

KSH

Kee Shing (Holdings) Limited

(Incorporated in Hong Kong with limited liability)

I N T E R I M R E P O R T

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On behalf of the Board of Directors, I hereby announce the unaudited interim results of the Group for the first six months ended 30th June, 2002. The interim financial report has been reviewed by the Company's audit committee in compliance with the Hong Kong Statement of Standard Accounting Practice and the Company's auditor, Deloitte Touche Tohmatsu, whose independent review report to the Board of Directors is set out below.

The profit attributable to shareholders for the six months ended 30th June, 2002 amounted to HK\$12.8 million, representing a 43.7% increase over the same period ended 30th June, 2001. Profit from operations also rose by 15.9% to HK\$18.7 million. Earning per share gained by 45% to 2.9 Hong Kong cents. The Board of directors has resolved to declare an interim dividend of HK1.0 cents per share (2001: HK 1.0 cent per share) to shareholders registered at the close of business on 25th September, 2002. The share register will be closed from 20th September, 2002 to 25th September, 2002.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2002

	Notes	Six months ended 30.6.2002 HK\$'000 (unaudited)	Six months ended 30.6.2001 HK\$'000 (unaudited)
Turnover	3	469,150	449,763
Other revenue	4	1,267	4,403
Changes in inventories of finished goods		776	(6,796)
Purchase of goods held for resale		(430,552)	(394,406)
Raw materials and consumables used		(427)	(1,809)
Staff costs		(10,038)	(9,445)
Depreciation and amortisation		(1,268)	(1,523)
Other operating expenses		(13,703)	(12,787)
Net realised and unrealised gain (loss) on other investments		4,799	(11,259)
Impairment loss recognised in respect of investment securities		(1,300)	—
Profit from operations	3	18,704	16,141
Finance costs	5	(2,007)	(3,437)
Share of (loss) profit of associates		(290)	1,380
Amortisation of premium arising on acquisition of an associate		(1,709)	(1,511)
Profit before taxation		14,698	12,573
Taxation	6	(1,668)	(2,958)
Profit before minority interests		13,030	9,615
Minority interests		(264)	(730)
Net profit for the period		12,766	8,885
Dividend	7	6,683	13,365
Earnings per share	8	2.9 cents	2.0 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2002

	Notes	30.6.2002 HK\$'000 (unaudited)	31.12.2001 <i>HK\$'000</i> (audited)
ASSETS			
Non-current Assets			
Investment properties	9	238,140	238,140
Property, plant and equipment	10	32,929	33,526
Interests in associates	11	52,342	54,479
Investments in securities	12	25,261	23,749
		<u>348,672</u>	<u>349,894</u>
Current Assets			
Inventories	13	47,794	46,935
Debtors, deposits and prepayments	14	108,776	67,788
Bills receivable		18,694	9,575
Taxation recoverable		161	271
Investments in securities	12	149,024	159,248
Short term bank deposits		94,328	102,236
Bank balances and cash		69,417	60,055
		<u>488,194</u>	<u>446,108</u>
Total Assets		<u>836,866</u>	<u>796,002</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	15	22,275	22,275
Reserves		577,056	570,462
		<u>599,331</u>	<u>592,737</u>
Minority Interests		<u>15,709</u>	<u>15,263</u>
Non-current Liability			
Amount due to minority shareholder of a subsidiary		9,823	9,823
Current Liabilities			
Creditors and accrued charges	16	38,413	38,668
Taxation payable		2,159	2,195
Bank borrowings	17	171,431	137,316
		<u>212,003</u>	<u>178,179</u>
Total Equity and Liabilities		<u>836,866</u>	<u>796,002</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2002

