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

(Incorporated in Hong Kong with limited liability)
(於香港註冊成立之有限公司)
Stock Code 股份代號 : 174

## Annual Report 2009 年報


Kee Shing

# Content

# Corporate Information

## BOARD OF DIRECTORS

**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 Directors**

Wong Kong Chi
Lai Chung Wing, Robert
Chan Wing Lee

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## COMPANY SECRETARY

Wong Choi Ying

## AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

## PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Credit Agricole Corporate & Investment Bank
The Hongkong and Shanghai Banking Corporation Limited

## SHARE REGISTRARS

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

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

| | 2009 HK$'000 | 2008 HK$'000 | Change % |
|---|---|---|---|
| **INCOME STATEMENTS** | | | |
| Turnover | **964,715** | 1,782,553 | –45.9% |
| Profit (Loss) before Taxation | **95,941** | (87,146) | n.a. |
| Profit (Loss) Attributable to Shareholders | **79,711** | (89,227) | n.a. |
| Dividends | **0** | 37,868 | – |
| **BALANCE SHEETS** | | | |
| Total Assets | **913,370** | 841,848 | +8.5% |
| Total Borrowings | **188,855** | 195,031 | –3.2% |
| Shareholders' Funds of equity holders of the Company | **636,098** | 555,380 | +14.5% |
| **CASH FLOW** | | | |
| Cash Generated from Operating Activities | **82,667** | 225,938 | –63.4% |
| Working Capital | **284,417** | 218,855 | +30.0% |
| Capital Expenditure | **91** | 1,109 | –91.8% |
| Earnings Per Share | **17.89¢** | (20.03¢) | n.a. |
| Dividends Per Share | **0** | 8.5¢ | – |
| Shareholders' Fund Per Share | **1.43** | 1.25 | +14.4% |
| Interest Cover | **44.6 times** | (6.06 times) | n.a. |
| Dividend Cover | **0** | (2.36 times) | n.a. |

Note:

1. Earnings per share are calculated by dividing profit attributable to equity holders of the Company by 445,500,000 shares in issue during 2009 (2008: 445,500,000 shares)

2. Interest Cover is calculated by dividing profit before tax and interest charges by interest charges.

3. Dividend Cover is calculated by dividing Earnings per Share by Dividends Per Share.

# Ten Year Financial Summary

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December,

| | 2000 HK$'000 | 2001 HK$'000 | 2002 HK$'000 | 2003 HK$'000 | 2004 HK$'000 | 2005 HK$'000 | 2006 HK$'000 |
|---|---|---|---|---|---|---|---|
| Turnover | 1,053,704 | 860,920 | 1,072,821 | 1,224,230 | 1,770,634 | 1,964,169 | 2,240,998 |
| Profit/(Loss) before taxation | 48,208 | 36,524 | 8,527 | 46,300 | 61,971 | 83,655 | 90,099 |
| Taxation | (2,946) | (4,640) | (3,884) | (6,029) | (9,300) | (11,881) | (9,923) |
| Profit/(Loss) for the year | 45,262 | 31,884 | 4,643 | 40,271 | 52,671 | 71,774 | 80,176 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December,

| | 2000 HK$'000 | 2001 HK$'000 | 2002 HK$'000 | 2003 HK$'000 | 2004 HK$'000 | 2005 HK$'000 | 2006 HK$'000 |
|---|---|---|---|---|---|---|---|
| Total assets | 795,298 | 796,002 | 826,708 | 934,586 | 987,762 | 949,328 | 1,230,588 |
| Total liabilities | (197,432) | (188,002) | (229,503) | (310,219) | (357,571) | (334,196) | (596,123) |
| | 597,866 | 608,000 | 597,205 | 624,367 | 630,191 | 615,132 | 634,465 |
| Equity attributable to: | | | | | | | |
| Equity holders of the parent | 581,166 | 592,737 | 581,134 | 606,775 | 610,417 | 593,399 | 611,734 |
| Minority interests | 16,700 | 15,263 | 16,071 | 17,592 | 19,774 | 21,733 | 22,731 |
| | 597,866 | 608,000 | 597,205 | 624,367 | 630,191 | 615,132 | 634,465 |

Notes:

1. The above financial summary prior to 2002 has not been adjusted to take into account the effect on the adoption of SSAP 12 (Revised) "Income taxes" issued by HKICPA as the directors considered that it is not practicable to do so.

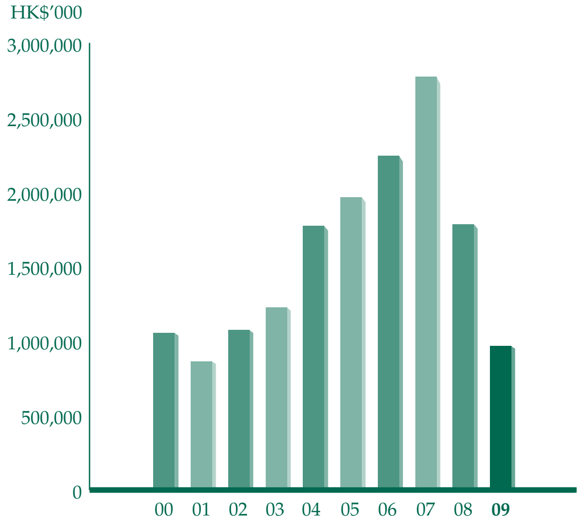
2. The above financial summary prior to 2003 has not been adjusted to take into account the effect on the adoption of certain HKFRSs that are effective for accounting periods beginning on or after 1st January, 2005.

## KEY DATA

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|---|---|
| Interest cover (times) | 4.83 | 7.21 | 2.95 | 13.17 | 16.29 | 9.49 | 6.79 |
| Dividends per share (cents) | 5.00 | 2.50 | 2.50 | 3.00 | 12.50 | 20.00 | 14.00 |
| Earnings per share (cents) | 9.80 | 6.90 | 0.93 | 8.69 | 11.51 | 15.77 | 17.43 |
| Net assets per share (HK$) | 1.30 | 1.33 | 1.30 | 1.36 | 1.37 | 1.33 | 1.37 |
| Gearing | 0.25 | 0.23 | 0.31 | 0.40 | 0.49 | 0.46 | 0.80 |

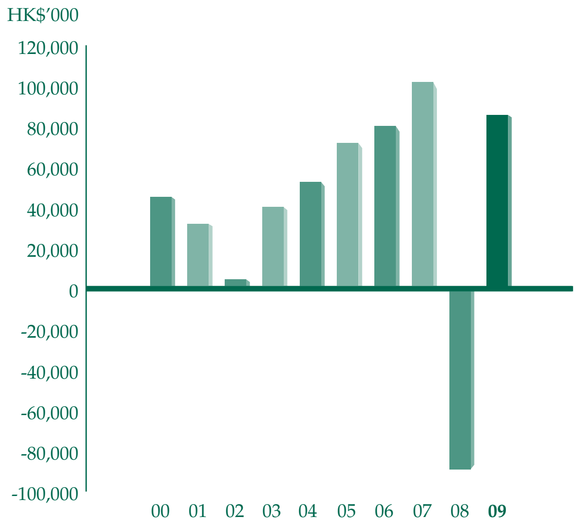
| 2007 HK$'000 | 2008 HK$'000 | **2009 HK$'000** |
|---|---|---|
| 2,771,092 | 1,782,553 | **964,715** |
| 111,799 | (87,146) | **95,941** |
| (9,953) | (1,812) | **(10,262)** |
| 101,846 | (88,958) | **85,679** |

