

The background of the entire page is a complex, abstract pattern of glowing blue light trails. These trails are composed of numerous thin, overlapping lines that swirl, loop, and intersect, creating a sense of dynamic movement and energy. The colors range from a deep, dark blue to a bright, almost white light at the points of intersection and along the main paths of the trails. The overall effect is reminiscent of a digital network or a high-speed data stream.

KSH

Kee Shing (Holdings) Limited
奇盛(集團)有限公司

Incorporated in Hong Kong with limited liability
Stock Code : 174

Interim Report 2007

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Leung Shu Wing – *Chairman*
Leung Miu King, Marina – *Managing Director*
Wong Chi Kin
Wong Choi Ying

Non-Executive Director

Yuen Tin Fan, Francis

Independent Non-Executive Directors

Wong Kong Chi
Lai Chung Wing, Robert
Chan Wing Lee

AUDIT COMMITTEE

Wong Kong Chi – *Chairman*
Lai Chung Wing, Robert
Chan Wing Lee
Wong Choi Ying – *Secretary*

REMUNERATION COMMITTEE

Wong Kong Chi – *Chairman*
Lai Chung Wing, Robert
Chan Wing Lee
Wong Chi Kin
Wong Choi Ying – *Secretary*

COMPANY SECRETARY

Wong Choi Ying

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited
Calyon

SHARE REGISTRARS

Tricor Standard Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

REGISTERED OFFICE

3rd Floor, Kee Shing Centre
74-76 Kimberley Road
Tsimshatsui, Kowloon, Hong Kong

FINANCIAL HIGHLIGHT

	Six months ended 30th June		Year ended 31st December
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2006 HK\$'000 (Audited)
Turnover	1,464,657	920,116	2,240,998
Profit before taxation	66,697	33,746	90,099
Profit Attributable to Company's Shareholders	49,013	27,258	77,637
Dividend	26,730	44,550	62,370
Total Borrowings	532,236	343,052	489,328
Shareholders' Fund of equity holders of the parent	<u>634,821</u>	<u>574,839</u>	<u>611,734</u>
Net Cash Inflow/(Outflow) before Financing	(28,342)	(21,901)	(64,296)
Net Cash Inflow/(Outflow) from Financing	2,203	18,035	134,548
Capital Expenditure	<u>108</u>	<u>171</u>	<u>539</u>
Earnings Per share (basic – HK cents) ¹	11.0¢	6.1¢	17.4¢
Dividend Per Share	6.0¢	10.0¢	14.0¢
Equity attributable to Company's Shareholders per share	<u>HK\$1.42</u>	<u>HK\$1.29</u>	<u>HK\$1.37</u>
Interest Cover (times) ²	6.22x	6.58x	6.79x
Dividend Cover (times) ³	<u>1.83x</u>	<u>0.61x</u>	<u>1.24x</u>

Note:

1. Earning per shares is calculated by dividing profit attributable to shareholders by 445,500,000 shares in issue during 30th June, 2007 (30th June, 2006 and 31st December, 2006: 445,500,000 shares)
2. Interest cover is calculated by dividing profit before taxation and finance costs by finance costs.
3. Dividend cover is calculated by dividing Earning Per Share by Dividend Per Share.

CHAIRMAN'S STATEMENT

CONSOLIDATED RESULTS

Profit attributable to the Group's shareholders for the first six months ended 30th June, 2007 was reported at HK\$49.0 million, representing a sharp rise of 79.5% when compared with HK\$27.3 million for the same period ended 30th June, 2006. The sharp rise was primarily contributed by a gain arising from changes in fair value of investment properties of HK\$33.5 million.

The Directors of the Board has today declared an interim dividend of HK 4.0 cents per share (Interim Dividend of 2006: HK 4.0 cent per share), payable on or before 18th October, 2007 to shareholders who are registered as such at the close of business on 12th October, 2007. The share register will be closed from 9th October, 2007 to 12th October, 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 8th October, 2007.

BUSINESS REVIEW

Sales turnover on trading business rose by 59.7% to HK\$1.45 billion primarily due to the sharp rise in metal prices while segment results slightly increased by 6.1% to HK\$35.3 million. Throughout the first six months of 2007, overall market sentiment was unfavorable and customers remained cautious, amid highly volatile in metal prices as well as increasing tightening rules and regulations imposed by the Chinese government and foreign countries. Since mid-May, several long-term suppliers of the Group changed their marketing status in this Asian region. Amid these sudden changes, the Group immediately adopted new marketing approaches and such move continued in the second half year of 2007. Sharp fall in nickel prices that began in June caused the Group to incur some inventory losses for the period under review. The Group continued to monitor cautiously in inventory control and purchase strategies to minimize the loss that incur in this fiscal year.