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Investment property revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$000
The Group								
At 1st January, 2001	22,275	153,728	26,281	5,582	15,440	1,726	356,134	581,166
Exchange differences arising on translation of overseas operations	—	—	—	—	—	(1,421)	—	(1,421)
Share of an associate's movement in reserves	—	—	(191)	(151)	(69)	(46)	193	(264)
Net gain and loss not recognised in the condensed consolidated income statement	—	—	(191)	(151)	(69)	(1,467)	193	(1,685)
Goodwill released on disposal of a subsidiary	—	—	35	—	—	—	—	35
Net profit for the period	—	—	—	—	—	—	8,885	8,885
Dividends paid	—	—	—	—	—	—	(13,365)	(13,365)
At 30th June, 2001	22,275	153,728	26,125	5,431	15,371	259	351,847	575,036
Exchange differences arising on translation of overseas operations	—	—	—	—	—	226	—	226
Share of an associate's movement in reserves	—	—	2	—	(10)	65	2	59
Net gain and loss not recognised in the condensed consolidated income statement	—	—	2	—	(10)	291	2	285
Reclassification on transfer of properties	—	—	—	1,580	(1,580)	—	—	—
Net profit for the period	—	—	—	—	—	—	21,871	21,871
Dividends paid	—	—	—	—	—	—	(4,455)	(4,455)
At 31st December, 2001	22,275	153,728	26,127	7,011	13,781	550	369,265	592,737
Exchange differences arising on translation of overseas operations	—	—	—	—	—	631	—	631
Share of an associate's movement in reserves	—	—	—	(116)	30	(35)	1	(120)
Net gain and loss not recognised in the condensed consolidated income statement	—	—	—	(116)	30	596	1	511
Net profit for the period	—	—	—	—	—	—	12,766	12,766
Dividends paid	—	—	—	—	—	—	(6,683)	(6,683)
At 30th June, 2002	22,275	153,728	26,127	6,895	13,811	1,146	375,349	599,331

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30th June, 2002*

	Six months ended 30.6.2002 HK\$'000 (unaudited)	Restated Six months ended 30.6.2001 HK\$'000 (unaudited)
Net cash (used in) from operation activities	(23,960)	34,926
Net cash used in investing activities	(2,099)	(4,432)
Net cash from (used in) financing activities	<u>27,267</u>	<u>(49,549)</u>
Net increase (decrease) in cash and cash equivalents	1,208	(19,055)
Cash and cash equivalents at beginning of the period	162,291	162,805
Effect of foreign exchange rate changes	<u>246</u>	<u>(47)</u>
Cash and cash equivalents at end of the period	<u>163,745</u>	<u>143,703</u>
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents as previously reported		32,927
Effect of reclassification of bank borrowings		<u>110,776</u>
Cash and cash equivalents as restated		<u><u>143,703</u></u>
<i>Being:</i>		
Short term bank deposits	94,328	85,027
Bank balances and cash	<u>69,417</u>	<u>58,676</u>
	<u>163,745</u>	<u>143,703</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2002

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities.

The accounting policies adopted for the preparation of the interim financial report are consistent with those adopted by the Group in its annual financial statements for the year ended 31st December, 2001 except as described below.

In the current period, the Group has adopted, for the first time, the following new and revised SSAPs issued by the HKSA:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

3. SEGMENT INFORMATION

The turnover and contributions to profit from operations of the Group for the six months ended 30th June, 2002, analysed by business segments and by geographical segments, are as follows:

Business segments:

For the six months ended 30th June, 2002

	Sales of chemicals and metals HK\$'000	Property investment HK\$'000	Security investment HK\$'000	Other activities HK\$'000	Eliminations HK\$'000	Con- solidated HK\$'000
REVENUE						
External sales	459,154	8,700	1,143	153	—	469,150
Inter-segment sales	7,900	775	—	3,917	(12,592)	—
Total revenue	<u>467,054</u>	<u>9,475</u>	<u>1,143</u>	<u>4,070</u>	<u>(12,592)</u>	<u>469,150</u>
SEGMENT RESULT	<u>12,173</u>	<u>5,343</u>	<u>4,699</u>	<u>(22)</u>	<u>—</u>	<u>22,193</u>
Interest income from bank deposits						1,052
Unallocated other revenue						215
Unallocated corporate expenses						(4,756)
Profit from operations						<u>18,704</u>

