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**Kee Shing (Holdings) Limited**

(Incorporated in Hong Kong with limited liability)

(Stock Code : 174)

**ANNOUNCEMENT OF FINAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2008**

<b>HIGHLIGHTS</b>	2008 HK\$'000	2007 HK\$'000	Change %
Turnover	1,782,553	2,771,092	-35.7%
(Loss) Profit Attributable to Shareholders	(89,227)	94,974	N.A.
(Loss) Earnings Per Share	(20.03 ¢)	21.32 ¢	N.A.
Shareholders' Fund Per Share	1.25	1.49	-16.1%
Interest Cover	(6.06 times)	5.24 times	N.A.

The Board of Directors are pleased to announce the audited consolidated income statement of the Company and its subsidiaries (the "Group") for the year ended 31st December 2008 and the consolidated balance sheet of the Group as at 31 December 2008 together with the comparative figures for 2007. The audited report has been reviewed by the Company's audit committee.

## **CHAIRMAN'S STATEMENT**

The Kee Shing Group encountered a difficult time in year 2008 – a year that was comprised of a drastic downturn in economy worldwide, a global financial crisis and credit collapse, and an enormous fluctuation in commodity and raw material prices. These adverse market situations had severely affected Kee Shing Group's operations and profitability and resulted in a loss attributable to shareholders amounting to HK\$ 89.2 million in 2008, mainly due to the impact of inventory loss and losses arising from mark-to-market valuing of the Group's securities portfolio.

Interim dividend of Hong Kong 2.5 cents per ordinary share was declared on 16<sup>th</sup> September, 2008. However, due to the losses made this year, the Board of Directors does not recommend the payment of a final dividend for 2008 (Final dividend for 2007: Hong Kong 6.0 cents per ordinary share).

## **BUSINESS REVIEW**

During the course of 2008, overall trading business environment experienced a drastic change and turmoil due to the global financial tsunami. Concerns of credit shortage, production restriction in China and future demand uncertainty caused many companies extensively reduced their production capacity. Substantial purchase orders reduction and orders cancellation were witnessed. Sharply weakened demand at the last quarter of 2008 resulted in the collapse of commodity metal prices and significant distress in credits availability, inevitably led to a very poor financial result of our trading section, mainly arising from inventory loss and receivable loss, during the second half year of 2008.

The abrupt and severe impact of global banking crisis after the collapse of Lehman Brothers in August last year was followed by severe price dislocation and illiquid market situation stemming from emotions of fear and panic among investors. Accordingly, the Group suffered from a mark-to-market loss on value over securities that we held at the year end. Benefiting from steady growth economic environment in China, business in property investment remained stable during the year.

On the bright side, our strong balance sheet gives us a competitive advantage under current challenging times. Our net gearing ratio, which is the ratio of bank borrowings to equity attributable to equity holders of the Group, was 35.1% at 31<sup>st</sup> December, 2008 (as at 31<sup>st</sup> December, 2007: 64.1%). Total debt liabilities to bankers accounted at HK\$195.0 million at the year end. During the first three months of 2009, we have further reduced our total debt liabilities by more than 20%. Total cash held by the Group as at 31<sup>st</sup> December, 2008 was HK\$117.7 million and additional cash inflow, arising from reducing trading receivable, disposal of inventory as well as investment securities, was recorded in the following three months. The well positioned balance sheets indicate the Group is able to take full advantage in the event of economic recovery in the market.

Facing highly uncertainties in demand and market conditions, the Group has also taken several actions aimed at ensuring flexibility in financial resources. These include reduction in fixed cost mainly in human resources, effective management in purchase controls and inventories level, as well as credit tightening among all customers. Besides on reduction in working capital, the Group also set up strategic goals to ensure more understanding in customers' needs and financial conditions, broadening customer base, as well as escalating creativity and perspective among all staff.

## **CORPORATE GOVERNANCE**

The Group is committed to adopt governance principles and standards to safeguard the interests of shareholders and stakeholders. The Group's Corporate Governance Report is set out on the Annual Report.

## **OUTLOOK**

Despite lack of visibility on prevailing near-term market condition, we believe a company that conducts business sustainability, accountability and responsibility over challenging times is more susceptible to success in future. Having careful monitoring and management on business strategies and venture, the Group should be able to maintain a robust financial position throughout an extended period of uncertainties and pursue a better growth and shareholder value return when the time of recovery arrives.

Finally, on behalf of my fellow Board members and myself, I would like to thank all our customers and bankers for their strong support and understanding in these severe adverse market conditions. Also, I would like to thank all shareholders for their confidence and trust of the Group's management in these turbulent times. To all Kee Shing staff, I would like to thank them for their valuable contributions and commitment at the present difficult business environment. We believe our financial strength and determination will lead us to overcome more challenges ahead.

