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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 2009**

<b>HIGHLIGHTS</b>	2009 HK\$'000	2008 HK\$'000	Change %
Turnover	964,715	1,782,553	-45.9%
Profit (Loss) Attributable to Shareholders	79,711	(89,227)	N.A.
Earnings (Loss) Per Share - Basic	17.89 ¢	(20.03 ¢)	N.A.
Shareholders' Fund Per Share	1.43	1.25	+14.4%
Interest Cover	44.6 times	(6.06 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 2009 and the consolidated balance sheet of the Group as at 31 December 2009 together with the comparative figures for 2008. The audited report has been reviewed by the Company's audit committee.

## **CHAIRMAN'S STATEMENT**

Despite uncertainties and volatilities in the global economies during the year of 2009, the Kee Shing Group delivered a sound financial result to all shareholders. Profit attributable to shareholders amounting to HK\$ 79.7 million was recorded for the fiscal year ended 31<sup>st</sup> December, 2009. The result was primarily because of a gain of HK\$ 70.0 million arising from changes of fair value of investment properties during the year end and good cost control of the Group during the year that helped to offset adverse impact of slowdown sales across trading business sectors.

No interim dividend was declared during the year of 2009. Subject to the approval of the shareholders at the forthcoming Annual General Meeting, the Board of Directors recommended a final dividend of 6 Hong Kong cents per ordinary share of the fiscal year of 2009 (Final Dividend for the fiscal year of 2008: nil per ordinary share) payable on or before Friday, 18 June 2010 to shareholders whose names appear on the register of members of the Company on Thursday, 3 June 2010.

## **BUSINESS REVIEW**

Global economic environment had improved over the second half year of 2009, with evident of recovery activities among industrial sectors in western countries and robust rebound in economies among Asian countries. Although the Group's trading business performance varied from one to another sub-sectors over the year, overall sales demand declined significantly during the first half year as a result of sharp fall in market prices and drastic production cuts among industrial end-users. Sales then improved progressively in the second half year with support of strong rally in metal and other raw material prices as well as rapid economic recovery in China and other Asian countries such as South Korea, and Taiwan. A cautious cost-control management and a strong balance sheet were able to shelter the Group's trading operations from an extraordinary weak market environment during the most difficult time in 2009. A segment result of HK\$ 8.4 million was recorded for the fiscal year ended 31<sup>st</sup> December, 2009.

Property market in Shanghai improved considerably in the second half year of 2009, after a bottoming –out during the first half year. A decline trend of office rental in Shanghai was somewhat alleviated during the second half year due to a remarkable decrease in vacancy rates of office buildings in major commercial and financial districts. Investors confidence in Shanghai property markets strengthened in the second half year, fueled with expectation of elevated land prices and positive impact of upcoming Shanghai Expo 2010. During the year, the Group has successfully disposed 15 flat units of Haihua Garden with a gain of HK\$ 4.1 million. Another 6 flat units were being sold in the first quarter of 2010. Attributed to appreciation of properties mainly in Shanghai as at the year end, a segment result of HK\$ 89.5 million was reported.

Amidst a benign economic data, a noteworthy rebound, both in credit and equity markets, was witnessed during the year of 2009. This rally was primarily support from staggering amount of monetary and fiscal stimulus measures implemented by central banks around the world in an effort to avert financial and economic disaster. Credit tightening featured at the end of 2008 and early of 2009 had been considerable eased towards the end of the year, and a broad equity market rally generated a good liquidity environment among investors. A segment result of HK\$ 7.7 million was posted for the year of 2009.

## **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**

Looking forward, a positive momentum on economic recovery was indisputable across Asian countries. Yet we remain cautious over the complexity of the global recovery in 2010 in regards of risks associated with how policymakers' decisions and influences to support a persistent growth of the economies. Demand from China and other neighboring countries is expected to continue to grow although a restraint of growth pace may appear on the impact of gradual withdrawal of governmental stimulus measure during the year of 2010. Sharing with consensus view of most economists across the world towards the economic environment in 2010, the Group will continue to maintain a cost control discipline throughout the year. Also the Group will adjust its investment plan and business strategies with regards to the changes of market conditions.

On behalf of my fellow Board members and myself, I would like to thank for the supports of our Group's shareholders who placed their strong confidence to the Group's management and the Board. Also, I would like to thank our customers, suppliers and bankers who have demonstrated their understanding and support to the Group during the most difficult time in decades. Notwithstanding our caution in short term, we believe a more normalized macroeconomic environment will take place over the long term. The Group should benefit from the relative stable business environment over years.