For the six months ended 30th June, 2001

	Sales of chemicals and metals HK\$'000	Property investment HK\$'000	Security investment HK\$'000	Other activities HK\$'000	Eliminations HK\$'000	Con- solidated HK\$'000
REVENUE						
External Sales	435,641	9,552	4,399	171	—	449,763
Inter-segment sales	9,305	1,109	—	3,960	(14,374)	—
Total revenue	<u>444,946</u>	<u>10,661</u>	<u>4,399</u>	<u>4,131</u>	<u>(14,374)</u>	<u>449,763</u>
SEGMENT RESULT	<u>17,225</u>	<u>7,706</u>	<u>(8,491)</u>	<u>72</u>	<u>—</u>	<u>16,512</u>
Interest income from bank deposits						3,554
Unallocated other revenue						849
Unallocated corporate expenses						(4,774)
Profit from operations						<u>16,141</u>

Geographical Segments:

For the six months ended 30th June, 2002

	Hong Kong HK\$'000	Taiwan HK\$'000	Elsewhere in the People's Republic of China HK\$'000	Others HK\$'000	Eliminations HK\$'000	Con- solidated HK\$'000
REVENUE						
External sales	319,396	58,740	62,983	28,031	—	469,150
Inter-segment sales	5,478	6,623	—	491	(12,592)	—
Total revenue	<u>324,874</u>	<u>65,363</u>	<u>62,983</u>	<u>28,522</u>	<u>(12,592)</u>	<u>469,150</u>
SEGMENT RESULT	<u>12,882</u>	<u>1,362</u>	<u>8,134</u>	<u>(185)</u>	<u>—</u>	<u>22,193</u>
Interest income from bank deposits						1,052
Unallocated other revenue						215
Unallocated corporate expenses						(4,756)
Profit from operations						<u>18,704</u>

For the six months ended 30th June, 2001

	Hong Kong HK\$'000	Taiwan HK\$'000	Elsewhere in the People's Republic of China HK\$'000	Others HK\$'000	Eliminations HK\$'000	Con- solidated HK\$'000
REVENUE						
External sales	288,793	83,128	47,955	29,887	—	449,763
Inter-segment sales	13,331	785	258	—	(14,374)	—
Total revenue	<u>302,124</u>	<u>83,913</u>	<u>48,213</u>	<u>29,887</u>	<u>(14,374)</u>	<u>449,763</u>
SEGMENT RESULT	<u>2,968</u>	<u>3,433</u>	<u>8,713</u>	<u>1,398</u>	<u>—</u>	<u>16,512</u>
Interest income from bank deposits						3,554
Unallocated other revenue						849
Unallocated corporate expenses						(4,774)
Profit from operations						<u>16,141</u>

4. OTHER REVENUE

Other revenue comprises:

	Six months ended 30.6.2002 HK\$'000	Six months ended 30.6.2001 HK\$'000
Interest income from bank deposits	1,052	3,554
Sundry income	215	791
Dividend income from an unlisted investment	—	58
	<u>1,267</u>	<u>4,403</u>

5. FINANCE COSTS

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

6. TAXATION

	Six months ended 30.6.2002 HK\$'000	Six months ended 30.6.2001 HK\$'000
<i>The tax charge comprises:</i>		
Current taxation		
Hong Kong Profits Tax	1,173	1,780
Profit tax outside Hong Kong	477	1,177
	<u>1,650</u>	2,957
Share of taxation attributable to associates	18	1
	<u>1,668</u>	<u>2,958</u>

Hong Kong profit Tax is calculated at 16% of the estimated assessable profit for the period.

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

7. DIVIDEND

	Six months ended 30.6.2002 HK\$'000	Six months ended 30.6.2001 HK\$'000
Final dividend paid in respect of year ended 31st December, 2001 of 1.5 cents (year ended 31st December, 2000: 3 cents) per ordinary share	<u>6,683</u>	<u>13,365</u>

Interim dividend of 1.0 cent per share, amounting to HK\$4,455,000, was approved by the board of directors on 30th August, 2002.