Turnover



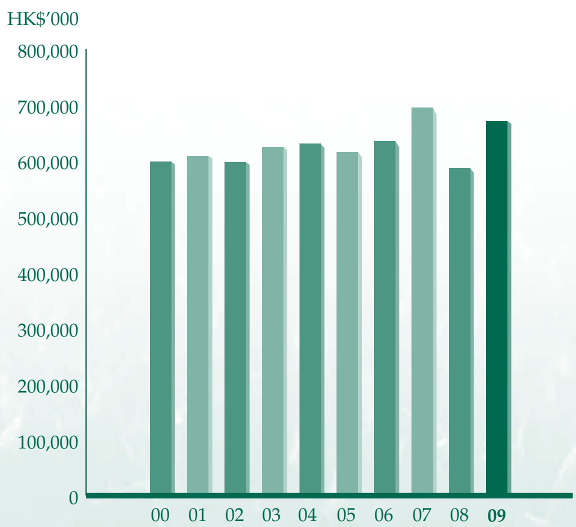

| 2007 HK$'000 | 2008 HK$'000 | **2009 HK$'000** |
|---|---|---|
| 1,198,764 | 841,848 | **913,370** |
| (503,900) | (255,535) | **(242,966)** |
| 694,864 | 586,313 | **670,404** |
| 664,809 | 555,380 | **636,098** |
| 30,055 | 30,933 | **34,306** |
| 694,864 | 586,313 | **670,404** |

Net Profit




| 2007 | 2008 | **2009** |
|---|---|---|
| 5.24 | (6.06) | **44.5** |
| 10.00 | 8.50 | **0** |
| 21.32 | (20.03) | **17.89** |
| 1.49 | 1.25 | **1.43** |
| 0.64 | 0.35 | **0.30** |

Equity



# 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 31st 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 18th June, 2010 to shareholders whose names appear on the register of members of the Company as at 3rd June, 2010.

## BUSINESS REVIEW

Global economic environment had improved over the second half year of 2009, with evidence 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 31st 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 page 11 to page 17 in this 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, 13th April 2010

## 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 | |
|---|---|---|---|---|
| **For the Year ended:** | **31.12.2009** | 31.12.2008 | **31.12.2009** | 31.12.2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'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) |
| Total | **940,037** | 1,755,254 | **8,366** | (50,964) |

**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 31st December, 2009. As at 31st December, 2009, inventory level of electroplating materials and chemicals was down by 42.8% when compared with that as at 31st December, 2008. Net account receivable was at HK$ 57.5 million as at 31st 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 of 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 manufacturers 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 31st December, 2009 was reported at HK$ 11.1 million, representing a decrease of 52.8% when compared with HK$ 23.5 million as at 31st 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 31st 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 31st 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 31st 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 31st December, 2009 is as below:

(In HKD'000)

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

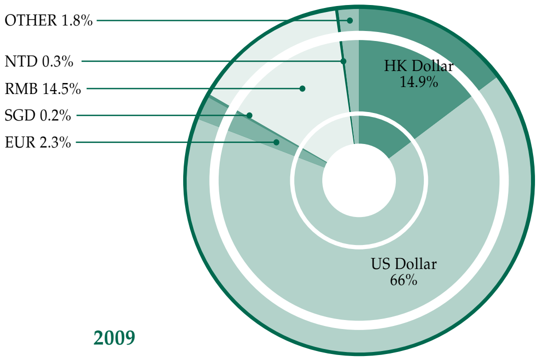
Total number of staff was reduced by 2 persons to 73 persons as at 31st December, 2009. Staff cost decreased to HK$ 21.1 million for the fiscal year ended 31st December, 2009, representing a decline of 19.7% when compared with HK$ 26.3 million for the fiscal year ended 31st December, 2008, due to implementation 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%).

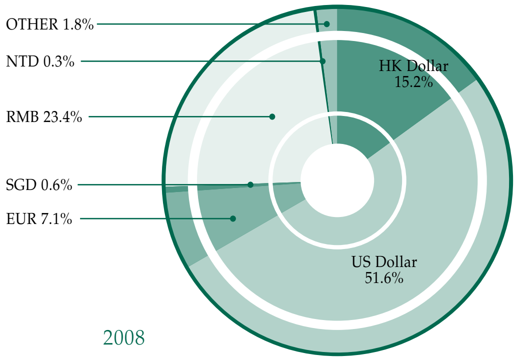
## FINANCIAL RESOURCES AND LIQUIDITY

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 31st 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 31st December, 2009 when compared with HK$ 117.7 million as at 31st 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.

# Management Discussion and Analysis

An analysis of cash and short term bank deposits by currencies as at 31st December, 2009 and 31st December, 2008 are set out below:



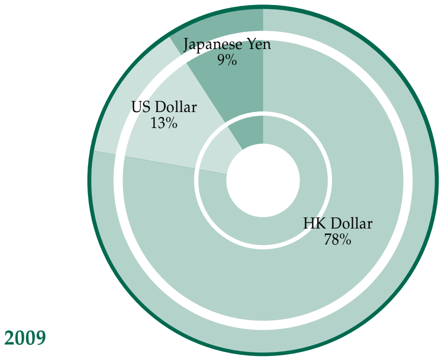



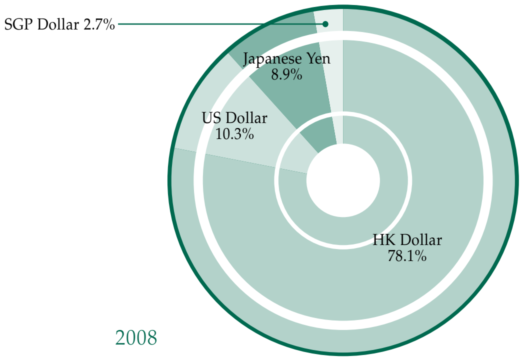

Long term assets rose by HK$ 22.1 million to HK$ 404.3 million as at 31st December, 2009, primarily due to the net increase of HK$ 32.9 million on revaluation of investment properties at the year end. Taking into account of lower average metal prices and well-managed inventory control during the year,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




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 31st 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 31st December, 2008. Total finance cost in 2009 amounted to HK$ 2.2 million (For the fiscal year ended 31st December, 2008: HK$ 12.3 million).