**LEUNG SHU WING**

*Chairman*

Hong Kong, 8<sup>th</sup> April, 2009

CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER, 2008

	<u>NOTES</u>	<u>2008</u> HK\$'000	<u>2007</u> HK\$'000
Turnover	2	1,782,553	2,771,092
Other income		9,810	6,790
Changes in inventories of finished goods		(94,283)	(68,135)
Purchases of goods held for resale		(1,596,388)	(2,551,266)
Raw materials and consumables used		(44,205)	(48,760)
Staff costs		(26,287)	(27,529)
Depreciation		(1,951)	(2,639)
Write-down of inventories		(20,647)	-
Other expenses		48,486	(27,035)
Loss on disposal of available-for-sale investment		(20)	-
(Loss) gain arising from changes in fair value of investments held for trading		(62,064)	11,467
Gain arising from change in fair value of foreign exchange yield linked deposit		58	847
Gain arising from changes in fair value of investment properties		27,106	73,304
Finance costs		(12,342)	(26,337)
(Loss) profit before taxation		(87,146)	111,799
Income tax expense	3	(1,812)	(9,953)
(Loss) profit for the year		<u>(88,958)</u>	<u>101,846</u>
Attributable to:			
Equity holders of the Company		(89,227)	94,974
Minority interests		269	6,872
		<u>(88,958)</u>	<u>101,846</u>
Dividends	4	<u>37,868</u>	<u>44,550</u>
(Loss) earnings per share - basic	5	<u>(HK 20.03 cents)</u>	<u>HK21.32 cents</u>

BALANCE SHEETS  
AT 31ST DECEMBER, 2008

	<u>NOTES</u>	<u>THE GROUP</u>		<u>THE COMPANY</u>	
		<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current Assets</b>					
Investment properties		345,125	320,406	-	-
Property, plant and equipment		27,957	28,890	280	415
Investments in subsidiaries		-	-	30,594	64,811
Interest in an associate		453	453	-	-
Available-for-sale investments		-	15,487	-	-
Foreign exchange yield linked deposit		8,715	8,657	-	-
Amounts due from subsidiaries		-	-	302,590	364,077
		<u>382,250</u>	<u>373,893</u>	<u>333,464</u>	<u>429,303</u>
<b>Current Assets</b>					
Inventories		127,439	221,734	-	-
Debtors, deposits and prepayments	6	84,007	228,035	777	388
Bills receivable		3,536	24,914	-	-
Investments held for trading		125,964	208,882	-	-
Taxation recoverable		931	4,837	-	-
Short term bank deposits		33,721	28,645	-	-
Bank balances and cash		84,000	107,824	49	147
		<u>459,598</u>	<u>824,871</u>	<u>826</u>	<u>535</u>
<b>Current Liabilities</b>					
Creditors and accrued charges	7	38,559	50,857	41,116	4,678
Amounts due to minority shareholders of subsidiaries		6,446	9,588	-	-
Taxation payable		707	2,280	-	-
Bank borrowings		195,031	425,989	25,000	25,000
Amounts due to subsidiaries		-	-	96,257	42,237
		<u>240,743</u>	<u>488,714</u>	<u>162,373</u>	<u>71,915</u>
<b>Net Current Assets (Liabilities)</b>		<u>218,855</u>	<u>336,157</u>	<u>(161,547)</u>	<u>(71,380)</u>
<b>Total Assets Less Current Liabilities</b>		<u>601,105</u>	<u>710,050</u>	<u>171,917</u>	<u>357,923</u>
<b>Capital and Reserves</b>					
Share capital		22,275	22,275	22,275	22,275
Reserves		533,105	642,534	149,642	335,648
Equity attributable to equity holders of the Company		555,380	664,809	171,917	357,923
Minority interests		30,933	30,055	-	-
<b>Total Equity</b>		<u>586,313</u>	<u>694,864</u>	<u>171,917</u>	<u>357,923</u>
<b>Non-current Liabilities</b>					
Deferred tax liabilities		14,792	15,186	-	-
		<u>601,105</u>	<u>710,050</u>	<u>171,917</u>	<u>357,923</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31ST DECEMBER, 2008**

	Attributable to equity holders of the Company							Minority interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
At 1st January, 2007	22,275	153,728	18,840	(1,342)	2,941	415,292	611,734	22,731	634,465
Gain on structured bank deposits	-	-	-	1,229	-	-	1,229	-	1,229
Exchange differences arising on translation of the Group's foreign operations	-	-	-	-	1,422	-	1,422	778	2,200
Total income recognised directly in equity	-	-	-	1,229	1,422	-	2,651	778	3,429
Profit for the year	-	-	-	-	-	94,974	94,974	6,872	101,846
Total recognised income for the year	-	-	-	1,229	1,422	94,974	97,625	7,650	105,275
Dividends paid	-	-	-	-	-	(44,550)	(44,550)	(326)	(44,876)
At 31st December, 2007	22,275	153,728	18,840	(113)	4,363	465,716	664,809	30,055	694,864
Gain on structured bank deposits	-	-	-	93	-	-	93	-	93
Exchange differences arising on translation of the Group's foreign operations	-	-	-	-	17,553	-	17,553	1,006	18,559
Total income recognised directly in equity	-	-	-	93	17,553	-	17,646	1,006	18,652
(Loss) profit for the year	-	-	-	-	-	(89,227)	(89,227)	269	(88,958)
Release on disposal of structured bank deposits	-	-	-	20	-	-	20	-	20
Total recognised income (expense) for the year	-	-	-	113	17,553	(89,227)	(71,561)	1,275	(70,286)
Dividends paid	-	-	-	-	-	(37,868)	(37,868)	(397)	(38,265)
At 31st December, 2008	22,275	153,728	18,840	-	21,916	338,621	555,380	30,933	586,313