**LEUNG SHU WING**

*Chairman*

Hong Kong, 13<sup>th</sup> April 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31ST DECEMBER, 2009

	<u>NOTES</u>	<u>2009</u> HK\$'000	<u>2008</u> HK\$'000
Turnover	2	964,715	1,782,553
Other income		8,701	9,810
Changes in inventories of finished goods		(72,122)	(94,283)
Purchases of goods held for resale		(808,775)	(1,596,388)
Raw materials and consumables used		(33,210)	(44,205)
Staff costs		(21,112)	(26,287)
Depreciation		(1,712)	(1,951)
Write-back (write-down) of inventories		17,173	(20,647)
Other expenses		(30,967)	(48,486)
Loss on disposal of available-for-sale investments		-	(20)
Gain (loss) arising from changes in fair value of investments held for trading		4,088	(62,064)
Gain arising from changes in fair value of other assets		1,665	-
Gain arising from changes in fair value of foreign exchange yield linked deposit		112	58
Gain arising from changes in fair value of investment properties		70,039	27,106
Share of loss of an associate		(453)	-
Finance costs		(2,201)	(12,342)
Profit (loss) before taxation		95,941	(87,146)
Income tax expense	3	(10,262)	(1,812)
Profit (loss) for the year		<u>85,679</u>	<u>(88,958)</u>
<b>Other comprehensive income</b>			
Gain on structured bank deposits		-	93
Exchange differences arising on translation		1,344	18,559
Release on disposals of structured bank deposits		-	20
Other comprehensive income for the year		<u>1,344</u>	<u>18,672</u>
Total comprehensive income (expense) for the year		<u>87,023</u>	<u>(70,286)</u>
Profit (loss) for the year attributable to:			
Owners of the Company		79,711	(89,227)
Minority interests		5,968	269
		<u>85,679</u>	<u>(88,958)</u>
Total comprehensive income (expense) attributable to:			
Owners of the Company		80,718	(71,561)
Minority interests		6,305	1,275
		<u>87,023</u>	<u>(70,286)</u>
Earnings (loss) per share - basic	4	<u>HK\$17.89 cents</u>	<u>(HK20.03 cents)</u>

STATEMENT OF FINANCIAL POSITION  
AT 31ST DECEMBER, 2009

	<u>NOTES</u>	<u>THE GROUP</u>		<u>THE COMPANY</u>	
		<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current Assets</b>					
Investment properties		377,997	345,125	-	-
Property, plant and equipment		26,338	27,957	102	280
Investments in subsidiaries		-	-	7,177	30,594
Interest in an associate		-	453	-	-
Foreign exchange yield linked deposit		-	8,715	-	-
Amounts due from subsidiaries		-	-	300,048	302,590
		<u>404,335</u>	<u>382,250</u>	<u>307,327</u>	<u>333,464</u>
<b>Current Assets</b>					
Inventories		72,674	127,439	-	-
Debtors, deposits and prepayments	5	71,829	84,007	878	777
Bills receivable		2,788	3,536	-	-
Investments held for trading		102,671	125,964	-	-
Other assets		23,821	-	-	-
Taxation recoverable		1,460	931	-	-
Short term bank deposits		81,080	33,721	-	-
Bank balances and cash		152,712	84,000	186	49
		<u>509,035</u>	<u>459,598</u>	<u>1,064</u>	<u>826</u>
<b>Current Liabilities</b>					
Creditors and accrued charges	6	29,353	38,559	10,750	41,116
Amounts due to minority shareholders of subsidiaries		4,048	6,446	-	-
Taxation payable		2,362	707	-	-
Bank borrowings		188,855	195,031	15,500	25,000
Amounts due to subsidiaries		-	-	-	96,257
		<u>224,618</u>	<u>240,743</u>	<u>26,250</u>	<u>162,373</u>
<b>Net Current Assets (Liabilities)</b>		<u>284,417</u>	<u>218,855</u>	<u>(25,186)</u>	<u>(161,547)</u>
<b>Total Assets Less Current Liabilities</b>					
		<u>688,752</u>	<u>601,105</u>	<u>282,141</u>	<u>171,917</u>
<b>Capital and Reserves</b>					
Share capital		22,275	22,275	22,275	22,275
Reserves		613,823	533,105	259,866	149,642
Equity attributable to owners of the Company		636,098	555,380	282,141	171,917
Minority interests		34,306	30,933	-	-
<b>Total Equity</b>		<u>670,404</u>	<u>586,313</u>	<u>282,141</u>	<u>171,917</u>
<b>Non-current Liabilities</b>					
Deferred tax liabilities		18,348	14,792	-	-
		<u>688,752</u>	<u>601,105</u>	<u>282,141</u>	<u>171,917</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31ST DECEMBER, 2009