Rental income contributed from property investment increased by 4.5% to HK\$8.8 million. Rental business in Shanghai and Hong Kong was satisfactory due to robust rental demand from financial and services sectors. Beginning in April, the Group started to sell Shanghai residential flat units as homebuyers or investors extended interests in residential properties located close to subway lines. By the end of 30th June, 2007, one unit was sold and another 5 units were sold in the following two months. As strong demand for residential properties was seen from local homebuyers, the Group intends to sell units in Shanghai in the second half year of 2007.

Financial markets experienced huge volatility since beginning of the year. Global equity markets rebounded strongly after the retraction in February. Global economic growth was healthy and inflation fairly contained in the first half year of 2007. In the first six months of 2007, segment profit was reported at HK\$8.1 million when compared with HK\$0.7 million in the same period ended 30th June, 2006. The meltdown in the U.S. sub-prime mortgage raised global panic in July and liquidity in worldwide credit market shrank drastically. Amid current global financial stress, overall investment atmosphere were unenthusiastic and risk aversion among investors was rising across the globe.

CORPORATE GOVERNANCE

In accordance with the standards set on the governance requirements and best practices introduced by the Rules Governing the Listing of Securities ("the Listing Rules") on The Stock Exchange of Hong Kong Limited, the Company has complied with the Codes of Corporate Governance Practices throughout the accounting period ended June 30th, 2007.

In accordance with the required standard set out in Model Code for Securities Transaction by Directors of Listed Issue ("the Model Code") contained in Appendix 10 of the Listing Rules, the Company has adopted codes of conduct relating to securities transactions by directors on terms no less exacting than the required standard set out in the Model Code. The Board has also adopted a securities dealing policy setting out the Company's policy and rules governing the dealings in the securities of the Company by all employees of the Company and its subsidiaries and a confidentiality policy setting out the responsibility of all employees of the Group in dealing with the Group's information that is considered to be confidential.

For the accounting period ended June 30th, 2007, all Directors have confirmed that they have complied with the required standard set out in the Model Code and the Company's Code of Conduct regarding Directors' securities transactions.

PROSPECTS

Market demand in trading business remains weak in the third quarter. Chinese government announced in July to impose new measures on processing trade under restricted category. Under the new regulation, processing trade of products listed in the restricted catalog is required to deposit 100% or 50% of the import-related taxes. This additional deposit requirement will affect many Hong Kong and foreign manufacturers located in coastal cities, in particular those located in Guangdong area. Many manufacturers are considering either to relocate their production or cease their operation due to additional cash flow burden under this new requirement. In addition, sharp fall in metal prices slows down purchases from customers with expectation of downward trend in future. The Group has put great effort to control inventory level and tighten receivable terms so as to minimize risks. Also, the Group will set up a new wholly-owned trading subsidiary in China this year to expand customer base and accommodate future market development.

Rental market in Shanghai properties remains strong. The Group expected to sell more residential flat units in the second half year amid recent strong demand. Current shakeup in global financial markets increases risk of financial volatility and liquidity. The Group will take conservative approach to monitor the securities portfolio. With sound quality of the Group's assets and the diversity of the portfolio, the Group will continuously review, adjust and formulate plans and strategies to cope with market development in the second half year of 2007.

LEUNG SHU WING

Chairman

Hong Kong, 18th September, 2007

CONDENSED CONSOLIDATED INCOME STATEMENT
 FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

	NOTES	Six months ended 30.6.2007 HK\$'000 (unaudited)	Six months ended 30.6.2006 HK\$'000 (unaudited)
Turnover	4	1,464,657	920,116
Other income	5	3,440	3,301
Changes in inventories of finished goods		(27,103)	32,787
Purchases of goods held for resale		(1,356,312)	(864,457)
Raw materials and consumables used		(16,725)	(27,789)
Staff costs		(12,764)	(11,570)
Depreciation		(1,281)	(1,324)
Other expenses		(13,425)	(13,018)
Gain arising from changes in fair value of investments held for trading		5,165	554
Gain on disposal of available-for-sales investment		-	585
Gain arising from change in fair value of Foreign exchange yield linked deposit		319	-
Gain (loss) arising from changes in fair value of investment properties		33,506	(371)
Finance costs	6	(12,780)	(6,052)
Share of profit of associates		-	984
Profit before taxation		66,697	33,746
Income tax expense	7	(13,342)	(5,333)
Profit for the period		53,355	28,413
Attributable to:			
Equity holders of the Company		49,013	27,258
Minority interests		4,342	1,155
		53,355	28,413
Dividend	8	26,730	44,550
Earnings per share – basic	9	11.0 HK cents	6.1 HK cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2007