## 1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”)

During the year, the Group and the Company have applied, for the first time, the following amendment and new interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

HKAS 39 & HKFRS7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) - Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) - Int 12	Service Concession Arrangements
HK(IFRIC) - Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group and the Company for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group and the Company have not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>2</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>2</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>3</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>2</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>3</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>2</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>2</sup>
HKFRS 3 (Revised)	Business Combinations <sup>3</sup>
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments <sup>2</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC) - Int 9 & HKAS 39 (Amendments)	Embedded Derivatives <sup>4</sup>
HK(IFRIC) - Int 13	Customer Loyalty Programmes <sup>5</sup>
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate <sup>2</sup>
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation <sup>6</sup>
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners <sup>3</sup>
HK(IFRIC) - Int 18	Transfers of Assets from Customers <sup>7</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>3</sup> Effective for annual periods beginning on or after 1st July, 2009

<sup>4</sup> Effective for annual periods ending on or after 30th June, 2009

<sup>5</sup> Effective for annual periods beginning on or after 1st July, 2008

<sup>6</sup> Effective for annual periods beginning on or after 1st October, 2008

<sup>7</sup> Effective for transfers on or after 1st July, 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group and the Company.

## 2. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business segments

These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

*For the year ended 31st December, 2008*

	Sales of chemicals and metals HK\$'000	Property investment HK\$'000	Securities investment HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<i>Turnover</i>					
External sales	1,755,254	22,994	4,305	-	1,782,553
Inter-segment sales	-	2,440	-	(2,440)	-
Total turnover	<u>1,755,254</u>	<u>25,434</u>	<u>4,305</u>	<u>(2,440)</u>	<u>1,782,553</u>

Inter-segment sales are charged at prevailing market rates.

### Results

Segment result	<u>(50,964)</u>	<u>44,744</u>	<u>(63,214)</u>		(69,434)
Interest income from bank deposits					2,742
Unallocated other income					5,010
Unallocated corporate expenses					(13,122)
Finance costs					<u>(12,342)</u>
Loss before taxation					(87,146)
Income tax expense					<u>(1,812)</u>
Loss for the year					<u>(88,958)</u>



2. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

**Business segments** - continued

*For the year ended 31st December, 2007*

	Sales of chemicals and metals HK\$'000	Property investment HK\$'000	Securities investment HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<i>Turnover</i>					
External sales	2,749,299	17,349	4,444	-	2,771,092
Inter-segment sales	-	1,343	-	(1,343)	-
Total turnover	<u>2,749,299</u>	<u>18,692</u>	<u>4,444</u>	<u>(1,343)</u>	<u>2,771,092</u>

Inter-segment sales are charged at prevailing market rates.

*Results*

Segment result	<u>44,982</u>	<u>85,462</u>	<u>15,506</u>		145,950
Interest income from bank deposits and structured bank deposits					4,040
Unallocated other income					2,750
Unallocated corporate expenses					(14,604)
Finance costs					<u>(26,337)</u>
Profit before taxation					111,799
Income tax expense					<u>(9,953)</u>
Profit for the year					<u>101,846</u>

### 3. INCOME TAX EXPENSE

	<u>2008</u> HK\$'000	<u>2007</u> HK\$'000
The tax charge attributable to the Group comprises:		
Current taxation		
Hong Kong Profits Tax	64	995
Profits tax outside Hong Kong	<u>3,059</u>	<u>2,853</u>
	<u>3,123</u>	<u>3,848</u>
Overprovision in prior years		
Hong Kong Profits Tax	(95)	(42)
Profits tax outside Hong Kong	<u>(153)</u>	<u>(381)</u>
	<u>(248)</u>	<u>(423)</u>
	<u>2,875</u>	<u>3,425</u>
Deferred taxation (note 30)		
Current year	1,740	6,528
Effect of change in tax rate	<u>(2,803)</u>	<u>-</u>
	<u>(1,063)</u>	<u>6,528</u>
	<u>1,812</u>	<u>9,953</u>

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for year ended 31st December, 2008. On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The deferred tax balance has been adjusted to reflect the tax rate that are expected to apply in the respective periods when the liability is settled.

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

On 16th March, 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No.63 of the President of the People's Republic of China. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and the Implementation Regulations changed the tax rate of relevant subsidiaries of the Company to 7.5% (2007: 10%) from 1st January, 2008 onwards.

#### 4. DIVIDENDS

	<u>2008</u> HK\$'000	<u>2007</u> HK\$'000
Dividends recognised as distributions during the year:		
Interim dividend paid in respect of 2008 of 2.5 cents (2007: 4 cents) per ordinary share	11,138	17,820
Final dividend paid in respect of 2007 of 6 cents (2006: 6 cents) per ordinary share	<u>26,730</u>	<u>26,730</u>
	<u>37,868</u>	<u>44,550</u>

No dividend was proposed since the balance sheet date.