	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	Attributable to owners of the Company HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st January, 2008	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 foreign operations	-	-	-	-	17,553	-	17,553	1,006	18,559
(Loss) profit for the year	-	-	-	-	-	(89,227)	(89,227)	269	(88,958)
Release on disposal of structured bank deposits	-	-	-	20	-	-	20	-	20
Total comprehensive income (expense) for the year	-	-	-	113	17,553	(89,227)	(71,561)	1,275	(70,286)
Dividends paid (note 7)	-	-	-	-	-	(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
Exchange differences arising on translation of foreign operations	-	-	-	-	1,007	-	1,007	337	1,344
Profit for the year	-	-	-	-	-	79,711	79,711	5,968	85,679
Total comprehensive income for the year	-	-	-	-	1,007	79,711	80,718	6,305	87,023
Dividends paid	-	-	-	-	-	-	-	(2,932)	(2,932)
At 31st December, 2009	22,275	153,728	18,840	-	22,923	418,332	636,098	34,306	670,404

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

In the current year, the Group and the Company have applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instrument and Obligations Arising on Liquidation
HKAS 1 & 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfer of Assets from Customers
HKFRSs (Amendments)	Improvements o HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 <sup>st</sup> July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the financial statements of the Group and the Company for the current or prior accounting periods.

### **HKAS 1 (Revised 2007) Presentation of Financial Statements**

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the financial statements, and has resulted in a number of changes in presentation and disclosure.

### **HKFRS 8 Operating Segments**

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 *Segment Reporting*, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") - continued

**Improving Disclosures about Financial Instruments  
(Amendments to HKFRS 7 Financial Instruments: Disclosures)**

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments. The amendments also expand and amend the disclosures required in relation to liquidity risk.

**HKAS 23 (Revised 2007) Borrowing Costs**

In previous years, the Group expensed all borrowing costs when they were incurred. HKAS 23 (Revised 2007) removes the option available under the previous version of the standard to recognise all borrowing costs as expenses immediately and requires all such borrowing costs to be capitalised as part of the cost of the qualifying asset. The Group has applied the transitional requirements in HKAS 23 (Revised 2007) and applied the revised accounting policy to borrowing costs relating to qualifying assets, for which the commencement date for capitalisation is on or after 1<sup>st</sup> January, 2009. As the revised accounting policy has been applied prospectively since 1<sup>st</sup> January, 2009, the change has had no impact on amounts reported in prior accounting periods. In current period, no borrowing costs were capitalised.

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

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>2</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>6</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>4</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>1</sup>
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters <sup>3</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>5</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>3</sup>
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
HKFRS 9	Financial Instruments <sup>7</sup>
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>6</sup>
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>1</sup>
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>5</sup>



## 1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") - continued

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

<sup>2</sup>Amendments that are effective for annual periods beginning on or after 1<sup>st</sup> July, 2009 and 1<sup>st</sup> January, 2010, as appropriate

<sup>3</sup>Effective for annual periods beginning on or after 1<sup>st</sup> January, 2010

<sup>4</sup>Effective for annual periods beginning on or after 1<sup>st</sup> February, 2010

<sup>5</sup>Effective for annual periods beginning on or after 1<sup>st</sup> July, 2010

<sup>6</sup>Effective for annual periods beginning on or after 1<sup>st</sup> January, 2011

<sup>7</sup>Effective for annual periods beginning on or after 1<sup>st</sup> January, 2013

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1<sup>st</sup> January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 introduces new requirements for the classification and measurement of financial assets and will be effective from 1<sup>st</sup> January, 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's and the Company's financial assets.

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 financial statements.