	NOTES	30.6.2007 HK\$'000 (unaudited)	31.12.2006 HK\$'000 (audited)
Non-current Assets			
Investment properties	10	305,147	273,275
Property, plant and equipment		29,186	30,300
Interests in associates	11	453	453
Available-for-sale investment		14,302	14,258
Foreign exchange yield linked deposit	12	8,129	–
		<u>357,217</u>	<u>318,286</u>
Current Assets			
Inventories		262,744	289,861
Debtors, deposits and prepayments	13	264,465	246,866
Bills receivable		22,286	24,270
Investments held for trading		208,303	179,833
Taxation recoverable		273	302
Short term bank deposits		39,090	86,857
Bank balances and cash		106,221	84,313
		<u>903,382</u>	<u>912,302</u>
Current Liabilities			
Creditors and accrued charges	14	34,000	84,077
Amounts due to minority shareholders of subsidiaries		9,588	10,408
Taxation payable		6,589	3,652
Bank borrowings	15	532,236	489,328
		<u>582,413</u>	<u>587,465</u>
Net Current Assets		<u>320,969</u>	<u>324,837</u>
Total Assets Less Current Liabilities		<u>678,186</u>	<u>643,123</u>
Capital and Reserves			
Share capital	16	22,275	22,275
Reserves		612,546	589,459
Equity attributable to equity holders of the Company		634,821	611,734
Minority interests		26,882	22,731
Total Equity		<u>661,703</u>	<u>634,465</u>
Non-current Liabilities			
Deferred tax liabilities		16,483	8,658
		<u>678,186</u>	<u>643,123</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

	Attributable to equity holders of the Company								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	Minority interests HK\$'000	
At 1st January, 2006	22,275	153,728	18,226	(2,426)	1,571	400,025	593,399	21,733	615,132
Loss on available-for-sale investment	-	-	-	(1,433)	-	-	(1,433)	-	(1,433)
Exchange difference arising on translation of overseas operations	-	-	-	-	380	-	380	445	825
Release from winding up of a subsidiary	-	-	-	-	-	-	-	(315)	(315)
Share of an associate's movement in reserves	-	-	-	-	(215)	-	(215)	-	(215)
Net (expense) income recognized in equity	-	-	-	(1,433)	165	-	(1,268)	130	(1,138)
Profit for the period	-	-	-	-	-	27,258	27,258	1,155	28,413
Total recognised income and expense for the period	-	-	-	(1,433)	165	27,258	25,990	1,285	27,275
Dividends paid	-	-	-	-	-	(44,550)	(44,550)	(274)	(44,824)
At 30th June, 2006	<u>22,275</u>	<u>153,728</u>	<u>18,226</u>	<u>(3,859)</u>	<u>1,736</u>	<u>382,733</u>	<u>574,839</u>	<u>22,744</u>	<u>597,583</u>
At 1st January, 2007	22,275	153,728	18,840	(1,342)	2,941	415,292	611,734	22,731	634,465
Gain on available-for-sale investment	-	-	-	44	-	-	44	-	44
Exchange difference arising on translation of overseas operations	-	-	-	-	760	-	760	118	878
Net income recognised directly in equity	-	-	-	44	760	-	804	118	922
Profit for the period	-	-	-	-	-	49,013	49,013	4,342	53,355
Total recognised income for the period	-	-	-	44	760	49,013	49,817	4,460	54,277
Dividends paid	-	-	-	-	-	(26,730)	(26,730)	(309)	(27,039)
At 30th June, 2007	<u>22,275</u>	<u>153,728</u>	<u>18,840</u>	<u>(1,298)</u>	<u>3,701</u>	<u>437,575</u>	<u>634,821</u>	<u>26,882</u>	<u>661,703</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
 FOR THE SIX MONTHS ENDED 30TH JUNE 2007

	Six months ended 30.6.2007 HK\$'000 (unaudited)	Six months ended 30.6.2006 HK\$'000 (unaudited)
Net cash used in operating activities	<u>(26,056)</u>	<u>(24,852)</u>
Investing activities		
Purchase of foreign exchange yield linked deposit	(7,810)	–
Interest income	2,062	1,663
Other investing activities	<u>3,462</u>	<u>1,288</u>
Net cash (used in) from investing activities	<u>(2,286)</u>	<u>2,951</u>
Financing activities		
Net bank borrowings raised	42,842	70,124
Dividend paid	(26,730)	(44,550)
Other financing activities	<u>(13,909)</u>	<u>(7,539)</u>
Net cash from financing activities	<u>2,203</u>	<u>18,035</u>
Net decrease in cash and cash equivalents	<u>(26,139)</u>	<u>(3,866)</u>
Cash and cash equivalents at beginning of the period	<u>171,170</u>	<u>100,144</u>
Effect of foreign exchange rate changes	280	294
Cash and cash equivalents at end of the period	<u><u>145,311</u></u>	<u><u>96,572</u></u>
Analysis of the balances of cash and cash equivalents		
Short term bank deposits	39,090	14,265
Bank balances and cash	<u>106,221</u>	<u>82,307</u>
	<u><u>145,311</u></u>	<u><u>96,572</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 (HKAS 34) "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2006.