8. EARNINGS PER SHARE

The calculation of the earnings per share is based on the net profit for the period of HK\$12,766,000 (six months ended 30.6.2001: HK\$8,885,000) and on 445,500,000 ordinary shares (six months ended 30.6.2001: 445,500,000 ordinary shares) in issue during the period.

9. INVESTMENT PROPERTIES

SSAP 25 does not require an enterprise to arrange for a revaluation to be made by professional qualified valuers on revalued assets held at the interim period end. Accordingly, no professional valuation has been performed in respect of the Group's investment properties as at 30th June, 2002. However, the directors consider that the values of the investment properties as at 30th June, 2002 would not differ materially from the professional valuation made as at 31st December, 2001 and, accordingly, no revaluation surplus or deficit has been recognised in the current period.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June, 2002, the Group has no material acquisitions or disposals of property, plant and equipment.

11. INTERESTS IN ASSOCIATES

	30.6.2002	31.12.2001
	HK\$'000	HK\$'000
Share of net assets	26,713	27,141
Premium arising on acquisition, net	25,629	27,338
	<u>52,342</u>	<u>54,479</u>

12. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	30.6.2002	31.12.2001	30.6.2002	31.12.2001	30.6.2002	31.12.2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity securities:						
Listed — Hong Kong	—	—	94,071	103,093	94,071	103,093
Listed — overseas	3,132	3,132	8,188	7,913	11,320	11,045
Unlisted	1,907	3,207	3,701	3,701	5,608	6,908
	<u>5,039</u>	<u>6,339</u>	<u>105,960</u>	<u>114,707</u>	<u>110,999</u>	<u>121,046</u>
Mutual funds:						
Unlisted	8,721	5,909	28,316	30,100	37,037	36,009
Debt securities:						
Listed — overseas	—	—	2,545	3,363	2,545	3,363
Unlisted	7,800	7,800	15,904	14,779	23,704	22,579
	<u>7,800</u>	<u>7,800</u>	<u>18,449</u>	<u>18,142</u>	<u>26,249</u>	<u>25,942</u>
Total securities:						
Listed	3,132	3,132	104,804	114,369	107,936	117,501
Unlisted	18,428	16,916	47,921	48,580	66,349	65,496
	<u>21,560</u>	<u>20,048</u>	<u>152,725</u>	<u>162,949</u>	<u>174,285</u>	<u>182,997</u>
Market value of listed securities	<u>4,844</u>	<u>3,294</u>	<u>104,804</u>	<u>114,369</u>	<u>109,648</u>	<u>117,663</u>
Carrying amount analysed for reporting purposes as:						
Non-current	21,560	20,048	3,701	3,701	25,261	23,749
Current	—	—	149,024	159,248	149,024	159,248
	<u>21,560</u>	<u>20,048</u>	<u>152,725</u>	<u>162,949</u>	<u>174,285</u>	<u>182,997</u>

13. INVENTORIES

Included in inventories are finished goods of HK\$9,380,000 (31.12.2001: HK\$7,300,000) carried at net realisable value.

14. 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\$96,541,000 (31.12.2001: HK\$60,002,000) which are included in the Group's debtors, deposits and prepayments are as follows:

	30.6.2002 HK\$'000	31.12.2001 <i>HK\$'000</i>
0 — 30 days	50,894	29,816
31 — 60 days	28,553	18,179
61 — 90 days	14,251	9,696
91 — 120 days	2,176	1,621
121 — 365 days	667	690
	<u>96,541</u>	<u>60,002</u>

15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.05 each		
<i>Authorised:</i>		
At 30th June, 2002 and 31st December, 2001	<u>700,000,000</u>	<u>35,000</u>
<i>Issued and fully paid:</i>		
At 30th June, 2002 and 31st December, 2001	<u>445,500,000</u>	<u>22,275</u>

16. CREDITORS AND ACCRUED CHARGES

The aged analysis of the trade creditors of HK\$16,536,000 (31.12.2001: HK\$20,585,000) which are included in the Group's creditors and accrued charges are as follows:

