	(2,893)
Other operating expenses	(29,135)	(25,165)
Net realised gain and unrealised loss on other investments	(15,878)	(21,771)
Impairment loss recognised in respect of investment securities	(1,300)	—
(Deficit) surplus arising on revaluation of investment properties	(1,000)	16,110
Profit from operations	17,542	39,591
Finance costs	(4,363)	(5,883)
Gain on dilution of interest in an associate	—	4,113
Share of (loss) profit of associates	(1,235)	1,725
Amortisation of premium arising on acquisition of an associate	(3,417)	(3,022)
Profit before taxation	8,527	36,524
Taxation (<i>Note 3</i>)	(3,884)	(4,640)
Profit before minority interests	4,643	31,884
Minority interests	(491)	(1,128)
Net profit for the year	4,152	30,756
Dividends (<i>Note 4</i>)	11,138	17,820
Earnings per share (<i>Note 5</i>)	HK0.9 cents	HK6.9 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. Adoption of these SSAPs has led to a number of changes in the Group’s accounting policies.

The adoption of these new and revised SSAPs has resulted in the changes to the Group’s accounting policies but has had no significant effect on the results for the current or prior accounting periods.

Foreign currencies

The revisions to SSAP 11 “Foreign Currency Translation” have eliminated the choice of translating the income statements of overseas subsidiaries and operations at the closing rate for the period, the policy previously followed by the Group. They are now required to be translated at an average rate.

Cash flow statements

In the current year, the Group has adopted SSAP 15 (Revised) “Cash Flow Statements”. Under SSAP 15 (Revised), cash flows are classified under three headings - operating, investing and financing, rather than the previous five headings.

Employee benefits

In the current year, the Group has adopted SSAP 34 “Employee Benefits”, which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any significant impact on the financial statements.

2. Segment information

The turnover and contributions to profit from operations of the Group for the year ended 31st December, 2002, analysed by business segments and by geographical segments, are as follows:

By business segments:

	For the year ended 31st December, 2002				For the year ended 31st December, 2001			
	External sales HK\$'000	Inter-segment sales HK\$'000	Total HK\$'000	Segment result HK\$'000	External sales HK\$'000	Inter-segment sales HK\$'000	Total HK\$'000	Segment result HK\$'000
Sales of chemicals and metals	1,054,684	22,526	1,077,210	30,699	833,771	17,258	851,029	28,211
Property investment	14,940	1,531	16,471	8,724	20,282	2,308	22,590	32,494
Security investment	2,619	—	2,619	(14,614)	6,594	—	6,594	(16,859)
Other activities	578	37,179	37,757	30	273	6,762	7,035	47
Elimination	—	(61,236)	(61,236)	—	—	(26,328)	(26,328)	—
Consolidated	<u>1,072,821</u>	<u>—</u>	<u>1,072,821</u>	<u>24,839</u>	<u>860,920</u>	<u>—</u>	<u>860,920</u>	43,893
Interest income from bank deposits				2,322				5,223
Unallocated other operating income				916				466
Unallocated corporate expenses				(10,535)				(9,991)
Profit from operations				<u>17,542</u>				<u>39,591</u>

By geographical segments:

	Revenue by geographical market		Contribution to profit from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	769,329	565,078	7,955	2,690
Taiwan	123,299	140,676	2,661	5,028
Elsewhere in the People's Republic of China	106,112	102,109	14,018	35,297
Others	<u>74,081</u>	<u>53,057</u>	<u>205</u>	<u>878</u>
	<u>1,072,821</u>	<u>860,920</u>	<u>24,839</u>	43,893
Interest income from bank deposits			2,322	5,223
Unallocated other revenue			916	466
Unallocated corporate expenses			(10,535)	(9,991)
Profit from operations			<u>17,542</u>	<u>39,591</u>

3. Taxation

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
The tax charge attributable to the Company and its subsidiaries comprises:		
Current taxation		
Hong Kong Profits Tax	2,973	2,922
Profits tax outside Hong Kong	<u>887</u>	<u>1,706</u>
	3,860	4,628
Share of taxation attributable to associates	<u>24</u>	<u>12</u>
	<u><u>3,884</u></u>	<u><u>4,640</u></u>

Hong Kong Profits Tax is calculated at 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

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Interim dividend paid in respect of 2002 of 1 cent (2001: 1 cent) per ordinary share	4,455	4,455
Final dividend paid in respect of 2001 of 1.5 cents (2000: 3 cents) per ordinary share	<u>6,683</u>	<u>13,365</u>
	<u><u>11,138</u></u>	<u><u>17,820</u></u>

5. Earning per share

The calculation of the earnings per share is based on the net profit for the year of HK\$4,152,000 (2001: HK\$30,756,000) and on 445,500,000 ordinary shares (2001: 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, 2001	153,728	26,127	7,011	13,781	550	369,265	570,462
Exchange differences arising on translation of overseas operations	—	—	—	—	522	—	522
Share of an associate's movement in reserves	—	—	(95)	8	68	2	(17)
Net profit for the year	—	—	—	—	—	4,152	4,152
Dividends paid	—	—	—	—	—	(11,138)	(11,138)
	<u>153,728</u>	<u>26,127</u>	<u>6,916</u>	<u>13,789</u>	<u>1,140</u>	<u>362,281</u>	<u>563,981</u>
At 31st December, 2002	<u>153,728</u>	<u>26,127</u>	<u>6,916</u>	<u>13,789</u>	<u>1,140</u>	<u>362,281</u>	<u>563,981</u>

DIVIDENDS

The Board will recommend at the forthcoming annual general meeting a final dividend of HK1.5 cents (2001: HK1.5 cents) per share payable on or before 27th June, 2003 to shareholders whose names appear on the register of members of the Company on 28th May, 2003. Including interim dividend, total dividends for the year will be HK2.5 cents per share (2001: HK2.5 cents per share).