In the current interim period, the Group has applied, for the first time, the following new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st January, 2007.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: disclosures ¹
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC) – INT 8	Scope of HKFRS 23
HK(IFRIC) – INT 9	Reassessment of embedded derivatives ⁴
HK(IFRIC) – INT 10	Interim financial reporting and impairment ⁵

¹ Effective for annual periods beginning on or after 1st January, 2007.

² Effective for annual periods beginning on or after 1st March, 2006.

³ Effective for annual periods beginning on or after 1st May, 2006.

⁴ Effective for annual periods beginning on or after 1st June, 2006.

⁵ Effective for annual periods beginning on or after 1st November, 2006.

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

3. POTENTIAL IMPACT ARISING ON THE NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Group has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards and interpretations will have no material impact on the condensed consolidated financial statements of the Group.

HKAS 23 (Revised)	Borrowing costs ¹
HKFRS 8	Operating segments ¹
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions ²
HK(IFRIC) – INT 12	Service concession arrangements ³

¹ Effective for annual periods beginning on or after 1st January, 2009.

² Effective for annual periods beginning on or after 1st March, 2007.

³ Effective for annual periods beginning on or after 1st January, 2008.

4. SEGMENT INFORMATION

The turnover and segment results of the Group for the six months ended 30th June, 2007, analysed by business segments which is the primary segment, are as follows:

For the six months ended 30th June, 2007

	Sales of chemicals and metals HK\$'000	Property investment HK\$'000	Security investment HK\$'000	Other activities HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover						
External sales	1,452,936	8,813	2,462	446	-	1,464,657
Inter-segment sales	-	317	-	-	(317)	-
Total turnover	<u>1,452,936</u>	<u>9,130</u>	<u>2,462</u>	<u>446</u>	<u>(317)</u>	<u>1,464,657</u>
Segment result	<u>35,258</u>	<u>39,430</u>	<u>8,078</u>	<u>49</u>	<u>-</u>	<u>82,815</u>
Interest income from bank deposits	-	-	-	-	-	2,062
Unallocated other income	-	-	-	-	-	1,378
Unallocated corporate expenses	-	-	-	-	-	(6,778)
Finance costs	-	-	-	-	-	(12,780)
Profit before taxation						<u>66,697</u>

For the six months ended 30th June, 2006

	Sales of chemicals and metals HK\$'000	Property investment HK\$'000	Security investment HK\$'000	Other activities HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover						
External sales	909,519	8,437	1,683	477	-	920,116
Inter-segment sales	-	640	-	-	(640)	-
Total turnover	<u>909,519</u>	<u>9,077</u>	<u>1,683</u>	<u>477</u>	<u>(640)</u>	<u>920,116</u>
Segment result	<u>33,224</u>	<u>5,874</u>	<u>720</u>	<u>40</u>	<u>-</u>	<u>39,858</u>
Interest income from bank deposits	-	-	-	-	-	1,663
Unallocated other income	-	-	-	-	-	1,638
Unallocated corporate expenses	-	-	-	-	-	(4,345)
Finance costs	-	-	-	-	-	(6,052)
Share of profit of associates	-	-	-	984	-	984
Profit before taxation						<u>33,746</u>

Inter-segment transactions are charged at prevailing market rates.

5. **OTHER INCOME**

Included in other incomes is interest income from bank deposits of HK\$2,062,000 for the six months ended 30th June, 2007 (six months ended June, 2006: HK\$1,663,000)

6. **FINANCE COSTS**

The finance costs represent interest on bank borrowings wholly repayable within five years.

7. **INCOME TAX EXPENSE**

	Six months ended 30.6.2007 HK\$'000 (unaudited)	Six months ended 30.6.2006 HK\$'000 (unaudited)
The tax charge comprises:		
Current taxation		
Hong Kong Profits Tax	3,868	3,948
Profits tax outside Hong Kong	<u>1,649</u>	<u>1,020</u>
	5,517	4,968
Deferred taxation		
Current period	5,251	365
Attributable to a change in tax rate	<u>2,574</u>	<u>-</u>
	<u><u>13,342</u></u>	<u><u>5,333</u></u>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both periods.

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

8. **DIVIDEND**

	Six months ended 30.6.2007 HK\$'000 (unaudited)	Six months ended 30.6.2006 HK\$'000 (unaudited)
Final dividend paid in respect of the year ended		
31st December, 2006 of 6 HK cents (2006: year ended		
31st December, 2005: 10 HK cents) per ordinary share	<u>26,730</u>	<u>44,550</u>

Interim dividend of 4.0 cents per share, amounting to HK\$17,820,000, was approved by the board of directors on 18th September, 2007.