	30.6.2002 HK\$'000	31.12.2001 <i>HK\$'000</i>
0 — 30 days	16,419	14,917
31 — 60 days	102	5,613
61 — 90 days	4	55
91 — 120 days	11	—
	<u>16,536</u>	<u>20,585</u>

17. BANK BORROWINGS

	30.6.2002 HK\$'000	31.12.2001 <i>HK\$'000</i>
The bank borrowings, which are all due within one year, comprise:		
Bank loans		
— secured	4,528	4,112
— unsecured	19,752	15,489
Trust receipt loans		
— unsecured	<u>147,151</u>	<u>117,715</u>
	<u>171,431</u>	<u>137,316</u>

18. PLEDGE OF ASSETS

At 30th June, 2002, certain leasehold properties and investments in securities with aggregate carrying values of HK\$7,521,000 (31.12.2001: HK\$7,286,000) and HK\$27,797,000 (31.12.2001: HK\$33,898,000), respectively, were pledged to banks to secure banking facilities granted to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

Trading Division

The division reported a first half-year segmental profit of HK\$12.2 million in 2002, representing a decrease of 29% compared with HK\$17.2 million for the same period of 2001. The fall in demand continued after 2001 and slashed prices of most of the Group's trading products as well as their profit margin as competition among rivals intensified. The situation was much improved starting from the second quarter of the year although profitability was still under pressure. Total turnover rose by 5.4% for the first six months ended 30th June, 2002 over the same period last year to HK\$459.2 million.

Electroplating Materials and Chemicals

Turnover recorded a slight increase of 1.2% for the first half of the year compared with the corresponding period in the previous year. In the first quarter, the market was extremely tough and demand continued to shrink following the event of the U.S. terrorist attack. Price competition was fierce as traders and suppliers slashed prices to liquidate their inventory. The slight growth in turnover, mainly contributed by the rise in metal prices and improved demand from customers in the second quarter, was substantially offset by the continuing downward price pressure and keen competition. Gross profitability shrank by over 20% during the period under review. Demand in Mainland China remained strong in line with its economic growth but prices were subdued. Given that the recovery is under way, it is expected turnover will continue to improve in the third quarter and the profitability will gradually improve.

Paint and Coating Chemicals

Turnover rose by 42.3% for the six months ended 30th June, 2002 compared with that of the same period last year. China market was very competitive, as global suppliers continued to dump stocks into China and led to an oversupply situation. While facing such tough environment, sales still rose because of introduction of new chemical products in the market that helped diversify slow sales generated from the core chemical products and improve the overall profitability. In the coming months, it is expected that the market will continue to be sluggish. We will explore more new chemicals products to widen the trading product lines and improving earnings.

Stainless Steel

Demand improved satisfactory in the first half year of 2002. Orders for replenishment from the U.S. markets increased continuously. Global supply was in shortage during the period as many major suppliers cut production, driving up stainless steel price to a new high over the last year. Turnover climbed by 27.2%

over the same period last year. In anticipation of continuous strong demand in the second half year, we will modestly adjust and streamline operation so as to improve profitability.

Property Investment Division

Total rental income fell by 9.0% to HK\$8.7 million for the six months ended 30th June, 2002 compared with that of same period last year.

Average occupancy rate in Hong Kong offices recorded 83% during the period. Demand in Hong Kong office spaces remained weak and market rent continued to fall in the first half year as tenant pressured down rental due to excessive supply. Rental of new and renewed tenancy is expected to drop by 30% in the second half year.

Demand in Grade A offices in Shanghai grew continuously in the first six months of 2002 but supply also rose steadily. The rise in demand was thus offset by the expansionary inventory, resulting in little momentum for overall rental growth. In the coming months, office leasing market will remain active encouraged by influx of foreign companies as well as business expansion of existing companies. However, rental growth will continue to subside due to large supply of Grade A offices.