Total bank borrowings as at 31st December, 2009 was HK$ 188.9 million (as at 31st 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$ 156.0 million to HK$ 627.2 million as at 31st 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 31st December, 2009 when compared with 0.35:1 as at the year ended 31st December, 2008.

## 1. CORPORATE GOVERNANCE PRACTICES

The Board of Kee Shing Group is committed to establish and maintain high standards of corporate governance – the process by which the Group is directed and managed, risks are identified and controlled and accountability assured.

This Corporate Governance Report is to outline the major principles of the Company's governance. It intends to describe how the Group has applied the Code Provisions set out in the Code on Corporate Governance Practices ("the Code") contained in Appendix 14 to the Rules Governing the Listing of Securities ("the Listing Rules") on The Stock Exchange of Hong Kong Limited ("The Stock Exchange"). It also highlights key changes and/or progress of the Company made to comply with the Code. Shareholders are encouraged to make their views known to the Group with concerns of the Company's corporate governance issues and to directly raise any matters of concerns to the Chairman. The Chairman will be present in the Annual General Meeting to be held on 3 June, 2010 to share views on matters of concerns.

During the accounting period ended 31st December, 2009, the Board considers that the Kee Shing Group has met and complied with the Code Provisions in the Code

## 2. DIRECTORS' SECURITIES TRANSACTIONS

In accordance with the required standard set out in the Model Code for Securities Transaction by Directors of Listed Issuers ("the Model Code") contained in Appendix 10 of the Listing Rules, the Kee Shing Group 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. For the accounting period ended 31st December, 2009, all Directors have confirmed that they have complied with the required standard set out in the Model Code and the Company's codes of conduct regarding Directors' securities transactions.

## 3. MAJOR GOVERNANCE PRINCIPLES

### 3.1 Board of Directors

*Board Composition*

Throughout the accounting period ended 31st December, 2009, the Board has 8 members. Of these, four, including Chairman, are executive directors and four are non-executive directors. The names and biographical details of each director are set out on page 18 of the annual report. The Board met four times during the financial year and the majority of the directors participated in each meeting. Attendance of each director at these meetings is shown in the table below:

| | Attended in person | Apologies given |
|---|---|---|
| **Executive Directors:** | | |
| Mr. Leung Shu Wing *(Chairman)* | 4 | – |
| Miss. Leung Miu King, Marina *(Managing Director)* | 4 | – |
| Mr. Wong Chi Kin | 4 | – |
| Mr. Wong Choi Ying *(Company Secretary)* | 4 | – |
| **Non-Executive Directors:** | | |
| Mr. Yuen Tin Fan, Francis | 2 | 2 |
| Mr. Wong Kong Chi *(Independent)* | 3 | 1 |
| Mr. Lai Chung Wing, Robert *(Independent)* | 4 | – |
| Mr. Chan Wing Lee *(Independent)* | 4 | – |

*Role and responsibilities*

The Board is collectively responsible for the success and interest of the Group through leadership and supervisions. The principal tasks of the Board are to:

- Provide entrepreneurial leadership of the Company with a framework of prudent and effective controls which enables risks to be assessed and managed.
- Set the Company's strategic aims, ensuring that the necessary financial and human resources are in place for the Company to meet its objectives and review management performance.
- Set the Company's values and standards and ensure that its obligations to its shareholders and others are understood and met.

The Board approved a Schedules of Matters Reserved for the Board on 10th August 2005, which set out the Board's duties and activities and the matters reserved for its consideration and decision. The matters that the Board has specifically reserved for its decisions include establishment of the Group's long term objectives and commercial strategy, approval and monitoring of budgets, changes of the Group's corporate structure, capital and listing status, approval of financial statements and announcement of results, declaration of dividends, approval of material transactions, appointment and remuneration of board members and senior executives, and other matters more specifically described in the schedule.

No event or condition of material uncertainties was found that may cast significant doubt about the Company's ability to continue as a going concern during the year. The directors of the Board are responsible for the preparation and the true and fair presentation of the financial statements, in all material respects, in accordance with applicable regulatory requirements.

*Skills, knowledge, experience and attributes of Directors*

All of the directors of the Board served full year in office during 2009. Every director commits to give sufficient time and attention to the affairs of the Company. Directors also demonstrate their understanding and commit to high standards of governance. Executive directors bring their perspectives to the Board through their deep understanding of the Group's business. Non-executive directors contribute their own skill and experience, understanding of local and global economies, and knowledge of capital markets to the Group's business. The Company is responsible for arranging and funding a suitable development programme for all directors of continuous professional development to develop and refresh their knowledge and skills.

*Responsibilities between the Board and management*

The Group has formed strong management teams in its business areas, comprising both executive directors and senior officers, to develop and exercise both operational and non-operational duties. The management team members have ranges of skills, knowledge and experiences necessary to govern the Group's operation. All management team members are required to report directly to the Managing Director. They are also required to meet with the Chairman, Managing Directors and other Board's executive directors on a regular basis to report business performances and operational and functional issues. This will allow the Group's management to focus resources more efficiently in decision-making and facilitate daily operation. The names and biographical details of each senior officer are set out on page 19 of the annual report.

The Board and management fully appreciate their respective roles and are committed to good corporate governance. The Board is responsible for overseeing the processes by which the management identifies business opportunities and risks. The Board's role is not to manage the business and the responsibility of which remains vested in management. The Board has set up a formal schedule of matters specifically reserved for the Board's decision. Matters which the Board considers suitable for delegation are contained in the terms of reference of its Committee. In addition, the Board will receive reports and recommendations from time to time on any matter which it considers significant to the Group.

*Induction and Training*

Each new director, executive or non-executive, commits to undertake an induction programme to ensure that he has a proper understanding of his duties and responsibilities. The induction programme includes an overview of the Group's business operation, the Board procedures, matter reserved to the Board, an introduction of the Board Committee, directors' responsibilities and duties, relevant regulatory requirements, copies of minutes of the Board and Board Committees in the past 12 months, and briefings with senior management and site visits (if necessary). The need for director trainings is regularly assessed by the Board. In the fiscal year of 2009, no new Director was appointed.

*Independent Advice*

The Board and its Committees may seek advice from independent professional advice whenever it is considered appropriate. Individual director, with the consent of the Chairman of the Board and/or the Chairman of the Audit Committee, may seek independent professional advice on the matter connected with the Company to discharge of his/her responsibility, at the Group's expense. No director exercised his/her right during the year.

*Independence of non-executive director*

Three Independent Non-Executive Directors, namely Mr. Wong Kong Chi, Mr. Lai Chung Wing, Robert, and Mr. Chan Wing Lee, are considered to be independent of management within the guidelines set out in Listing Rule 3.13. They are free from any business relationship or other circumstances that could materially interfere with the exercise of independent or objective judgment. Also, the three independent non-executive directors, representing over one-third of the Board, constitute a proper balance of power maintaining for full and effective control of both the Group and its executive management.