9. **EARNINGS PER SHARE**

The calculation of the earnings per share attributable to the equity holders of the Company is based on the profit attributable to the equity holders of the Company for the period of HK\$49,013,000 (six months ended 30.6.2006: HK\$27,258,000) and on 445,500,000 ordinary shares (six months ended 30.6.2006: 445,500,000 ordinary shares) in issue during the period.

10. INVESTMENT PROPERTIES

The fair value of the Group's investment properties located in Hong Kong, the Mainland China and Singapore as at 30th June, 2007 have been arrived at on the basis of a valuation carried out on that date by Knight Frank Petty Limited, an independent qualified professional valuer not connected with the Group. The directors of Knight Frank Petty Limited who carry out the valuation are member of the Hong Kong Institute of Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

The revaluation of investment properties during the current period gave rise to a net gain arising from changes in fair value of HK\$33,506,000 (six months ended 30.6.2006: loss of HK\$371,000) which has been recognised to the condensed consolidated income statement.

11. INTERESTS IN AN ASSOCIATES

	30.6.2007 HK\$'000 (unaudited)	31.12.2006 HK\$'000 (audited)
Cost of unlisted investment	757	757
Share of post-acquisition losses	(304)	(304)
	<u>453</u>	<u>453</u>

No share of tax of associates (six months ended 30.6.2006: HK\$286,000) is included in share of profit of associates disclosed in the condensed consolidated income statement.

12. FOREIGN EXCHANGE YIELD LINKED DEPOSIT

Foreign exchange yield linked deposit represents a principal protected foreign exchange yield differential accrual index-linked deposit of US\$1 million with maturity date in March 2012. Upon initial recognition, the deposit is designated as financial asset at fair value through profit and loss.

13. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows an average credit period ranging from cash on delivery to 120 days to its trade debtors. The aged analysis of trade debtors of HK\$240,328,000 (31.12.2006: HK\$230,166,000) which are included in the Group's debtors, deposits and prepayments is as follows:

	30.6.2007 HK\$'000 (unaudited)	31.12.2006 HK\$'000 (audited)
0 – 30 days	133,991	129,225
31 – 60 days	64,654	66,214
61 – 90 days	30,985	23,178
91 – 120 days	8,582	10,245
121 – 365 days	2,116	1,304
	<u>240,328</u>	<u>230,166</u>

14. CREDITORS AND ACCRUED CHARGES

The aged analysis of trade creditors of HK\$9,510,000 (31.12.2006: HK\$62,209,000) which are included in the Group's creditors and accrued charges is as follows:

	30.6.2007 HK\$'000 (unaudited)	31.12.2006 HK\$'000 (audited)
0 – 30 days	9,474	61,848
31 – 60 days	22	361
61 – 90 days	3	–
Over 90 days	11	–
	<u>9,510</u>	<u>62,209</u>

15. BANK BORROWINGS

	30.6.2007 HK\$'000 (unaudited)	31.12.2006 HK\$'000 (audited)
The bank borrowings, which are due within one year, comprise:		
Bank loans		
– secured (<i>Note</i>)	5,633	12,424
– unsecured	39,370	32,487
Trust receipt and import loans	487,233	444,417
	<u>532,236</u>	<u>489,328</u>

Note: The bank loans were secured by the Group's bank deposits, investment held for trading and buildings.

16. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.05 each		
Authorised:		
At 30th June, 2007 and 31st December, 2006	<u>700,000,000</u>	<u>35,000</u>
Issued and fully paid:		
At 30th June, 2007 and 31st December, 2006	<u>445,500,000</u>	<u>22,275</u>

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:

	Turnover		Segment Results	
	Six months ended		Six months ended	
	30.6.2007	30.6.2006	30.6.2007	30.6.2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Electroplating Materials and Chemicals	1,351,739	838,221	26,173	27,431
Paint and Coating Chemicals	69,406	40,050	3,858	2,036
Stainless Steel	31,791	31,248	5,227	3,757
Total	<u>1,452,936</u>	<u>909,519</u>	<u>35,258</u>	<u>33,224</u>

Electroplating Materials And Chemicals

The electroplating material segments rose by 61.3% to HK\$1.35 billion primarily due to the sharp rise in metal prices, in particular nickel metal. Highly volatile metal prices were the major concerns across electroplating industry. Customers were very cautious over raw materials prices, in particular nickel. Besides, physical demand was driven by the stockpiling level on different products inside Mainland China. During the period under review, we experienced impacts arising from several long term suppliers who changed their marketing position in this region. New adaptation to the change of business operations had commenced since Mid-May. Sharp fall in nickel price since June led an inventory loss at the end of second quarter and during the third quarter of 2007.