Average occupancy rate of our Shanghai office spaces was 87.1% for the first half year of 2002. All tenancies expired in early 2002 and there was about 61% rental spaces renewed after expiration. Rental income is expected to fall in the second half year due to vacancy period after the expiration of tenancies.

Steady influx of foreign capital supported the leasing residential market in Shanghai, especially downtown luxury apartment and villa houses. Although supply and demand will continue to grow, large supply still suppresses the growth in rental. Average occupancy rate of our Shanghai residential properties was 91.3% for the six months ended 30th June, 2002.

Securities Investment Division

Market value of the securities portfolio increased from HK\$174.7 million as at 31st December, 2001 to HK\$175.7 million as at 30th June, 2002.

An analysis of the portfolio by type of securities as at 30th June, 2002 is as below:

	Market Value of Investment <i>HK\$million</i>	Distribution in Percentage
Equities	112.4	64.0%
Bonds	26.2	14.9%
Unit Funds	37.1	21.1%

Financed as to (as at 30th June, 2002) 95.5% by Group's own cash fund and 4.5% by Bank borrowings.

An analysis of the portfolio by currency denomination as at 30th June, 2002 is as follows:

HK Dollar	US Dollar	Euro	JP Yen	SGP Dollar	Others
53.5%	35.9%	2.3%	2.2%	1.3%	4.8%

Global equity markets were in frustrating swing for the first half year of 2002. The market responded nervously on the progress of global economic recovery, regional conflicts, and corporate accounting irregularities in the U.S. Corporate governance risks, accounting risks and currency risks are now the main focus in the global equities and debt markets. A combination of uncertainties led to an increasing preference for capital preservation rather than capital growth. For the period ended 30th June, 2002, we recorded an unrealized gain of HK\$1.9 million for other investment sector. We also disposed investment, such as corporate bonds, equities and some currency-linked derivatives with total gain of HK\$2.9 million. Total interests and dividend income generated from the portfolio during the period accounted for HK\$1.1 million. As there as still large uncertainties remained and that could drag a dramatic effect on the markets in the coming months, we have diversified part of our funds into some structural financial instruments for assets protection to avoid large fluctuation in such turbulent markets. We will continue to monitor the progress of market performance and constantly review our strategies to cope with any change in market situation.

EMPLOYEES

The Group employed a staff of 97 as at 30th June, 2002, of which 62 worked in Hong Kong, 15 in Mainland China and the remaining 20 worked overseas. Staff turnover rate remained low during the period mainly for staff replacement or increase in workforce in Mainland China. All qualified staff has enrolled in pension funds schemes in accordance with applicable rules and regulations of where the staff works. Total staff costs, including Directors' emoluments, rose by 6.3% to HK\$10.0 million for the first six months of 2002. Salary package of the Group's staff stays at competitive level and will be reviewed from time to time. Staff also enjoyed benefits of the Group including medical insurance, pension funds, discretionary bonus scheme, recreation allowances, and training and education allowances. The Group also encouraged staff to participate in continuing education programs in recognized institutions from time to time to broaden their knowledge basis.

FINANCIAL REVIEW

The Group's total shareholders' fund slightly rose 1.1% to HK\$599.3 million as at 30th June, 2002. (31st December, 2001: HK\$592.7 million).

As at 30th June, 2002, the Group held cash deposit totaling HK\$163.7 million, representing an increase of 0.9% compared with total cash held at 31st December, 2001. Net borrowings as at 30th June, 2002 were HK\$7.7 million whereas a net cash position of HK\$25.0 million was recorded as at 31st December, 2001. The

increase in net borrowings was mainly due to the increase in trade receivables for the period ended. The Group's gearing ratio, representing total bank borrowings divided by shareholders' funds, was 0.28 compared with 0.23 as at 31st December, 2001.

All bank borrowings were in forms of trust receipts and money market loans as at 30th June, 2002. Total bank borrowings utilized about 37% of total available banking facilities granted by various banks as at 30th June, 2002. Guarantee given in respect of bank loans to the Group's companies as at 30th June, 2002 amounted to HK\$457.3 million.