#### 5. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to equity holders of the Company is based on the loss for the year of HK\$89,227,000 (2007: profit of HK\$94,974,000) and on 445,500,000 ordinary shares (2007: 445,500,000 ordinary shares) in issue during the year.

No diluted (loss) earnings per share have been presented as there were no dilutive potential ordinary shares in issue in either 2008 or 2007.

## 6. DEBTORS, DEPOSITS AND PREPAYMENTS

	<u>THE GROUP</u>	
	<u>2008</u>	<u>2007</u>
	HK\$'000	HK\$'000
Trade debtors	91,867	222,760
Less: allowance for doubtful debts	<u>(19,789)</u>	<u>(11,681)</u>
	72,078	211,079
Deposits and prepayments	<u>11,929</u>	<u>16,956</u>
Total debtors, deposits and prepayments	<u><u>84,007</u></u>	<u><u>228,035</u></u>

The aged analysis of trade debtors, net of allowance for doubtful debts are as follows:

	<u>THE GROUP</u>	
	<u>2008</u>	<u>2007</u>
	HK\$'000	HK\$'000
0 - 30 days	25,941	105,083
31 - 60 days	10,428	59,811
61 - 90 days	15,825	26,968
91 - 120 days	11,097	9,508
121 - 365 days	<u>8,787</u>	<u>9,709</u>
	<u><u>72,078</u></u>	<u><u>211,079</u></u>

The credit period on sales of goods to its trade debtors of the Group ranges from cash on delivery to 120 days. The Group has provided fully for all receivables over 270 days because historical experience is such that receivables that are past due beyond 270 days are generally not recoverable. Trade debtors between 120 days and 270 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

## 7. CREDITORS AND ACCRUED CHARGES

	<u>THE GROUP</u>	
	<u>2008</u>	<u>2007</u>
	HK\$'000	HK\$'000
Trade creditors	18,448	30,979
Other creditors and accrued charges	<u>20,111</u>	<u>19,878</u>
	<u>38,559</u>	<u>50,857</u>

The aged analysis of the trade creditors are as follows:

	<u>2008</u>	<u>2007</u>
	HK\$'000	HK\$'000
0 - 30 days	18,390	30,925
31 - 60 days	58	44
Over 90 days	<u>-</u>	<u>10</u>
	<u>18,448</u>	<u>30,979</u>

The credit period on purchase of goods ranges from 0 to 120 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The Company did not have any trade creditors at the balance sheet date.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OPERATION REVIEW

#### TRADING DIVISION

The principal trading activities of the Group and the contribution of each activity to the Group are summarized as below:

For the Year ended:	Turnover		Segment Results	
	31.12.2008 HK\$'000	31.12.2007 HK\$'000	31.12.2008 HK\$'000	31.12.2007 HK\$'000
Electroplating Materials and Chemicals	1,609,257	2,569,455	(50,014)	30,902
Paint and Coating Chemicals	109,968	122,428	3,994	6,177
Stainless Steel	36,029	57,416	(4,944)	7,903
<b>Total</b>	<b>1,755,254</b>	<b>2,749,299</b>	<b>(50,964)</b>	<b>44,982</b>

#### Electroplating Materials and Chemicals

We believe the global financial crisis that we've experienced today is one of the most serious that the world has ever seen. The global economic downturn was so rapid that its speed was far greater than anyone's expectation. During the year of 2008, particularly in the last quarter, we have witnessed an unprecedented substantial demand contraction of our products across the regions that we are participating. The swift deterioration also marked a lack of visibility on future demand expectation. Extremely sharp fall of metal prices, fueled by rapid unwinding and de-leveraging of commodity investment as well as deterioration of global commodity demand, gave rise to a significant inventory loss of our overall business, especially relating to nickel metal.

#### Precious Metal Products

Although total sales quantities of precious metal products fell by 38.3% annually, yearly revenues fell by 20.8% while gross profit dropped by 23.7%. During the year, electroplating demand on precious metals products shrank due to precious-metal-related production restriction imposed by the Chinese government from May till early September for security reason of Beijing 2008 Summer Olympics, as well as reduction in export demand from the United States market. Demand weakening continued at the last quarter of 2008, particularly those applications used in automotive-related and electronics industrial sector, resulting from an effect of severe reduction in global exports to the rest of the world. De-stocking before Chinese New Year of 2009 also drove down the consumption demand appetite among customers. Similarly to other industrial metal, precious metal prices also experienced high volatility during the year. Therefore, we intentionally maintained our inventory at a very low level throughout the year at the risk of shortage supply to customers who requested goods delivery in short notice. Concerned with financing difficulties among precious metal end-users, we further shortened the credit terms at the last quarter of the year. In view of solid consumer spending in China market, we have increasingly raised our inventory level after the Chinese New Year of 2009.