## 2. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1<sup>st</sup> January, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the board of directors decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard HKAS 14 *Segment Reporting* required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The Group's operating segments under HKFRS 8 based on each business division are therefore as follows:

1. Sales of chemicals and metals – trading of electroplating materials, paint and coating chemicals and stainless steel
2. Property investments – rental income from leasing of office and residential properties
3. Securities investments – investing in various securities and generating investment income

Information regarding the above segments, as reported to the chief operating decision maker for the purposes of resource allocation and performance assessment, is tabulated below.

2. SEGMENT INFORMATION - continued

The following is an analysis of the Group's revenue and results by reportable segment.

*For the year ended 31st December, 2009*

	Sales of chemicals and metals HK\$'000	Property investments HK\$'000	Securities investments HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<i>Turnover</i>					
External sales	940,037	22,995	1,683	-	964,715
Inter-segment sales	-	2,230	-	(2,230)	-
Total turnover	<u>940,037</u>	<u>25,225</u>	<u>1,683</u>	<u>(2,230)</u>	<u>964,715</u>
Segment result	<u>8,366</u>	<u>89,483</u>	<u>7,745</u>	-	105,594
Interest income from bank deposits					412
Unallocated other income					4,397
Unallocated corporate expenses					(12,261)
Finance costs					(2,201)
Profit before taxation					95,941
Income tax expense					(10,262)
Profit for the year					<u>85,679</u>

*For the year ended 31st December, 2008*

	Sales of chemicals and metals HK\$'000	Property investments HK\$'000	Securities investments 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>
Segment result	(50,964)	44,744	(63,214)	-	(69,434)
Interest income from bank deposits					2,742
Unallocated other income					5,010
Unallocated corporate expenses					(13,122)
Finance costs					(12,342)
Loss before taxation					(87,146)
Income tax expense					(1,812)
Loss for the year					<u>(88,958)</u>

Inter-segment sales are charged at prevailing market rates .

Segment result represents the profit or loss by each segment without allocation of interest income from bank deposits, unallocated other income, unallocated corporate expenses (including central administration costs and directors' remuneration) and finance costs. This is the measure reported to the board of directors for the purposes of resources allocation and performance assessment.

### 3 INCOME TAX EXPENSE

	<u>2009</u> HK\$'000	<u>2008</u> HK\$'000
The tax charge attributable to the Group comprises:		
Current taxation		
Hong Kong Profits Tax	560	64
Profits tax outside Hong Kong	6,246	3,059
	<u>6,806</u>	<u>3,123</u>
Overprovision in prior years		
Hong Kong Profits Tax	(23)	(95)
Profits tax outside Hong Kong	(73)	(153)
	<u>(96)</u>	<u>(248)</u>
	<u>6,710</u>	<u>2,875</u>
Deferred taxation		
Current year	3,552	1,740
Effect of change in tax rate	-	(2,803)
	<u>3,552</u>	<u>(1,063)</u>
	<u>10,262</u>	<u>1,812</u>

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profit Tax is calculated at 16.5% of the estimated assessable profit for both years.

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% from 1st January, 2008 onwards.

Taxation in other countries outside PRC is calculated at the statutory rates prevailing in the respective jurisdictions.

### 4. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to equity holders of the Company is based on the profit for the year of HK\$ 79,711,000(2008: loss of HK\$89,227,000) and on 445,500,000 ordinary shares (2008: 445,500,000 ordinary shares) in issue during the year.

No diluted earnings (loss) per share have been presented as there were no dilutive potential ordinary shares in issue in both years presented.

## 5. DEBTORS, DEPOSITS AND PREPAYMENTS

	<u>THE GROUP</u>	
	<u>2009</u> HK\$'000	<u>2008</u> HK\$'000
Trade debtors	84,935	91,867
Less: allowance for doubtful debts	<u>(20,202)</u>	<u>(19,789)</u>
	64,733	72,078
Deposits and prepayments	<u>7,096</u>	<u>11,929</u>
Total debtors, deposits and prepayments	<u><u>71,829</u></u>	<u><u>84,007</u></u>

The aged analysis of trade debtors, net of allowance for doubtful debts presented based on the invoice date at the end of reporting period are as follows:

	<u>THE GROUP</u>	
	<u>2009</u> HK\$'000	<u>2008</u> HK\$'000
0 - 30 days	45,787	25,941
31 - 60 days	11,623	10,428
61 - 90 days	5,804	15,825
91 - 120 days	1,205	11,097
121 - 365 days	<u>314</u>	<u>8,787</u>
	<u><u>64,733</u></u>	<u><u>72,078</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 due for more than 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.