*Relationships and Associations*

Mr. Leung Shu Wing, the Chairman of the Board, is the father of Miss. Leung Miu King, Marina, who is the Managing Director of the Board. Other than these two individuals, there is no member of the Board involved into any financial, business, family or other material relationship with other members of the Board.

*Company Secretaries*

The Company Secretary, Mr. Wong Choi Ying, who is also an executive director of the Board, is responsible to keep detailed minutes of each meeting including any dissenting views expressed by the directors. He is also responsible to ensure the Board procedures are complied with and advises the Board on governance matters. All agenda, relevant materials and document are sent out at least 3 days prior the intended date before the Board or the Committee meeting. The Company Secretary sent the draft version of the Board and Committee minutes to all directors for comments within reasonable time after the Board or the Committee and final versions of the Board and Committee minutes are also sent to all directors for record. Moreover, he is responsible for keeping all directors updated on Listing Rules, regulatory requirements, as well as internal codes of conduct of the Company.

**3.2 Chairman and Managing Director**

The Board approved the defined role of the Chairman and the Managing Director on 10th August, 2005, which has set out the roles of the Chairman and Managing Director are segregated and are not exercised by the same person.

The Chairman of the Board, Mr. Leung Shu Wing, leads the Board and facilitates the business of the Board and individual director effectiveness, both inside and outside the boardroom. The Chairman plays a key role in the development of the Group's strategy and in ensuring management succession. He also ensures that the principles and processes of the Board are maintained. Throughout the year, he encourages constructive discussion, criticism or debate conducted in the Board and, where appropriate, any matters proposed by other directors for inclusion in the agenda. In conjunction with the Company Secretary, the Chairman sets agenda for meeting of the Board and ensures all directors receiving adequate, complete and reliable information in a timely manner. The Chairman commits to present shareholders' views to the Board and to represent the Board to communicate with shareholders. He also facilitates the relationship among the Board members and ensures the effective contribution of the non-executive directors to the Board.

The Managing Director, Miss Leung Miu King, Marina, is responsible to lead executive management of the Group. The Board sets limits to the authorities exercisable by the Managing Director and the Managing Director remains accountable to the Board within the limits of delegated authority. The Managing Director commits to take overall responsibilities for the supervision and the conducts of the Company business and its ordinary operation, in accordance with the policies, strategies and objectives established by the Group. The Board is responsible to monitor the performance of the Managing Director and to ensure whether the Board's objective has been attained.

### 3.3 Appointment, Re-election and Removal

All four non-executive directors, including Messrs. Wong Kong Chi, Lai Chung Wing, Robert, Chan Wing Lee and Yuen Tin Fan, Francis, have entered into service agreements issued on 29th October, 2009 with the Company for a specific term of two years effective on 9th November, 2009.

There is no nomination committee set up in the Group. At least one third of directors of the Board, including those appointed for a specific term, retire at each Annual General Meeting pursuant to the Company's existing Articles of Association. All executive director of the Company are not appointed for a fixed term but must submit themselves to shareholders for re-election after three years. Newly appointed Directors must submit themselves to shareholders for elections at the first Annual General Meeting following their appointment pursuant to the Company's existing Articles of Association.

### 3.4 Remuneration of Directors and Senior Officers

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. Attendance of each director at these meetings is shown in the table below:

| | Attended in person | Apologies given |
|---|---|---|
| **Non-Executive Directors:** | | |
| Mr. Wong Kong Chi *(Independent)* | 1 | – |
| Mr. Lai Chung Wing, Robert *(Independent)* | 1 | – |
| Mr. Chan Wing Lee *(Independent)* | 1 | – |
| **Executive Director:** | | |
| Mr. Wong Chi Kin | 1 | – |

*Role and function*

The role of the Committee is to assist the Board to oversee the policy and structure of the remuneration to executive directors of the Company and senior officers of the Group, and to approve specific remuneration packages of all executive directors and senior officers. The duties and responsibilities of the Remuneration Committee are more specifically set out in its Terms of Reference, which is available for inspection at the Company's website www.keeshing.com or by making request to the Company Secretary.

*Principles of remuneration policy*

The principles of the Group's remuneration policy are:

- applied to all directors and senior officers for the year of 2009 and, so far as practicable, for subsequent years;
- sufficiently flexible to take account of future changes in the company's business environment and remuneration practice;
- remuneration arrangement be designed to support the business strategy and to align with the interests of the Group's shareholders;
- total reward levels be set at appropriate levels to reflect the competitive market in which the companies and the Group are operating during the year so as to position the best individual for outstanding performance;
- performance-related remuneration be making up at most 55% of the total potential remuneration for executive directors and senior officers;
- performance-related remuneration be subject to the satisfaction of performance over short and long term targets, and the targets be set in the context of the Group's prospects, the prevailing economic environment in which it operates and the relative performance of comparable companies.

*Remuneration Rules and Structure*

Under the policy's rules, the remuneration package of each executive director and senior officers is structured to include:

- an appropriate rate of base compensation for the job of each executive director and senior officers;
- competitive benefit programmes;
- sets of performance measures and targets for performance-related annual and long-term incentive plans based on the appropriate independent advice and/or an assessment of the interests of shareholders of the company and taking into account an appropriate balance of risk and reward for the directors and other participants.

The Committee is responsible to determine whether the preset targets are being met based on the relevant information. Annual review of the base compensation is required. Also it is required to a set of annual targets on different performance measures for each executive director and senior officer, approve the maximum level of total annual bonus over monthly salary as well as the shares of contributions against each performance measure if target is achieved.

The work and findings together with recommendation of the Committee was presented to the Board after the Remuneration Committee meeting. Minutes of the meeting were made available to all the directors' inspection. No Director was involved in deciding his own remuneration, whether determined by the Remuneration Committee, or in the case of non-executive directors, by the Board.

**3.5 Auditors' Remuneration**

The Board, on the recommendation of Audit Committee, approved the appointment of Deloitte Touche Tohmatsu to perform its audit services to the Group for the fiscal year of 2009. Deloitte Touche Tohmatsu has been the Group's appointed external auditor since its public listing in 1989. A letter from Deloitte Touche Tohmatsu dated 1st April, 2010 has stated that it was independent of Kee Shing (Holdings) Limited and its subsidiaries with reference to Section 290 "Independence – Assurance Engagements" of Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountant.

During the financial year of 2009, total fees paid to the Group's appointed external Hong Kong auditors, Deloitte Touche Tohmatsu, amounted to HK$2,443,827 of which HK$578,774, or 23.7%, were fees for non-audit services, including taxation, interim review for the period ended 30th June, 2009, review of enterprise resources system and other consultancy services.