#### Base Metal Products

Nickel metal experienced a significant fall all through second half of the year due to severe downturn in commodity physical consumption as well as massive de-leveraging among commodity investors. After peaking at US\$33,299 per tonne in March, it continued to fall to the lowest of US\$8,804 per tonne in October. In association with rapid weakening of global economic condition after the fall of Lehman Brothers, nickel physical demand plunged significantly all over the world. This included applications in stainless steel mills, aerospace turbine and electroplating sectors. The Group's nickel monthly sales orders at the last month of the year was less than 20% of its normal sales volume. The substantial fall in demand meant a sharp rise in stock level in supply chain. In spite of swift and massive reduction of purchases from overseas supplier at the last quarter, we incurred an impairment loss of inventory of nickel of approximately

HK\$ 14 million as at 31<sup>st</sup> December, 2008. In the first two months of 2009, we stopped purchase from overseas supplier in way of cutting overall stock level to a normal level. Yet, slowing demand of nickel remained after Chinese New Year.

Demand on electroplating copper in China and Taiwan also plunged. Amid global sharp fall in consumer demand of electronic products such as notebooks, mobile phones, electrical appliances, sales volumes of electroplating copper to Printed Circuit Board manufacturers that provide application for electronic products fell by more than 40% at the last quarter of 2008. De-stocking was common among customers at the year end. Similar to other base metal, copper metal price started to fall from peak of US\$ 9,000 per tonne in July to the lowest of US\$ 2,767 per tonne in December. Thereby, an impairment loss of inventory was incurred as at 31<sup>st</sup> December, 2008 at around HK\$ 1.4 million.

In response to significant reduction in the prices and demand for commodity metals, we have cut all purchase orders from overseas and local suppliers by more than 50% towards the end of 2008. However, the multitude and depth of economic downturn was completely out of our expectation. As at 31<sup>st</sup> December, 2008, total inventory level was recorded at HK\$ 101.7 million, a sharp decline of 48.0% from HK\$ 195.7 million as at 31<sup>st</sup> December, 2007. This stock level included a provision of inventory loss as at 31<sup>st</sup> December, 2008 of HK\$ 16.0 million. Significant downturn of industrial production, particularly around Pearl River Delta area in Southern China, also uplifted the Group's cautiousness on customers' credibility at the last quarter. We have taken conservative steps by shortening all credits extended to customer during the last quarter of the year, considering a sizeable credit tightening among commercial banks located in Hong Kong and around Pearl River Delta region as well as sharp production contraction at the last quarter of 2008. Despite all these measures, we are still required to make a provision for doubtful debts of HK\$ 19.8 million due to the failure of customers' business and shortage of working capital of customers under such distress business environment. Total net account receivable sum reported at HK\$ 67.0 million at the year end. (as at 31<sup>st</sup> Dec, 2007: HK\$ 195.2 million).

We expect the impact of nickel and copper metal prices to stabilize in the first half year of 2009 due to rapid response of production cuts among miners and producers. Yet the resumption of consumer confidence in the North America and European markets remained dull. It is expected that global demand recovery upon metal consumption will, little by little, move towards Asian region (excluding Japan), particularly in China and other Asian countries with sound fundamentals. Stimulus plans implemented among governments of China and other Asian countries during the first quarter of 2009 positively assisted industrial sector not to further deteriorate after the unprecedented adverse impact at the end of 2008. We expect even today metal production cut among producers and miners could not completely mitigate the impact of sharp fall in demand, the outlook of global demand will slowly recover in the medium to longer term and physical supply tightening will become an alarming concern in later days.

### **Paint and Coating Chemicals**

Demand of paint and coating chemical products started to plummet in China from late October 2008. Drastic production decline among construction industries, furniture and automotive sectors immediately chilled down the optimistic sentiment across Southern and Eastern China region after the successful completion of Beijing Summer Olympic 2008. Overall turnover in 2008 fell by 10.2% to HK\$ 110.0 million and gross profit fell by 27.0%.

During the course of 2008, oil markets experienced a tremendous volatility, falling from peak of US\$147.27 per barrel in July to the low of US\$32.4 per barrel in December. Being the primary raw material of making chemical products that we traded, we witnessed the prices of paint and coating chemical products also rose to the peak in the middle of the year and then fell continuously towards the end of the year, and further deterioration in prices was seen in the first two months of 2009. Therefore, we incurred an impairment loss of inventory of approximately HK\$ 0.7 million as at 31<sup>st</sup> December, 2008. Customers' demand also deteriorated swiftly at the last quarter of 2008 as production capacity of many industries in

relation to automotive, construction and furniture sectors all slowed down their capacity level and some factories even temporary suspended their production by the year end.

Considering financing difficulties among customers in downturn economic environment, we reduced our purchases from overseas and local Chinese suppliers substantially at the year end. Receivable turnover (including open accounts and bills payment) also decreased substantially as at 31<sup>st</sup> December, 2008. In order to diversify the risk of relying on traditional paint and coating chemical products, we continued to introduce new products and develop new applications to unexplored industrial users in China market. We expect that weak market climate, in particular of industries dependence on exports to the United States or Europe, will continue in the year of 2009 amid financial crisis worldwide. In view of the solid economic growth in China, we will put more efforts on customers which production are targeting on local industrial consumption.