Before accepting any new customer, the Group carries out research on the creditability of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. During the year, the aggregate turnover attributable to the Group's five largest customers approximates 22% (2008: 15%) of the Group's total turnover. There are two customers who represent approximate 18% of the total balance of trade debtors.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$12,640,000 (2008: HK\$31,447,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. There has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average overdue age of these receivables is 27 days (2008: 30 days).

## 6. CREDITORS AND ACCRUED CHARGES

	<u>THE GROUP</u>	
	<u>2009</u>	<u>2008</u>
	HK\$'000	HK\$'000
Trade creditors	7,049	18,448
Other creditors and accrued charges	<u>22,304</u>	<u>20,111</u>
	<u><u>29,353</u></u>	<u><u>38,559</u></u>

The aged analysis of the trade creditors presented based on the invoice date at the end of the reporting period are as follows:

	<u>2009</u>	<u>2008</u>
	HK\$'000	HK\$'000
0 - 30 days	7,049	18,390
31 - 60 days	<u>-</u>	<u>58</u>
	<u><u>7,049</u></u>	<u><u>18,448</u></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 end of the reporting period.

## 7. DIVIDENDS

	<u>2009</u>	<u>2008</u>
	HK\$'000	HK\$'000
Dividends recognised as distributions during the year:		
Interim dividend paid in respect of 2008 of 2.5 cents per ordinary share	-	11,138
Final dividend paid in respect of 2007 of 6 cents per ordinary share	<u>-</u>	<u>26,730</u>
	<u><u>-</u></u>	<u><u>37,868</u></u>

The final dividend of 6 cents for the year ended 31<sup>st</sup> December, 2009 per share has been proposed by the directors and is subject to approval by the shareholders in the forth coming annual general meeting.

## 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	
	31.12.2009 HK\$'000	31.12.2008 HK\$'000	31.12.2009 HK\$'000	31.12.2008 HK\$'000
Electroplating Materials and Chemicals	840,000	1,609,257	11,512	(50,014)
Paint and Coating Chemicals	80,377	109,968	2,132	3,994
Stainless Steel	19,660	36,029	(5,278)	(4,944)
<b>Total</b>	<b>940,037</b>	<b>1,755,254</b>	<b>8,366</b>	<b>(50,964)</b>

#### Electroplating Materials and Chemicals

Overall sales revenue during the year was down by 47.8% to HK\$ 840.0 million as a result of reduced sales activities and lower average metal prices except gold. In the context of difficult economic environment, we are gratified of our presence in Asian region where a strong economic rebound was seen in China, South Korea, Taiwan, India and other Asian countries (excluding Japan). Amid a global sharp decline of industrial demand since the end of year 2008, primarily due to reduced inventories and weak consumer spending in many sectors, an improving sales activities starting from end of third quarter as well as a strong recovery across different kinds of metal market prices manifested that a gleam of promising signs finally appeared from the havoc.

#### Precious Metal Products

Total sales quantities of precious metal products were down by 30.4% when compared with that of last year. Sales revenue also fell by 22.5%. Due to weakening consumer demand, industrial demand on precious metal products was soft for application of electronics, jewelry, watches and other decorative electroplating. Bolstered by high gold prices since August 2009, demand on gold-related plating started to pick up and this enhanced a better growth in revenue during the second half year of 2009. With support of moderate up-trending of rhodium metal price during the second half year, we managed to gain back part of market shares of rhodium-related products in local market. We expect demand from gold-related plating is supportive on robust of gold prices and further demand growth in Asian region, principally in China.

#### Base Metal Products

Nickel sales turnover fell by 64.6% in 2009 when compared with that of 2008. Nickel price encountered huge volatility during the year, climbing from the low at US\$9,400 during the first half year to the peak at US\$21,075 during the second half year. Global nickel market was kept in balance situation, with help of supply constraints on suppliers' production stoppages. During the second quarter of the year, demand improvement in South Korea market was an encouraging early kick-off sign on recovery of underlying demand in Asian region. Although China did not experience a significant slowdown in industrial activities since the global financial crisis, massive stockpiling of nickel inside China, stemming from speculation of government stimulus program, created an imbalanced supply situation and muddled overall domestic market prices within China throughout the year.

Having suffered from tough business environment during the first quarter of 2009, with supports of governmental stimulus packages in China and other Asian countries, demand on electroplating copper started to improve in the second quarter. During the second half year, due to rising consumer spending on electronic products, demand of electroplating copper selling to printed circuit board manufacturers progressively improved. A normalization of electroplating copper demand is expected in 2010 as most well-established printed circuit board manufacturers were operating in full capacity.