Precious Metal Products

Volatile precious metal price drove sales turnover in precious metal to record-high level in the first half year. Overall market, however, was weak. Traditional electroplating factories, under the new anti-pollution rules imposed by Chinese government, reduced their physical demand by cutting size of production or even closing down operation. Worried by price volatility, inventory level during the period under review remained low. With quiet market, different rivals offered low prices to compete and profit margins were squeezed.

Base Metal Products

Extremely volatile nickel price in the first half year of 2007 drifted many customers' purchase into conservative mode. End-user demand reduced as customers were uncertain about the development of nickel prices and considered any alternative replacement that could be used. Nickel price peaked in mid-May and then fell steeply in June. The downward trend continued in the third quarter. Although the Group has reduced purchases since June, this decline caused some losses in the Group's inventory as customers were reluctant to replenish their orders viewing such decline. Demand on electroplating copper in China was fairly stable but demand in Taiwan fell. Due to sharp rise in copper market price after Chinese New Year, price competition in Mainland China and Taiwan were intensified and margin was squeezed.

Paint And Coating Chemicals

Turnover rose by 73.3% to HK\$69.4 million for the first six months of 2007 when compared with HK\$40.1 million for the first six months of 2006. Demand of paint and coating chemical market in Mainland China was very weak but selling prices recorded relatively stable. New regulatory measures such as export tax rebate cut and anti-pollution rules imposed by the Chinese government forced many chemical factories to close down, especially those located in Pearl River Delta region. With support from our suppliers including prices and supply flexibility, we were able to offer competitive packages to customers and market shares rose accordingly. In view of highly competitive situation in low-end market, we continued to focus quality-demanding customers and further developed new applications with technical support from our suppliers.

Stainless Steel

Trading turnover of stainless steel rose slightly by 1.7% to HK\$31.8 million for the first six months ended 30th June, 2007. Demand from end-users turned weak when selling price reached to the peak since April. Profitability growth was the result of lower cost inventory accumulated in the past months. Since May, we ceased purchase due to weak demand from end-users and increasing risk in price volatility. Market decline in nickel price that began in June cut price of stainless steel coil base but alloy surcharges remained at record high standard. Customers were very reluctant to place new orders. Inventory loss may be incurred in the second half year of 2007 if selling price in stainless steel continued to fall.

Property Investment Division

Total rental income rose by 4.8% to HK\$8.8 million in the first six months ended 30th June, 2007 when compared with HK\$8.4 million in the same period ended 30th June, 2006.

Average occupancy rate for Hong Kong offices was 100% in the first half year 2007. Hong Kong office rental market, especially high-quality properties, was in huge demand. Financial sectors and professional sectors continued to expand their office spaces, and some extended their spaces to non-commercial areas. Rise in demand on Grade B office buildings moved up and pushed up rental price. As at 30th June, 2007, we credited a gain in fair value of HK\$1.6 million on the revaluation of Hong Kong office properties after revalued by appointed surveyor.

Average occupancy rate of Shanghai offices in the first six months of 2007 was 100%. Office vacancy rate in overall Shanghai area was recorded at the lowest in the past 13 years. Grade A office rent continued to grow since last year, forcing some large enterprises to move out of the CBD area to outward bound of core commercial area. As at 30th June, 2007, we credited a gain in fair value of HK\$10.1 million on the revaluation of our Shanghai office properties.

Average occupancy rate of Shanghai residential properties in the first six months of 2007 was at 93.8% while 90.2% was recorded in the same period ended 30th June, 2006. As at 30th June, 2007, occupancy rate was at 93.3%. Since April, the Group began to sell vacant flats after receiving plenty of buying requests on Haihua Garden from potential homeowners or investors. We sold 1 unit by the end of 30th June, 2007 with a gain of HK\$592K. Another 5 units were sold in the following two months and an additional 7 unit flats were put on the market for sale. As at 30th June, 2007, we credited a gain in fair value of HK\$21.0 million on the revaluation of Shanghai residential properties.

Singapore rental income remained stable during the period under review. The rise in rental income was contributed from appreciation of Singapore dollars during the period ended. As at 30th June, 2007, we credited a gain in fair value of HK\$289K on the revaluation of Singapore properties after revalued by appointed surveyor.