### **Stainless Steel**

When compared with HK\$ 57.4 million in 2007, sales of stainless steel decreased by 37.3% to HK\$36.0 million in 2008. During the course of 2008, in particular of the last quarter, stainless steel demand and prices seriously suffered from abrupt and negatively impact by global economic downturn. Asian stainless steel 304 cold rolled base price fell from peak of US\$4,350 per ton in April to US\$2,150 per ton in December, and further fall was seen in the first two months of 2009. In spite of extensive production cuts by stainless steel mills during the second half year of 2008, deterioration of consumer spending caused many stainless steel customers to operate their production at low capacity level or even temporary stoppage of production. These customer actions outpaced the size of supply contraction and weak demand in stainless steel continued after 2008.

Being a service center in a supply chain, we thereby incurred an impairment loss of inventory amounting HK\$ 5.0 million as at 31<sup>st</sup> December, 2008. In short-to-medium term, we expect market demand continued to suffer from current stress economic condition. Without having visibility in future demand recovery, we have ceased purchases from overseas suppliers in the first two months of 2009. Inventory level as at 31<sup>st</sup> December, 2008 reported at HK\$ 23.5 million, representing a decline of 11.3% from HK\$ 26.5 million as at 31<sup>st</sup> December, 2007. Amid current financing shortage environment, account receivable turnover also fell at the 2008 year end due to weak sales turnover as well as credit tightening among all customers.

### **Property Investment Division**

Total rental income rose by 32.9% to HK\$ 23.0 million in 2008 when compared with HK\$ 17.3 million in 2007.

Average occupancy rate for Hong Kong offices was 98.4% during the year of 2008. Weakening confidence on global financial crisis clouded over office markets during the second half year of 2008. Multinational companies began to downsize their floor areas to cope with deepening global financial crisis. Overall Hong Kong office rental market was lackluster at the year end. Distress business environment in Hong Kong tarnished outlook of office rent in Grade B office buildings at the last quarter of 2008. As at 31<sup>st</sup> December, 2008, a deduction of HK\$ 1.0 million on revaluation of Hong Kong office properties was recorded after revalued by appointed surveyor.

Average occupancy rate of Shanghai offices was 98.5% in 2008. Surged supply and slacken leasing activities were typical phenomenon among Shanghai office market during the fourth quarter of 2008. Developers of most Grade-A office buildings delayed their timetable to sell or lease to the market in the midst of escalating vacancy rate. Many enterprises in Grade-A office buildings with expiring leases chose to move to less costly locations or Grade-B office buildings. Although oversupply situation of Grade-A office buildings mainly concentrated in Pudong area, mounting downward pressure was noticeable across market rental prices of Shanghai office buildings. Despite of drop in rental value, there was no noticeable



drop in value of the properties. As at 31<sup>st</sup> December, 2008, we credited HK\$ 23.0 million on revaluation of our Shanghai office properties.

Average occupancy rate of Shanghai residential properties in 2008 was at 80.0%. As at 31<sup>st</sup> December, 2008, occupancy rate was at 86.4%. During the course of 2008, we sold 9 units of Haihua Garden with total saleable value of HK\$ 20.9 million and a reported gain of HK\$ 1.9 million. Transaction volume remained soft in Shanghai since the implementation of administrative policies on cooling down property markets in the middle of the year. Having aware of the severity of global financial crisis after the completion of Beijing Summer Olympic 2008, the Chinese government immediately reversed its previous policies by introducing several major stimulus measures to increase the property markets activities. Most policies were targeting at residential markets, and a small rebound in transactions was witnessed at the year end. However, negative sentiment continued to weigh on residential property market, in particular of luxury residences in Shanghai area. As at 31<sup>st</sup> December, 2008, we credited HK\$ 3.2 million on revaluation of Shanghai residential properties.

We expect loosening credit policies as well as preference terms on taxation and secondary residences will boost home-users demand in 2009. Although downward pressures on residential prices in Shanghai will continue, we anticipate residential properties at mid-market prices should gain benefits upon down-town location and affordable mortgage installment.

### Securities Investment Division

An analysis of the Group's securities portfolio, current and non-current, by type of securities as at 31<sup>st</sup> December, 2008 is as below:

(In HKD'000)

Market Value as at	31/12/2008	31/12/2007	Diff %
<b>Investment held for trading</b>	<b>125,964</b>	<b>208,882</b>	<b>-39.7%</b>
<b>Foreign Exchange Yield Linked Deposit</b>	<b>8,715</b>	<b>8,657</b>	<b>+0.7%</b>
<b>Available-for-sale Investments</b>	<b>0</b>	<b>15,487</b>	<b>n.a.</b>
<b>Distribution of Securities in Investment held for trading:</b>			
<b>Equities – Hong Kong</b>	30,104	31,819	-5.4%
<b>Equities – Overseas</b>	14,884	36,753	-59.5%
<b>Mutual Funds</b>	80,976	140,310	-42.3%

The investment climate in 2008 was extraordinarily difficult. Severe prices dislocation across credit markets during the first three quarters of 2008 was further deteriorated by the consequences of the collapse of Lehman Brothers in the beginning of the fourth quarter. This distortion caused a rapidly mounting skeptic atmosphere among financial institutions and investors in monetarily dealing with counterparties, and that gave rise to an oversold market conditions and an illiquid market environment at the year end. Coupled with a swift deterioration of global economic condition, global economic indicators sharply decelerated at the year end and later first two months of 2009. Global governments and central banks repeatedly committed to restore the financial system by implementing various fiscal and monetary measures to boost hopes and confidence that the global economies will recovery. Although governments and central banks have aimed at stabilizing credit markets and alleviating systemic risks, corporate profitability remained under pressures. In order to retain adequate financial strengths to cope with current distress market situation, cash conservation among investors, financial institutions and corporations was common trend at the year end.