Signs of physical supply tightening have emerged across certain metal products in the global market. Robust rally in international metal prices during the year of 2009 led to a write-back of inventory amounting HK\$ 15.0 million for the fiscal year ended 31<sup>st</sup> December, 2009. As at 31<sup>st</sup> December, 2009, inventory level of electroplating materials and chemicals was down by 42.8% when compared with that as at 31<sup>st</sup> December, 2008. Net account receivable was at HK\$ 57.5 million as at 31<sup>st</sup> December, 2009 (as at 31.12.2008: HK\$ 67.0 million).

## Paint and Coating Chemicals

For the year of 2009, sales of paint and coating chemicals fell by 26.9% to HK\$ 80.4 million when compared with HK\$ 110.0 million in 2008. The business performance coating and specialties chemicals selling to China was impacted by the global economic crisis due to drastic decline in demands arising from export-oriented end-users. Over-supply situation within China market also pressured down overall domestic market prices across different kinds of coating and specialties chemicals during the first half year of 2009. We were suffering from supply tightening of several major coating chemicals during the third quarter of the year due to a temporary production shutdown by one of our major suppliers. With price rally of upstream raw materials in the second half year of 2009, a strong recovery of global market prices of most coatings and specialties chemicals was witnessed at the year end and the first quarter of 2010.

Having support of a series of stimulus packages implemented by the Chinese government throughout the year of 2009, China domestic demand, in particular of auto-industry, began increasing from a low level in the beginning of the year to a remarkable level by the end of 2009, due to the end of inventory de-stocking by customers and solid demand in Asian region. Prospect of overall demand in paint and coating chemicals is expected to revive gradually in 2010 as improved sales activities was seen in the fourth quarter of 2009. Widening product-mix variety and customer base is our major strategies in the year of 2010.

## Stainless Steel

Sales revenue of stainless steel products fell by 45.4% to HK\$ 19.7 million for the year of 2009 when compared with HK\$ 36.0 million in 2008. Global financial crisis strongly influenced the consumption of stainless steel in industrial and consumer sector, forcing stainless steel users to substantially reduce their production in response to the adverse market environment. Underlying demand for stainless steel remained very weak throughout the year of 2009. Triggered by higher raw material prices, stainless steel base price increased from the low at US\$ 1,900 to the peak of US\$3,120 during the third quarter of the year. With hesitation of stock-building among customers by the year end, stainless steel base price started to fall again and stabilized at US\$2,595 at the year end.

Due to a recovery of the base price, a write-back of inventory amounting HK\$ 1.5 million was recorded for the fiscal year of 2009. Inventory level as at 31<sup>st</sup> December, 2009 was reported at HK\$ 11.1 million, representing a decrease of 52.8% when compared with HK\$ 23.5 million as at 31<sup>st</sup> December, 2008. Prospects for stainless steel demand was positive in 2010 as improving sales activities was witnessed in the beginning of the year. In addition, our marketing strategy has diversified to other types of stainless steel users, offering different tailor-made solution in better serving to end-users. Cost-saving measures continued to be implemented throughout the year of 2010.

## Property Investment Division

Total rental income in 2009 remained the same as 2008 at amount of HK\$ 23.0 million.

Average occupancy rate for Hong Kong offices was 98.8% during the year of 2009. Property market price of Hong Kong offices remained resilient during the year of 2009, even in face with a downturn of office leasing market after the fallout of global economies. A slight rental rebound was seen during the fourth quarter of 2009. As at 31<sup>st</sup> December, 2009, we credited HK\$ 1.2 million on revaluation of Hong Kong office properties after revalued by appointed surveyor.

Average occupancy rate of Shanghai offices was 97.2% during the year of 2009. Aggravated by global financial crisis and abundant office supply, Shanghai office vacancies rose rapidly and rental prices plunged from the peak during the first half year of 2009. Overall situation of Shanghai office market stabilized and improved towards the end of 2009 as investors turned into more optimistic of market outlook. A recovery of rental demand was also noticeable at the fourth quarter of 2009, although rental prices were still below the average prices in 2008. Amidst improved market prospect and recovery of leasing market, as at 31<sup>st</sup> December, 2009, we credited HK\$ 61.5 million on revaluation of our Shanghai office properties after revalued by appointed surveyor.