**3.6 Audit Committee**

The Audit Committee consists of three independent non-executive directors namely Mr. Wong Kong Chi, Mr. Lai Chung Wing, and Mr. Chan Wing Lee. Mr. Wong Kong Chi served as the Chairman of the Audit Committee throughout the financial year. External auditors, executive directors and the Group's Financial Controller were invited to attend all Audit Committee meetings. The Audit Committee met three times during the financial year. Attendance of each member at these meetings is shown in the table below:

| | Attended in person | Apologies given |
|---|---|---|
| **Non-Executive Directors:** | | |
| Mr. Wong Kong Chi *(Independent)* | 3 | – |
| Mr. Lai Chung Wing, Robert *(Independent)* | 3 | – |
| Mr. Chan Wing Lee *(Independent)* | 3 | – |

Terms of Reference of the Audit Committee are available for inspection at the Company's website www.keeshing.com or by making request to the Company Secretary.

The Audit Committee is required, amongst other things, to oversee the relationship with external auditor, review the Company's annual and interim financial statements, and evaluate the Group's effectiveness of the system of internal controls and risk management.

The Audit Committee assists the Board in assuring the integrity of the financial statements. It evaluates and makes recommendations to the Board about the appropriateness of accounting policies and practices, area of judgment, compliance with Hong Kong Financial Reporting Standards and other legal requirements and the results of external audit. It reviews interim and yearly financial statements, reports its work and findings to the Board and makes recommendation on specific actions or decision the Board should consider after each Audit Committee meeting. Minutes of each meeting are kept by the Company Secretary and made available to all Directors.

The Audit Committee also manages the relationship with the External Auditor on behalf of the Board. It recommends to the Board external auditor for appointment and the terms of engagement, including remuneration. The Committee is required to review the integrity, independence and objectivity of the External Auditor. Also, it has examined the external auditor's independence including its engagement of non-audit services. Based on the review of the Audit Committee, the Broad is satisfied that the External Auditor is independent. The External Auditor also expressed an opinion their reporting responsibilities in the "Independent Auditor's Report" set out on page 24 of the annual report.

The Audit Committee is required to ensure the system of internal control is in place for identifying and managing risk. The Committee has reviewed the effectiveness of internal controls for the financial year of 2009. The review covered financial, operational and compliance controls and risk assessment of the Group and its subsidiaries. The Board is satisfied that the effectiveness of the internal control has been properly reviewed by the Audit Committee.

**3.7 Internal Controls**

It is the responsibility of the Board to ensure the Group maintains sound and effective internal controls to safeguard the shareholders' interests and assets. Each year the Board reviews the effectiveness of the system of internal controls of the Group and to report the results to the shareholders. This annual review covers all material controls, including financial, operational and compliance controls and risk management functions.

*System of Internal Controls*

Each year the Board reviews and considers the risk profile for the whole business. The Broad has delegated the oversight of risk management to the Audit Committee. Also the Broad requires the Managing Director to implement a system of control for identifying and managing risk. The Broad has constructed a framework for the assessment and management of risks to each division within the Group every year. When any deficiency of risk area or new risk arising was raised and presented, it is the Managing Director's responsibility to report to the Board for assessment; together with submission of proper control strategy or follow-up action taken.

For the fiscal year of 2009, no internal audit department was set up in the Group and the Board believed no such need was required in the year ahead.

*Price Sensitive Information*

The Group has also adopted the 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 responsibilities of all employees of the Group in dealing with the Group's information that is considered to be confidential.

*Business Risks*

Scope of business that the Group is operating engaged a range of risk factors that may impact overall results. Material risks that could negatively affect the results and performance of the Group include:

- Fluctuation of Metal Prices
- Fluctuation of currency exchange rates
- Failure to recover credits extended to customers
- Failure to control inventory level
- Impact of demand slowdown arising from global economic downturn
- Operating cost pressures
- Over-reliance on key suppliers
- Impact on changes of taxation in the countries in which we operate
- Fluctuation of investment markets
- Illiquid market condition under distress of global financial crisis
- Fluctuation of property markets located in Shanghai and Hong Kong
- Breaches in information technology security and failure in computer network system
- Sudden reduction of credit facilities granted by financial institutions
- Fraud and Dishonesty
- Adverse governmental policies and political events in the countries in which we operate
- Breaches in governance processes

The management of the Group has put in place a number of policies, processes and procedures to provide assurance to the Board on the integrity of effectiveness of the system of internal control and risk management. During the financial year of 2009, each division of the Group has reported an assessment overview for the effectiveness of controls for their activities, including any new risk area has been arisen during the year. Audit Committee of the Group has reviewed twice the overall Group's internal control system to monitor risks and controls of the Group. Two management committees also perform roles in relation of risk and control. Metal Committee reviews the internal controls to metal price risk and inventory risk of electroplating trading business. Investment Committee provides an oversight of securities investment environment. The Managing Director has formally presented the risk management of the Group and internal control structure to the Board at the end of 2009.

The directors of the Board confirmed it has reviewed the effectiveness of the system of internal control of the Group during the financial year of 2009 and considered the internal control systems are effective and adequate.

**3.8 Communication with Shareholders**

The Group strives to disclose relevant information on its activities to shareholders in an open and timely manner, subject to applicable legal requirements. Communication is achieved through:

– The Company's annual and interim reports which have been enhanced to present a balanced, clear and comprehensive assessment of the Group position and prospects;
– Notices of annual and other general meetings and accompanying explanatory materials;
– Press releases on major development of the Group;
– Disclosures to Stock Exchange and relevant regulatory bodies;
– Response to inquiries from shareholders or media by the Company Secretary;
– Company's website at www.keeshing.com making available, among other things, corporate announcements, press releases, annual reports, and general corporate information of the Group.

*Constructive use of Annual General Meetings*

The Board values the Annual General Meetings as the principal opportunity to meet shareholders. All executive directors and the chairman of the Audit Committee attended the Annual General Meeting held on 3rd June, 2009. Annual Report and Financial Statements and related papers are posted to shareholders for their consideration at least 35 days prior to the Annual General Meeting. Annual General Meeting proceedings are continually reviewed in the light of corporate governance best practices.

## 4. FINANCIAL REPORTING

The Board believes that it presents a balanced, clear and comprehensive assessment of the Group position and prospects in all written communication with shareholders. The Board also fully appreciates its responsibilities regarding the preparation of financial statements. The management team provides explanation and information to the Board so as the Board is able to make informed assessment of the financial and other information presented before the Board for approval.

# Directors' Profiles

## EXECUTIVE DIRECTORS

**Mr. Leung Shu Wing**, aged 71, is the founder of the Group and the Chairman of the company. Mr. Leung has over 45 years of experience in trading of electroplating materials and chemicals. He is currently responsible for the Group's strategic planning.

**Miss Leung Miu King, Marina**, aged 40, the daughter of Mr. Leung Shu Wing, joined the Group in November, 1995. She holds a bachelor degree of business administration from the University of San Francisco. Miss Leung has over one year's experience in trade finance with a bank in Hong Kong. She is the Managing Director of the Group.