Under such dismal market condition, we recorded an unrealized loss of HK\$58.3 million as at 31<sup>st</sup> December, 2008. To limit part of further loss during the fourth quarter, we sold some investments and recorded a realized loss of HK\$ 3.8 million. Income generated from the securities portfolio was reported at HK\$ 4.3 million for the year of 2008, a fall of 2.3% when compared with HK\$ 4.4 million in 2007.

Even though we do not believe market will head towards a global great depression, driven by weak industrial demand and reducing international trade activities, we expect equity markets will continue to be

under pressure and excessive volatility will be seen throughout the year 2009. Considering quantitative-easing monetary policies and loosening credit policies will persist for a period of time, high-quality and high-yield credit instruments become market preference providing with a good risk-reward advantages versus mark-to-market volatility. Still, it is expected excessive volatility will be predominant in various financial sectors like equities, credit, currencies and commodities throughout the year.

## EMPLOYEES

Staff cost fell by 4.5% in 2008 to HK\$ 26.3 million. As at 31<sup>st</sup> December, 2008, total staff headcounts was 75, representing a reduction of 10 staff during the year. As market conditions turned sour at the last quarter of 2008, the Group had to prepare for a scenario in which the market continues to remain weak for a period of time. Therefore, the Group had made decision at the end of 2008 by cutting headcounts and reduction or freezing salary to all staff, senior management, and the directors of the Board. This cost saving of approximate 13.7% reduction on fixed costs for 2009, aimed at ensuring cash flow flexibility of the Group. Employment turnover rate, representing average of total number of employee newly recruited plus departed divided by average number of employee over a year, was 24.0% in 2008, when compared with 17.6% in 2007.

## FINANCIAL RESOURCES AND LIQUIDITY

Cash flow generated from operation during 2008 was much higher than previous year at HK\$225.9 million (Fiscal Year 2007: HK\$ 78.4 million), mainly generated from cash receipts due to reduction of inventory and receivables, as well as cutback of purchases from local and oversea suppliers. Together with internal funds resources and cash flow generated from disposal of investment properties and securities investment, these cash inflows had been used mainly for repayment of bank borrowings which accounted for HK\$230.9 million, as well as dividend payment to shareholders at HK\$ 37.9 million during the year.

Working capital balances decreased from HK\$336.2 million in 2007 to HK\$218.9 million during 2008 primarily because of lower sales turnover which in turn reduced debtors and inventories balances.

Combined with inventory loss during the year as well as unrealized loss from securities portfolio, equity attributable to equity holders of the parent company as at 31<sup>st</sup> December, 2008 fell to HK\$ 555.4 million. The Group's total inventory as at 31<sup>st</sup> December, 2008 was posted at HK\$ 127.4 million, representing a decline of 42.5% when compared with HK\$221.7 million as at 31<sup>st</sup> December, 2007. Trade receivable (net) amounted to HK\$ 72.1 million as at 31<sup>st</sup> December, 2008, representing a fall of 65.8% when compared with HK\$ 211.1 million as at 31<sup>st</sup> December, 2007. Trade debtor turnover cycle (net) reported at 15.0 days as at 31<sup>st</sup> December, 2008 when compared with 27.8 days as at 31<sup>st</sup> December, 2007. Substantial decline in debtors was primarily due to the slow sales turnover at the year end as well as extensive credit shortening among customers during the last quarter of 2008.

**An analysis of cash and short term bank deposits by currencies as at 31<sup>st</sup> December, 2008 and 31<sup>st</sup> December, 2007 are set out below:**

<i>As at</i>	<i>HKD</i>	<i>USD</i>	<i>EUR</i>	<i>SGD</i>	<i>RMB</i>	<i>NTD</i>	<i>Other</i>
<b>31/12/2008</b>	<b>15.2%</b>	<b>51.6%</b>	<b>7.1%</b>	<b>0.6%</b>	<b>23.4%</b>	<b>0.3%</b>	<b>1.8%</b>
31/12/2007	29.6%	41.4%	3.6%	0.1%	22.9%	0.4%	2.0%

Cash at bank and in hand less overdrafts as at 31<sup>st</sup> December, 2008 was HK\$117.7 million which compared with HK\$136.5 million as at 31<sup>st</sup> December, 2007. Following from considerable reduction of purchases from suppliers at the last quarter of 2008, total bank borrowings as at 31<sup>st</sup> December, 2008 substantially fell to HK\$195.0 million, representing a 54.2% decline when compared with HK\$426.0 million as at 31<sup>st</sup> December, 2007. Net debt, comprising cash and interest bearing liabilities, was HK\$ 77.3 million as at 31<sup>st</sup> December, 2008, representing a decline of 73.3% from HK\$289.5 million as at 31<sup>st</sup> December, 2007. Gearing, which is the ratio of interest bearing liabilities to net assets, was 0.35:1 at 31<sup>st</sup> December, 2008, compared with 0.66: 1 at 31<sup>st</sup> December, 2007.