CLOSURE OF REGISTER OF MEMBERS

The register of member of the Company will be closed from 23rd May, 2003 to 28th May, 2003, 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, 28/F, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 22nd May, 2003.

BUSINESS REVIEW

The Group's consolidated profit attributable to shareholders for 2002 recorded only HK\$4.2 million, representing a large decline from HK\$30.8 million in 2001, mainly due to the fall of rental income from properties investment and unrealized loss in securities investment. Contribution from trading business marked an encouraging increase despite such poor economic environment. Vacant period after the expiration of tenancies mainly in our Shanghai's offices during the year led to a large reduction of rental income. The majority of such vacant spaces had been rented out before end of the year. Geo-political uncertainty as well as shadowy global economic recovery created large volatility in financial markets. The overall performance of our investment portfolio, which comprises a significant portion of equities, in 2002 was poor. Earning per share for 2002 posted 0.9 cents (2001: 6.9 cents).

For the fiscal year ended 31st December, 2002, total turnover of the Group increased by 24.6% to HK\$1,072.8 million. Turnover generated from trading business during the year accounted for HK\$1,054.7 million, representing an increase of 26.5% compared to HK\$833.3 million for the

fiscal year 2001. Turnover generated from rental properties, nevertheless, fell by 26.3% to HK\$14.9 million. Segment results for trading business rose by 8.8% to HK\$30.7 million. Yet segment results for rental properties declined 73.2% to only HK\$8.7 million. Securities investment posted a loss of HK\$14.6 million for the year ended 31st December, 2002.

Results from trading operation performed satisfactory despite that continuous pressures stemmed from turbulent economic environment, price competition, and extremely volatile international market prices. During the year, the Group not only constantly adapted different new strategies to confront such difficult situations but also introduced new products to widen our markets coverage. Weak demand and highly competitive rivals undoubtedly trimmed down the Group's overall gross profit margin.

Affected by vacant period after the expiration of tenancies during 2002, total rental income dropped significantly in 2002. During the second half of the year, most vacant spaces had successfully been leased out. A deficit of HK\$1.0 million was accordingly recognized on the revaluation of our investment properties in Hong Kong as at 31st December, 2002.

2002 was another gloomy year for the global equity markets. The unsteady state of the global economic recovery and geo-political risks shattered investors' confidence in the equities markets. Under such conditions, our securities portfolio performed poorly and a net unrealized and realized loss of HK\$15.9 million was for the year 2002.

EMPLOYEES

The Group employed a staff of 98 at the year-end of 2002 of whom 63 worked in Hong Kong, 15 worked in Mainland China and 20 worked in overseas offices. Employee turnover rate remained low and the additional 5 staff employed during the year was for staff replacement and an increase in workforce in Mainland China. Total staff costs slightly increased by 0.8% in 2002 over a year ago. The Group also provides other benefits including medical insurance, discretionary bonus scheme, recreation allowances as well as training and education allowances to all staff.

FINANCIAL RESOURCES AND LIQUIDITY

The Group's shareholders' fund decreased from HK\$ 592.7 million at year-end of 2001 to HK\$586.3 million as at 31st December, 2002.

The Group held total cash and bank deposits of HK\$ 186.3 million as at 31st December, 2002, an increase of HK\$24.0 million compared with that of previous year. Net cash position was HK\$ 7.3 million as at 31st December, 2002, declining from net cash of HK\$25.0 million as at 31st December, 2001. The decrease in net cash was mainly due to the increase in trade receivables and inventories at the year-end. Gearing ratio, representing total bank borrowings divided by shareholders' fund, was 0.31 as at 31st December, 2002.

DEBT STRUCTURE

All bank borrowing were in forms of trust receipts and money market loans as at 31st December, 2002. Total bank borrowings utilized about 39.6% of total available banking facilities granted by various banks as at 31st December, 2002. Guarantee given in respect of bank loans to the Group's subsidiaries as at 31st December, 2002 amounted to HK\$452.5 million.

All borrowing bear interests on floating rates and matured within one year. Average interest rate charged on borrowing during the year 2002 was 2.8% per annum. Interest expenses in 2002 were HK\$4.4 million, representing a decrease of 25.4% compared to HK\$5.9 million in 2001.

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, 2002.

Short-term borrowings denominated in foreign currencies other than United States Dollars were used to finance assets purchased in the same currencies.

PROSPECTS

The outcome and the duration of the US-led war against Iraq will bear a significant influence on the global economy. Faced with a large number of variables that could happen during and after the war, the Group is determined to better control the operation costs in trading business, introduce more new products in the markets and remain highly alert to formulate new sales strategies in such changing environment. We believe the underlying operations are able to achieve satisfactory results for trading business amid tremendous uncertainties in 2003.

Office rents in Hong Kong will continue to suffer from weak demand and distressed economic environment. However, overall rental income should improve in 2003 as vacant spaces in Shanghai's office are almost fully occupied by end of 2002. Financial markets are expected to have further volatility in the months ahead. We will maintain conservative stance in managing the securities investment unless signs of global economic recovery become more evident.

On behalf of the Board of Directors, I would like to thank all our staff who demonstrated their full efforts to secure our core business in this particular severe situation. The whole Group will continue to devote all strengths to achieve better results for the next year.

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, 28th March, 2003

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 Wednesday, 28th May, 2003 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, 2002;
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(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.”

By Order of the Board
WONG CHOI YING
Secretary

Hong Kong, 28th March, 2003

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, 23rd May, 2003 to Wednesday, 28th May, 2003 (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, 28/F, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 22nd May, 2003. Dividend warrants will be despatched to Shareholders on or before Friday, 27th June, 2003.

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