**Mr. Wong Chi Kin, Herbert**, aged 59 joined the Group in 1984. He has over 36 years of experience in metal trading. Mr. Wong is the managing director of Kee Shing Hardware Supplies Ltd., a subsidiary of the Group which is engaged in trading of stainless steel.

**Mr. Wong Choi Ying, Aaron**, aged 57 joined the Group in 1988. He holds a bachelor degree of business administration from the Chinese University of Hong Kong, a fellow of the Chartered Association of Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. Mr. Wong has over 30 years of experience in financial management. He worked for Tai Sang Land Development Limited for over five years before joining the Group. He is the Finance Director and Company Secretary of the Group. He is responsible for the Group's financial planning and management.

## NON-EXECUTIVE DIRECTOR

**Mr. Yuen Tin Fan, Francis**, aged 57 is Chairman of Tien Fung Hong Group of companies. He is deputy Chairman of Singapore-based Pacific Century Regional Development Limited. He is also an independent non-executive director of China Foods Limited and China Pacific Insurance (Group) Co., Ltd. From 1988 to 1991, he was the chief executive of The Stock Exchange of Hong Kong Limited. Mr. Yuen is also a member of Shanghai People's Political Consultative Committee.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Wong Kong Chi**, aged 52, is a certified public accountant. Mr. Wong retired in 1993 after working in the merchant banking industry for over 10 years. He is also an independent non-executive director of Yip's Chemical Holdings Limited.

**Mr. Lai Chung Wing, Robert**, aged 62, is an independent non-Executive Director of Kingboard Chemical Holdings Limited, a public company listed on the Stock Exchange of Hong Kong Limited. He holds a Bachelor-of-Laws (Honours) degree from the University of London and is currently involved in business consultancy work in the Asia-Pacific region. He has extensive experience in trading and investment. He was previously the managing director of Seaunion Holdings Ltd. (now known as South Sea Petroleum Holdings Ltd.), an oil and gas company listed on The Stock Exchange of Hong Kong Limited. He was also an independent non-executive director of Kingboard Copper Foils Holdings Limited, a publicly listed company on the Stock Exchange of Singapore, until February, 2009.

**Mr. Chan Wing Lee**, aged 71, has over 36 years of commercial banking experience. He has had extensive banking experience and numerous relationships with clients in a variety of industries. He also has had deep understanding of Hong Kong and China business environment settings. He was previously an executive director of DBS Kwong On Bank Limited (now known as DBS Bank (Hong Kong) Limited).

**Mr. Chan Yuet Lung, Frankie,** aged 55, joined the Group in 1988. He holds a degree in business administration from California State University, Long Beach. Prior to his joining the Group, he had worked for Cafe De Coral group of companies for 9 years. He has 32 years of experience in management sales and marketing. Mr. Chan is the Director and General Manager of Kee Shing Industrial Products Limited, a subsidiary of the Group which is engaged in trading of electroplating chemicals and metals.

**Mr. Wong Siu Hung, Rico,** aged 51, joined the Group in 1987. He has over 29 years of experience in China trade. Mr. Wong is the Director and General Manager of Sam Wing International Limited, a subsidiary of the Group which is engaged in trading paints and coating chemicals.

**Madam Kwai Ah Ning, Annie,** aged 60, joined the Group in 1996. Madam Kwai holds a bachelor degree in Business Economics from Shanghai Administrative Institute. Prior to joining the Group, she had over 25 years of experience working in electronic technology, administrative management and international trading business. She is the General Manager of Kee Shing Property Consultants (Shanghai) Company Limited, a subsidiary of the Group which is engaged in managing investment properties in Shanghai.

**Mr. Kee Wei Lee,** aged 37, joined the Group in July 2004. He holds a Bachelor of Arts and Master of Engineering (Chemical Engineering) from the University of Cambridge. Prior to joining the Group, he worked in ExxonMobil Chemical for six years, with experience in technical, planning and management roles. Mr. Kee is the Director and chemical division manager of KSIP (Singapore) Pte Limited, a subsidiary of the Group which is engaged in trading electroplating chemicals and metals.

**Mr. Leung Chi Lam, Stanley,** aged 45, joined the Group in 1990. He holds a bachelor degree of chemistry from the Chinese University of Hong Kong. He has over 22 years of experience in electroplating industry. He is the General Manager of Engotech Limited, a subsidiary of the Group which is engaged in trading electroplating chemicals and solutions.

**Mr. Fung Chi Keung, Patrick,** aged 46, joined the Group in 1993. He holds a diploma of Accounting from Hong Kong Shue Yan College, (now known as Hong Kong Shue Yan University), a master degree of Accounting from The Hong Kong Polytechnic University and a master degree of Arbitration and Dispute Resolution from The City University of Hong Kong. He is a fellow of the Association of Chartered Certified Accountants, an associate of the Hong Kong Institute of Certified Public Accountants, a Chartered Secretary, a CFA Charterholder and a Certified Financial Risk Manager. Mr. Fung has over 21 years experience in audit, financial reporting and corporate finance. Prior to joining the Group, he had worked for Thomas Le C. Kuen & Co. (now known as Mazars Hong Kong) over 5 years. He is the Financial Controller of the Group and is responsible for the Group's financial reporting, corporate finance and risk management.

# Directors' Report

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31st December, 2009.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 39 to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2009 are set out in the consolidated statement of comprehensive income on page 25.

The directors now recommend the payment of a final dividend of 6 cents per share to the shareholders of the Company whose name appear on the register of members on 3rd June, 2010, amounting to HK$26,730,000.

## INVESTMENT PROPERTIES

All of the investment properties of the Group were revalued at 31st December, 2009, as set out in note 13 to the financial statements. The increase in fair value of investment properties, which has been credited directly to profit or loss, amounted to HK$70,039,000.

Particulars of the investment properties of the Group as at 31st December, 2009 are set out on page 64.

## PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group and the Company during the year are set out in note 14 to the financial statements.

## DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31st December, 2009, the Company's reserves available for distribution to shareholders comprised the retained profits of HK$106,138,000 (2008: accumulated loss of HK$4,086,000).

Details of the Company's distributable reserves are set out in note 29 to the financial statements.

## DIRECTORS AND SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

**Executive directors:**

Leung Shu Wing – *Chairman*
Leung Miu King
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

In accordance with Article 116 of the Company's Articles of Association, Messrs. Wong Kong Chi, Lai Chung Wing, Robert and Wong Chi Kin retire by rotation and, being eligible, offer themselves for re-election.

All the independent non-executive directors, including those proposed for re-election at the forthcoming annual general meeting have service contracts with the Company with a term of two years.

All the executive directors, including those proposed for re-election at the forthcoming annual general meeting, have service contracts with the Company with no fixed term.

The non-executive director has a service contract with a term of two years.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' INTERESTS IN SHARES

At 31st December, 2009, the interests of the directors and their associates in the shares 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 Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies ("Model Code"), 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 | 69.196% |

Notes:

1. 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.

2. 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.

The letter "L" denotes a long position in shares.