Average occupancy rate of Shanghai residential properties during 2009 was at 93.07%. During the year, we sold 15 units of Haihua Garden with total saleable value of RMB 33.34 million and a reported gain of HK\$ 4.1 million. Demand of residential market appeared to be less affected by the government's tightening measures on mortgages financing and the average prices in the secondary market kept rising in the second half year of 2009. Rapid rising land prices in Shanghai also fueled expectation of investors and homebuyers that the home prices will be sustainable for long term. As at 31<sup>st</sup> December, 2009, we credited HK\$ 2.4 million on revaluation of Shanghai residential properties.

## 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, 2009 is as below:

(In HKD'000)

Market Value as at	31/12/2009	31/12/2008	Diff %
<b>Investment held for trading</b>	<b>102,671</b>	<b>125,964</b>	<b>-18.5%</b>
<b>Other Assets – Gold Bullion</b>	<b>23,821</b>	<b>0</b>	<b>n.a.</b>
<b>Foreign Exchange Yield Linked Deposit</b>	<b>0</b>	<b>8,715</b>	<b>n.a.</b>
<b>Distribution of Securities in Investment held for trading:</b>			
<b>Equities – Hong Kong</b>	19,693	30,104	-34.6%
<b>Equities – Overseas</b>	15,003	14,884	+0.8%
<b>Mutual Funds</b>	67,975	80,976	-16.1%

Improved functioning of fixed-income markets, robust demand for risk assets and strengthening global economic conditions, in particular in Asian region, featured the second half year of global financial markets of 2009. The incidents of debt restructuring in Dubai and the sovereign rating downgrade in Greece emerged in the fourth quarter of 2009 did not escalate risk aversion among investors and vanquish their appetite of optimistic expectation of a sustainable global recovery. During the year, the Group has offloaded around 42.5% securities from the portfolio. A realized gain of HK\$ 2.5 million was recorded on disposal of securities during the year. Besides preserving part of cash in form of bank deposits in the Group's assets, the Group's management invested part of cash in form of gold bullion to hedge against the long-term weakness of U.S. dollars since the end of third quarter of 2009. Total unrealized gain of the portfolio was reported at HK\$ 3.4 million as at 31<sup>st</sup> December, 2009. Dividend income dropped to HK\$ 1.0 million in 2009, from HK\$ 3.0 million in 2008, as more global corporations opted to preserve cash and reduce dividend payment to shareholders in context with tough economic conditions. Due to the disposal of part of our interests-generated securities off the portfolio, interest income generated from the portfolio fell to HK\$ 937K in 2009 whereas HK\$ 3.1 million was posted in 2008.

## EMPLOYEES

Total number of staff was reduced by 2 persons to 73 persons as at 31<sup>st</sup> December, 2009. Staff cost decreased to HK\$ 21.1 million for the fiscal year ended 31<sup>st</sup> December, 2009, representing a decline of 19.7% when compared with HK\$ 26.3 million for the fiscal year ended 31<sup>st</sup> December, 2008, due to implementation of cost-saving strategy during the whole year. After making a necessary reduction of number of our employees in 2008, the Group's employment turnover rate, representing average of total number of employee newly recruited plus departed divided by average number of employee over one year, fell to 10.0% for the year of 2009 (Fiscal Year 2008: 24.0%).

## FINANCIAL RESOURCES AND LIQUIDITY

Despite of tough economic conditions and significantly lower net income generated from trading operations, cash provided by operating activities amounted to HK\$ 88.2 million for the fiscal year ended 31<sup>st</sup> December, 2009. Funds were released mainly from reduction of working capital required in trading operation. Inventory reduced by HK\$ 72.2 million when compared with the amount at the year end of 2008 and receivables declined by HK\$ 2.4 million. In 2009, cash provided in investing activities amounted to HK\$ 47.2 million when compared with HK\$ 38.2 million in 2008. Disposal of investment properties of Haihua Garden in Shanghai amounting to HK\$ 37.9 million and net disposal of investment securities of HK\$ 8.8 million were the major funds from investing activities during the year.