Securities Investment Division

An analysis of the securities portfolio, current and non-current, by type of securities as at 30th June, 2007 is as below:

Market Value as at (in HK\$'000)

	30/06/2007	31/12/2006	Diff %
TOTAL:	230,734	194,091	+18.9%
– Investment held for trading	208,303	179,833	+15.8%
– Available-for-Sales Investment:	14,302	14,258	+0.3%
– Foreign Exchange yield linked deposit:	8,129	–	n.a.
Distribution of Securities in			
Investment held for trading:			
Equities – Hong Kong	35,939	34,406	+4.5%
Equities – Overseas	40,668	31,478	+29.2%
Mutual Funds	131,696	113,949	+15.6%
Available-for-Sales Investment:			
Structured Deposits	14,302	14,258	+0.3%
Foreign Exchange yield linked Deposits	8,129	–	n.a.

As at 30th June 2007, the Group used its own fund to finance 92.0% of total investment in securities and the remaining 8.0% was financed by bank borrowings.

An analysis of the portfolio by currency denomination as at 30th June 2007 is listed below:

US dollar	HK dollar	Euro	JP Yen	SGP Dollar	AUD Dollar
67.6%	15.6%	6.3%	5.3%	1.3%	3.9%

Most equity markets around the world have recovered since the late-February pullback. In particular, robust momentum was seen in the equity markets of Asia Pacific such as Hong Kong and Singapore during the first half year of 2007. Global growth was stable and inflation seemed to be contained during the first six months of 2007. However, concern of rising inflation pressure around the world persisted in the market. Risk of a broader housing slump in the U.S. market also raised worry to investors as it could adversely affect the worldwide economic growth.

During the first six months of 2007, we took profits from selling equity-related securities and short-term structured products. Total gain arising from changes in fair value on investment held for trading as well as change in fair value of foreign exchange yield linked deposit recorded at HK\$5.5 million, mainly contributed from gains in equities-related securities. During the period under review, we diversified the risk of volatility in our portfolio so as to minimize impact from change of global economic situation. Dividend income was reported at HK\$1.9 million in the first six months of 2007, a rise of 35.7% when compared with HK\$1.4 million in the same period of 2006. Interest income generated from the portfolio was reported at HK\$1.8 million in the first half year of 2007 whereas HK\$1.4 million was posted in the first half year of 2006.

The meltdown from the U.S. sub-prime mortgage kicked off in mid-July. The insolvency of several large foreign funds drove global investors' funds to the safety of government bonds. Global equities markets also experienced tremendous volatility. Amid the crisis persisted, we will maintain a diversified portfolio and closely monitor the volatility and potential risks within the portfolio.

EMPLOYEES

Total number of staff remained the same at 85 persons as at 30th June, 2007. Employee turnover rate during the period under review remained low. Staff cost increased by 10.3% in the first six months of 2007 when compared to HK\$11.6 million in the first six months of 2006. Employees' salaries and other benefits were still in line with market inflation. An English Enhancement Course has commenced during the period to improve employee's English standard for effective communication and upgrading work efficiency.

FINANCIAL RESOURCES AND LIQUIDITY

For the first six months ended 30th June, 2007, cash outflow from operation posted at HK\$26.1 million. Equity attributable to equity holders of the parent company as at 30th June, 2007 rose to HK\$634.8 million, after the Group distributed dividend totaling HK\$26.7 million during the period under review. Return on equity ratio for the first six months of 2007 rose to 7.7% when compared with 4.7% for the same period ended 30th June, 2006.

Working capital as at 30th June, 2007 slightly decreased by HK\$3.8 million to HK\$321.0 million when compared with HK\$324.8 million as at 31st December, 2006. As nickel prices experienced a sharp fall that began in June, inventory as at 30th June, 2007 posted at HK\$262.7 million, representing a decline of 9.4% when compared with HK\$289.9 million as at 31st December, 2006. Trade debtor amounted to HK\$240.3 million as at 30th June, 2007, representing a rise of 4.4% when compared with HK\$230.2 million as at 31st December, 2006. Trade debtor turnover cycle reported at 29.9 days as at 30th June, 2007 when compared with 37.8 days as at 31st December, 2006. The fall in trade debtor turnover days was because weak demand towards the end of second quarter prompted less credit extended to customers at the period end.

The Group recorded cash balance of HK\$145.3 million as at 30th June, 2007, a decrease of HK\$25.9 million when compared with HK\$171.2 million as at 31st December, 2006. Net borrowings at the period ended 30th June, 2007 widened to HK\$386.9 million (as at 31st December, 2006: Net borrowings HK\$318.2 million). The expanded net borrowings was partly due to additional borrowings used to finance rising inventory and receivable arising from rise in metal prices, and partly due to purchase of additional securities investment at the period end. Capital expenditure only amounted to HK\$171K during the first six months ended 30th June, 2007.