*(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's subsidiaries |
|---|---|---|---|---|
| Kee Shing Hardware Supplies Limited | Wong Chi Kin | Beneficial owner | 400,000 (L) | 100% |
| Kee Shing Industrial Products Limited | Leung Shu Wing | Beneficial owner | 7,000 (L) | 70% |
| Sam Wing International Limited | Leung Shu Wing | Beneficial owner | 19,440 (L) | 90% |

The letter "L" denotes a long position in shares.

## DIRECTORS' INTERESTS IN SHARES *(Continued)*

**Long positions** *(Continued)*

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

Save as disclosed herein, at 31st December, 2009, none of the directors or chief executive of the Company had any interests or short positions in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements 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 or had exercised any such right during the year.

## SUBSTANTIAL SHAREHOLDERS

**(a) Interests in the Company**

As at 31st December, 2009, so far as is known to any directors or chief executive of the Company, other than the interests and short positions of the directors or chief executive of the Company as disclosed above, the following persons had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

| Name of shareholder | Nature of Interest | Capacity/ No. of Shares | Approx. percentage of shareholding |
|---|---|---|---|
| Tien Fung Hong Group Limited | Beneficial owner (Note) | 26,984,000 (L) | 6.057% |
| DBMG Trust Company Limited | Trustee of a discretionary trust | 74,770,000 (L) | 16.783% |

Note: Mr. Yuen Tin Fan, Francis, a director of the Company, is also a director of and holds 60% equity interest in Tien Fung Hong Group Limited.

The letter "L" denotes a long position in shares.

**(b) Interests in other members of the Group**

As at 31st December, 2009, so far as is known to any director or chief executive of the Company, the following person (other than the Company, a director or the chief executive of the Company) was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other members of the Group:

| Name of shareholder | Name of member of the Group | Approx. percentage of registered/issued capital of the company |
|---|---|---|
| Mr. Chan Chung Wan | Ever Channel Properties Limited | 10% |
| Mr. Chan Chung Wan | Global Trade Properties Limited | 10% |
| Mr. Chan Chung Wan | Gold Asset Properties Limited | 10% |
| Mr. Chan Chung Wan | Kingsview Properties Limited | 10% |
| Mr. Chan Chung Wan | Pacific Wide Properties Limited | 10% |
| Mr. Chan Chung Wan | Top Image Properties Limited | 10% |
| Mr. Chan Chung Wan | Topbase Properties Limited | 10% |
| Mr. Chan Chung Wan | Union Channel Properties Limited | 10% |
| Mr. Chan Chung Wan | Union Crown Properties Limited | 10% |
| Mr. Chan Chung Wan | Winbase Properties Limited | 10% |
| Mr. Zen Wea Foo | Klendo Limited | 10% |
| Mr. Herman Santoso | KSIP (Singapore) Pte. Limited | 41% |

## SUBSTANTIAL SHAREHOLDERS *(Continued)*

**(b) Interests in other members of the Group** *(Continued)*

Save as disclosed herein, as at 31st December, 2009, so far as is known to any directors or chief executive of the Company, no other person (other than a director or the chief executive of the Company) had an interest or short position in ordinary shares of the Company and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2009, the aggregate turnover attributable to the Group's five largest customers was about 22% of the Group's total turnover. The aggregate purchases attributable to the Group's five largest suppliers accounted for 90% of the Group's total purchases and the purchases attributable to the Group's largest supplier was 51% of the total purchases.

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in any of the Group's five largest suppliers or customers.

## 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.

## APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

## EMOLUMENT POLICY

The emolument policy of the senior employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

## SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2009.

## AUDITOR

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint the auditor, Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board

**LEUNG SHU WING**
*CHAIRMAN*
13th April, 2010

# Independent Auditor's Report

**TO THE SHAREHOLDERS OF KEE SHING (HOLDINGS) LIMITED**
**奇盛(集團)有限公司**
*(incorporated in Hong Kong with limited liability)*

We have audited the financial statements of Kee Shing (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 63 which comprise the consolidated and Company's statement of financial position as at 31st December, 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Directors' responsibility for the financial statements**

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and the true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*

Hong Kong
13th April, 2010

# Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2009

| | NOTES | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| Turnover | 4 | **964,715** | 1,782,553 |
| Other income | 5 | **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 | 6 | **(2,201)** | (12,342) |
| Profit (loss) before taxation | | **95,941** | (87,146) |
| Income tax expense | 7 | **(10,262)** | (1,812) |
| Profit (loss) for the year | 8 | **85,679** | (88,958) |
| **Other comprehensive income** | | | |
| 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 | | **1,344** | 18,672 |
| Total comprehensive income (expense) for the year | | **87,023** | (70,286) |
| Profit (loss) for the year attributable to: | | | |
| Owners of the Company | | **79,711** | (89,227) |
| Minority interests | | **5,968** | 269 |
| | | **85,679** | (88,958) |
| Total comprehensive income (expense) attributable to: | | | |
| Owners of the Company | | **80,718** | (71,561) |
| Minority interests | | **6,305** | 1,275 |
| | | **87,023** | (70,286) |
| Earnings (loss) per share – basic | 12 | **HK$ 17.89 cents** | (HK 20.03 cents) |

# Statement of Financial Position

At 31st December, 2009

| | | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|---|
| | NOTES | **2009 HK$'000** | 2008 HK$'000 | **2009 HK$'000** | 2008 HK$'000 |
| **Non-current Assets** | | | | | |
| Investment properties | 13 | **377,997** | 345,125 | **–** | – |
| Property, plant and equipment | 14 | **26,338** | 27,957 | **102** | 280 |
| Investments in subsidiaries | 15 | **–** | – | **7,177** | 30,594 |
| Interest in an associate | 16 | **–** | 453 | **–** | – |
| Foreign exchange yield linked deposit | 17 | **–** | 8,715 | **–** | – |
| Amounts due from subsidiaries | 18 | **–** | – | **300,048** | 302,590 |
| | | **404,335** | 382,250 | **307,327** | 333,464 |
| **Current Assets** | | | | | |
| Inventories | 19 | **72,674** | 127,439 | **–** | – |
| Debtors, deposits and prepayments | 20 | **71,829** | 84,007 | **878** | 777 |
| Bills receivable | 23 | **2,788** | 3,536 | **–** | – |
| Investments held for trading | 21 | **102,671** | 125,964 | **–** | – |
| Other assets | 22 | **23,821** | – | **–** | – |
| Taxation recoverable | | **1,460** | 931 | **–** | – |
| Short term bank deposits | 23 | **81,080** | 33,721 | **–** | – |
| Bank balances and cash | 23 | **152,712** | 84,000 | **186** | 49 |
| | | **509,035** | 459,598 | **1,064** | 826 |
| **Current Liabilities** | | | | | |
| Creditors and accrued charges | 24 | **29,353** | 38,559 | **10,750** | 41,116 |
| Amounts due to minority shareholders of subsidiaries | 25 | **4,048** | 6,446 | **–** | – |
| Taxation payable | | **2,362** | 707 | **–** | – |
| Bank borrowings | 26 | **188,855** | 195,031 | **15,500** | 25,000 |
| Amounts due to subsidiaries | 27 | **–** | – | **–** | 96,257 |
| | | **224,618** | 240,743 | **26,250** | 162,373 |
| **Net Current Assets (Liabilities)** | | **284,417** | 218,855 | **(25,186)** | (161,547) |
| **Total Assets Less Current Liabilities** | | **688,752** | 601,105 | **282,141** | 171,917 |
| **Capital and Reserves** | | | | | |
| Share capital | 28 | **22,275** | 22,275 | **22,275** | 22,275 |
| Reserves | 29 | **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 | **–** | – |
| **Total Equity** | | **670,404** | 586,313 | **282,141** | 171,917 |
| **Non-current Liabilities** | | | | | |
| Deferred tax liabilities | 30 | **18,348** | 14,792 | **–** | – |
| | | **688,752** | 601,105 | **282,141** | 171,917 |