Financial activities led to a cash outflow of HK\$ 13.8 million in 2009, including repayment and dividend payment to minority shareholders amounting HK\$ 5.3 million as well as a net repayment of bank borrowings amounting of HK\$ 6.3 million. Primarily contributed from operating and investing activities during the year, cash and cash equivalent amounted to HK\$ 233.8 million as at 31<sup>st</sup> December, 2009 when compared with HK\$ 117.7 million as at 31<sup>st</sup> December, 2008. Net cash amounted to HK\$ 44.9 million at the year end of 2009 compared with net debt amounted to HK\$ 77.3 million at the year end of 2008.

**An analysis of cash and short term bank deposits by currencies as at 31<sup>st</sup> December, 2009 and 31<sup>st</sup> December, 2008 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>31/12/2009</b>	<b>14.9%</b>	<b>66.0%</b>	<b>2.3%</b>	<b>0.2%</b>	<b>14.5%</b>	<b>0.3%</b>	<b>1.8%</b>
31/12/2008	15.2%	51.6%	7.1%	0.6%	23.4%	0.3%	1.8%

Long term assets rose by HK\$ 22.1 million to HK\$ 404.3 million as at 31<sup>st</sup> December, 2009, primarily due to the net increase of HK\$ 32.9 million on revaluation of investment properties at the year end. Taking into account of lower average metal prices and well-managed inventory control during the year, inventory level at the year end declined by 43.0% to HK\$ 72.7 million compared with HK\$ 127.4 million as at 31<sup>st</sup> December, 2008. Trade account receivables slightly dropped by HK\$ 7.3 million to HK\$ 64.7 million as at 31<sup>st</sup> December, 2009 when compared with that as at 31<sup>st</sup> December, 2008.

Stockholders' equity rose by HK\$ 80.7 million to HK\$ 636.1 million at the year end of 2009. This was primarily due to the results of gains arising from revaluation of investment properties and better cost-controlling throughout the year of 2009.

**DEBT STRUCTURE**

**An analysis on bank borrowings by currencies as at 31<sup>st</sup> December, 2009 and 31<sup>st</sup> December, 2008 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>31/12/2009</b>	<b>147,263</b>	<b>24,617</b>	<b>16,975</b>	<b>0</b>	<b>188,855</b>
<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>

All short term borrowings were in form of Money Market bank loans, Overdraft and Trust Receipt for the fiscal year of 2009. Average lending tenor for Trust Receipt in financing trading facilities was about 54 days during 2009, 12 days shorter than 66 days for the fiscal year ended 31<sup>st</sup> December, 2008. Money-Market bank loans were primarily used to finance additional inventory held in warehouse and securities assets purchased in the same foreign currencies. Average interest rate charged to trust receipt borrowings was 1.38% during 2009 when compared with 3.38% for the fiscal year ended 31<sup>st</sup> December, 2008. Total finance cost in 2009 amounted to HK\$ 2.2 million (For the fiscal year ended 31<sup>st</sup> December, 2008: HK\$ 12.3 million).

Total bank borrowings as at 31<sup>st</sup> December, 2009 was HK\$ 188.9 million (as at 31<sup>st</sup> December, 2008: HK\$ 195.0 million). Due to lower volume of sales activities during the year, average utilization rate of banking facilities of the Group was only at 24.1%. Total banking facilities granted to the Group was reduced by HK\$143.7 million to HK\$ 658.2 million as at 31<sup>st</sup> December, 2009, primarily because of the reduction of number of bankers working with the Group in consideration of slow business activities during the year. Debt to equities ratio fell to 0.30: 1 as at 31<sup>st</sup> December, 2009 when compared with 0.35:1 as at the year ended 31<sup>st</sup> December, 2008.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Member will be closed from Monday, 31<sup>st</sup> May, 2010 to Thursday, 3<sup>rd</sup> June, 2010, both days inclusive, during which period no transfer of shares will be effected. The record dates will be Thursday, 3<sup>rd</sup> June, 2010. 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, 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 Friday, 28<sup>th</sup> May, 2010. The final dividend will be paid on or before Friday, 18 June 2010 to shareholders whose names appear on the register of members of the Company on Thursday, 3 June 2010.

## **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, 2009 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 effectiveness of the systems of internal controls and risk management. The Committee has reviewed the effectiveness of internal controls for financial year of 2009.

## **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 Thursday, 3<sup>rd</sup> June, 2010 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.hkxnews.hk](http://www.hkxnews.hk), and despatched to the shareholders on or about 29<sup>th</sup> April 2010.

## **PUBLICATION OF ANNUAL REPORT**

The 2009 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, 2010.

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, 13<sup>th</sup> April, 2010