Currency distribution of the Group's bank borrowings as at 30th June, 2002:

	<i>HK\$'000</i>	
Hong Kong Dollars	155,672	90.8%
United States Dollars	7,956	4.6%
Japanese Yen	7,803	4.6%
	<u>171,431</u>	<u>100.0%</u>

All borrowings were based on floating rate and matured within one year. Average monthly interest rates during the period ranged from 1.78% to 2.31% p.a. Interest expense for the first six months ended 30th June, 2002 was HK\$2.0 million, representing a decrease of 41.6% as compared with HK\$3.4 million for the first six months ended 30th June, 2001.

During the first six months ended 30th June, 2002, transactions made by the Group were conducted in Hong Kong Dollars, United States Dollars, Japanese Yen, Euro, British Sterling, Reminbi, Australian Dollars, Singapore Dollars and New Taiwanese Dollars. The Group used forward exchange contracts to hedge its foreign currency exposure in trading activities when considered appropriate. There was no forward foreign contract outstanding as at 30th June, 2002. Short-term borrowings denominated in foreign currencies other than United States Dollars were used to finance assets purchased in the same currencies.

PROSPECTS

We see tremendous uncertainties in the second half-year. With evidence of latest economic data released in U.S., it is quite certain that global economies are in midst of gradual but steady recovery from recession. However, the financial markets are suffering from a severe crisis of confidence in U.S. and Europe. Global economic growth is expected to be softer in the coming months. The Group will well position itself to achieve a better performance in trading business in the second half year. Office rental is likely to be pressurised due to large supply and its performance is expected to be lower than that of last year. We will remain conservative in managing our securities investment. Despite the economic uncertainties ahead, the Group will continue to focus on its core business.

INTERIM DIVIDEND

Interim dividend of 1.0 cent per share (2001: 1.0 cent per share) has been declared payable on or before 27th September, 2002 to shareholders whose names appear on the register of members of the Company on 25th September, 2002. The register of members of the Company will be closed from 20th September, 2002 to 25th September, 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer accompanied by the relevant share certificates must be lodged with the Company share register, Standard Registrars Limited, 5/F., Wing On Center, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on 19th September, 2002.

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, 2002.

DIRECTORS' INTEREST IN SHARES

As at 30th June, 2002, the interests of the directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Number of shares held	
	Personal interest	Corporate interest
Leung Shu Wing	184,691,075	—
Yuen Tin Fan, Francis	—	26,984,000 (Note 1)
Leung Miu King	20,434,000	—
Kwan Hing Hin, Stephen	5,000,000	—
Wong Chi Kin	767,000	—
Wong Choi Ying	9,500	—

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.

The personal beneficial interests of the directors in the non-voting preferred shares of the Company's subsidiaries as at 30th June, 2002 were as follows:

Name of subsidiary	Name of director	Name of non-voting preferred shares
Kee Shing Hardware Supplies Limited	Wong Chi Kin	400,000
Kee Shing Industrial Products Limited	Leung Shu Wing Kwan Hin Hing, Stephen	7,000 2,000
Sam Wing International Limited	Leung Shu Wing	19,440

Save as disclosed above, at 30th June, 2002, none of the directors or their associates had any interests in the securities of the Company or any of its subsidiaries or associated corporation as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2002, the register of substantial shareholders maintained under Section 16 (1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of the directors, the Company was not notified of any interests representing 10% or more of the Company's issued share capital.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the directors is aware of any information that would reasonably indicate that the Company is not or was not for any part of the six months ended 30th June, 2002, in compliance with the Code of Best Practice set out in Appendix 14 of the Rules Governing the listing of Securities issued by the Stock Exchange of Hong Kong Limited.

By Order of the Board
Leung Shu Wing
Chairman

Hong Kong, 30th August, 2002

Independent Review Report
To the Board of Directors of Kee Shing (Holdings) Limited
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 1 to 9.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by the directors.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagement to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2002.

Deloitte Touche Tohmatsu
Certified Public Accountants

30th August, 2002