An analysis of cash and bank deposit by currencies as at 30th June 2007 is set out below:

HK Dollar	US Dollar	Euro	SGP Dollar	Renminbi	NT Dollar	Others
32.2%	49.3%	1.5%	0.4%	13.3%	2.9%	0.4%

DEBT STRUCTURE

All borrowings were in form of Money Market bank loans and Trust Receipt for the first six months ended 30th June, 2007. Average lending tenor for Trust Receipt in financing trading facilities was about 54 days during the period under review, 2 days shorter than 56 days for the fiscal year ended 31st December, 2006. Money-Market bank loans were either used to finance additional stocks held or securities assets purchased in the same or official pegging foreign currencies. Average interest rate charged to trust receipt borrowings was 5.26% during the period under review when compared with 5.16% for the fiscal year ended 31st December, 2006. Average total bank borrowing interest rate charged at 5.19% during the period under review when compared with 5.04% for the fiscal year ended 31st December, 2006. Total finance cost during the period under review accounted HK\$12.8 million (30th June, 2006: HK\$6.1 million).

Currency distribution on Bank Borrowings as at 30th June 2007:

	HK\$'000	
Hong Kong Dollars	476,057	89.45%
United States Dollars	35,567	6.68%
Singapore Dollars	7,676	1.44%
Japanese Yen	12,936	2.43%
	<u>532,236</u>	<u>100.00%</u>

Total bank borrowings as at 30th June, 2007 was HK\$532.2 million (as at 31st December, 2006: HK\$489.3 million). As at 30th June, 2007, total banking facilities granted by lenders to the Group amounted HK\$780.3 million and the average banking utilization rate accounted at 63.8%. Debt to equities ratio rose to 0.84: 1 as at 30th June, 2007 when compared with 0.80:1 as at the year ended 31st December, 2006. About 94.5% of aggregated sum of inventory and account receivables were financed by bank borrowings at the period ended 30th June, 2007.

FOREIGN CURRENCY RISK

The Group's monetary transactions were conducted in Hong Kong Dollars, United States Dollars, Japanese Yen, Euro, Australian Dollars, British Sterling, Renminbi, Singapore Dollars and New Taiwanese Dollars. The Group normally used forward exchange contracts to hedge the return currency of such transaction or borrowed the same currency to fund such transaction. As at 30th June, 2007, no forward contract was outstanding. Short-term borrowings denominated in foreign currencies other than United States Dollars were used to finance assets purchased in the same currencies or official pegging currencies.

OTHER CORPORATE INFORMATION

PURCHASE, SALE AND REDEMPTION OF SHARES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months to 30th June, 2007.

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June 2007, the interests of the directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinances ("SFO Ordinances"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Mode Code for Securities Transactions by the Directors of Listed Companies, were as follows:

Long Positions

(a) Ordinary shares of HK\$0.05 each in the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Leung Shu Wing	Beneficial owner	184,691,075 (L)	41.457%
Yuen Tin Fan, Francis	Held by controlled corporation (Note 1)	26,984,000 (L)	6.057%
	Founder of discretionary trust (Note 2)	74,770,000 (L)	16.783%
		101,754,000	22.840%
Leung Miu King	Beneficial owner	21,050,000 (L)	4.725%
Wong Chi Kin	Beneficial owner	767,000 (L)	0.172%
Wong Choi Ying	Beneficial owner	9,500 (L)	0.002%
		308,271,575	69.197%

Note:

- 26,984,000 shares in the Company are owned by Tien Fung Hong Group Limited, a company which is 60% owned by Mr. Yuen Tin Fan, Francis.
- 74,770,000 shares in the Company are owned by TF Yuen Trust, Mr. Yuen Tin Fan, Francis is the founder who has set up the TF Yuen Trust.

(b) Non-voting preferred shares in the Company's subsidiaries

Name of subsidiary	Name of director	Capacity	Number of non-voting preferred shares	Percentage of the non-voting preferred share capital of the company
Kee Shing Hardware Supplies Limited	Wong Chi Kin	Beneficial Owner	400,000 (L)	100%
Kee Shing Industrial Industrial Limited	Leung Shu Wing	Beneficial Owner	7,000 (L)	70%
Sam Wing International Limited	Leung Shu Wing	Beneficial Owner	19,440 (L)	90%

Save as disclosed above, at 30th June 2007, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its subsidiaries or associated corporation as defined in the SFO Ordinances.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the period under review was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. In addition, none of the directors, or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company and had exercised any such right during the period under review.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Other than the interests of certain directors disclosed under the heading "Directors' Interest in Shares, Underlying Shares and Debentures" above, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO Ordinance discloses no other person as having a notifiable interest or a short position in the issued share capital of the Company as at 30th June, 2007.

By Order of the Board
LEUNG SHU WING
Chairman

Hong Kong, 18th September, 2007

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF KEE SHING (HOLDINGS) LIMITED

奇盛(集團)有限公司

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 5 to 13, which comprises the condensed consolidated balance sheet of Kee Shing (Holdings) Limited as of 30th June, 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

18th September, 2007