## DEBT STRUCTURE

An analysis on bank borrowings by currencies as at 31<sup>st</sup> December, 2008 and 31<sup>st</sup> December, 2007 are set out below: (HK\$ '000)

<i>As at</i>	<i>HK Dollar</i>	<i>US Dollar</i>	<i>Japanese Yen</i>	<i>SGP Dollar</i>	<i>Total</i>
<b>31/12/2008</b>	<b>152,305</b>	<b>20,093</b>	<b>17,371</b>	<b>5,262</b>	<b>195,031</b>
<b>31/12/2007</b>	371,147	26,220	15,179	13,443	425,989

All bank borrowings were in form of Money Market bank loans and Trust Receipt for the fiscal year ended 31<sup>st</sup> December, 2008. Average lending tenor for Trust Receipt in financing trading facilities was about 66 days during the course of 2008, 5 days longer than 61 days for the fiscal year ended 31<sup>st</sup> December, 2007. Money-Market bank loans were either used to finance inventory held in warehouse or securities assets purchased in same foreign currencies. Average interest rate charged to trust receipt borrowings was 3.38% during year when compared with 5.40% for the fiscal year ended 31<sup>st</sup> December, 2007. Average total bank borrowing interest rate charged at 3.37% during the year when compared with 5.33% for the fiscal year ended 31<sup>st</sup> December, 2007. Total interests cost during the year 2008 accounted HK\$12.3 million (Fiscal Year 2007: HK\$26.3 million).

In the event of persistent economic downturn and the significant loss incurred by the Group for the fiscal year of 2008, the Group's Board of Directors has issued a profit warning on 8<sup>th</sup> January, 2009 in accordance with Rule 13.09(1) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. In early of 2009, the Group's management had discussed the Group's financial situation with all our major banks regarding the Group's cash flow situation and associated debt facilities on financing trading activities in 2009. Anticipating slower sales turnover and uncertainty of future market condition, total banking facilities granted to the Group reduced to HK\$802.3 million as at 28<sup>th</sup>, February, 2009.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Member will be closed from 26<sup>th</sup> May, 2009 to 3<sup>rd</sup> June, 2009, both days inclusive, during which period no transfer of shares will be effected. The record dates will be 3<sup>rd</sup> June, 2009. In order to qualify for the annual general meeting attendance and voting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Standard Limited, 26<sup>th</sup> Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 25<sup>th</sup> May, 2009.

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

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

### COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the year ended 31<sup>st</sup> December, 2008 with the Code in Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Exchange"), with which it is required to report compliance.

### COMPLIANCE OF THE MODEL CODE FOR DIRECTORS' SHARE DEALING

All directors have confirmed that they complied with the required standards set out in the Model Code for Directors' Share Dealing as set out in Appendix 10 to the Listing Rules throughout the review period.

## REMUNERATION COMMITTEE

The Remuneration Committee met once during the year. The members of the Committee include three independent non-executive directors, Mr. Wong Kong Chi, Mr. Lai Chung Wing, Robert and Mr. Chan Wing Lee and one executive director, Mr. Wong Chi Kin. Mr. Wong Kong Chi serves as the Chairman of the Remuneration Committee.

The role of the Committee is to assist the Board to oversee the policy and structure of the remuneration of the directors and senior management of the Group and to approve specific remuneration packages of all executive directors and senior management.

## AUDIT COMMITTEE

The Audit Committee, under the chairmanship of Mr. Wong Kong Chi, consists of three independent non-executive directors. The Audit Committee is required, amongst other things, to oversee the relationship with external auditors, review the Company's annual and interim financial statements, and evaluate the Group's internal controls and risk management systems. During the year, the Audit Committee has reviewed the Group's internal controls and risk exposure.

## ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at Empire Hotel Kowloon, G/F., Platino Room, No. 62, Kimberley Road, Tsimshatsui, Kowloon, Hong Kong on Wednesday, 3<sup>rd</sup> June, 2009 at 3:30pm. The notice of Annual General Meeting will be published on the Company's website at [www.keeshing.com](http://www.keeshing.com) and HKExnews website at [www.hkexnews.hk](http://www.hkexnews.hk), and despatched to the shareholders on or about 29<sup>th</sup> April 2009.

## PUBLICATION OF ANNUAL REPORT

The 2008 annual report will be despatched to the shareholders and available on the Company's website at [www.keeshing.com](http://www.keeshing.com) and HKExnews website at [www.hkexnews.hk](http://www.hkexnews.hk) on or about 29<sup>th</sup> April, 2009.

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

*Executive Directors :*

Leung Shu Wing (Chairman)  
Leung Miu King (Managing Director)  
Wong Chi Kin  
Wong Choi Ying

*Non-Executive Directors*

Yuen Tin Fan, Francis

*Independent Non-Executive Director*

Wong Kong Chi  
Lai Chung Wing, Robert  
Chan Wing Lee

**Leung Shu Wing**  
*Chairman*

Hong Kong, 8<sup>th</sup> April, 2009