The financial statements on pages 25 to 63 were approved and authorised for issue by the Board of Directors on 13th April, 2010 and are signed on its behalf by:

**LEUNG SHU WING**
*DIRECTOR*

**WONG CHOI YING**
*DIRECTOR*

# 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 11) | – | – | – | – | – | (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 |

# Consolidated Statement of Cash Flows

For the year ended 31st December, 2009

| | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Profit (loss) before taxation | **95,941** | (87,146) |
| Adjustments for: | | |
| Depreciation | **1,712** | 1,951 |
| (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) |
| Share of loss of an associate | **453** | – |
| Impairment loss on bills receivable | **–** | 5,324 |
| Impairment loss on trade debtors, net | **9,952** | 10,096 |
| (Write-back) write-down of inventories | **(17,173)** | 20,647 |
| Gain arising from changes in fair value of investment properties | **(70,039)** | (27,106) |
| Finance costs | **2,201** | 12,342 |
| Loss on disposal of available-for-sale investment | **–** | 20 |
| Loss on disposal of property, plant and equipment | **–** | 28 |
| Interest income from bank deposits | **(412)** | (2,742) |
| Operating cash flows before movements in working capital | **16,770** | (4,580) |
| Decrease in inventories | **72,248** | 73,467 |
| Decrease in debtors, deposits and prepayments | **2,445** | 133,589 |
| Decrease in bills receivable | **748** | 16,054 |
| Decrease in investments held for trading | **27,422** | 20,841 |
| Increase in other assets | **(22,156)** | – |
| Decrease in creditors and accrued charges | **(9,241)** | (12,709) |
| Cash generated from operations | **88,236** | 226,662 |
| Hong Kong Profits Tax (paid) refunded | **(4,696)** | 3,902 |
| Profits tax outside Hong Kong paid | **(873)** | (4,626) |
| NET CASH GENERATED FROM OPERATING ACTIVITIES | **82,667** | 225,938 |
| INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | **(91)** | (1,109) |
| Interest received from bank deposits | **412** | 2,742 |
| Proceeds from disposal of investment properties | **37,859** | 20,898 |
| Proceeds from redemption of foreign exchange linked deposit | **8,827** | – |
| Proceeds from disposal of property, plant and equipment | **145** | 85 |
| Proceeds from disposal of available-for-sale investments | **–** | 15,580 |
| NET CASH GENERATED FROM INVESTING ACTIVITIES | **47,152** | 38,196 |
| FINANCING ACTIVITIES | | |
| Repayment of bank borrowings, net | **(6,297)** | (230,898) |
| Dividends paid | **–** | (37,868) |
| Interest paid | **(2,201)** | (12,342) |
| Dividends paid to minority shareholders of subsidiaries | **(2,932)** | (397) |
| Amounts repaid to minority shareholders of subsidiaries | **(2,408)** | (3,142) |
| NET CASH USED IN FINANCING ACTIVITIES | **(13,838)** | (284,647) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | **115,981** | (20,513) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | **117,721** | 136,469 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | **90** | 1,765 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | **233,792** | 117,721 |
| ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS | | |
| Short term bank deposits | **81,080** | 33,721 |
| Bank balances and cash | **152,712** | 84,000 |
| | **233,792** | 117,721 |

## 1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of its registered office and principal place of business of the Company are disclosed in the section of Corporate Information of the annual report.

The financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company. In addition, the functional currencies of certain group entities that operate outside Hong Kong are determined based on the currency of the primary economic environment in which the group entities operate.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 39.

## 2. 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 1st 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.

## 2. 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 1st January, 2009. As the revised accounting policy has been applied prospectively since 1st 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[1] |
| HKFRSs (Amendments) | Improvements to HKFRSs 2009[2] |
| HKAS 24 (Revised) | Related Party Disclosures[6] |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements[1] |
| HKAS 32 (Amendment) | Classification of Rights Issues[4] |
| HKAS 39 (Amendment) | Eligible Hedged Items[1] |
| HKFRS 1 (Amendment) | Additional Exemptions for First-time Adopters[3] |
| HKFRS 1 (Amendment) | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5] |
| HKFRS 2 (Amendment) | Group Cash-settled Share-based Payment Transactions[3] |
| HKFRS 3 (Revised) | Business Combinations[1] |
| HKFRS 9 | Financial Instruments[7] |
| HK(IFRIC) – Int 14 (Amendment) | Prepayments of a Minimum Funding Requirement[6] |
| HK(IFRIC) – Int 17 | Distributions of Non-cash Assets to Owners[1] |
| HK(IFRIC) – Int 19 | Extinguishing Financial Liabilities with Equity Instruments[5] |

1 Effective for annual periods beginning on or after 1st July, 2009
2 Amendments that are effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate
3 Effective for annual periods beginning on or after 1st January, 2010
4 Effective for annual periods beginning on or after 1st February, 2010
5 Effective for annual periods beginning on or after 1st July, 2010
6 Effective for annual periods beginning on or after 1st January, 2011
7 Effective for annual periods beginning on or after 1st 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 1st January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

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

HKFRS 9 introduces new requirements for the classification and measurement of financial assets and will be effective from 1st 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All inter-company transactions, balances, income and expenses are eliminated in full on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represent amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the terms of the relevant leases.

Dividend income from investments including financial asset at fair value through profit or loss is recognised when the shareholder's right to receive payment have been established.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Revenue recognition** *(Continued)*

Interest income from a financial asset including financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

**Property, plant and equipment**

Property, plant and equipment are stated at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses.

Certain of the Group's leasehold land and buildings were revalued at 31st December, 1991. The surplus arising on revaluation of land and buildings was credited to the property revaluation reserve. Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 "*Property, plant and equipment*" from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 30th September, 1995, and accordingly no further revaluation of land and buildings is carried out. Prior to 30th September, 1995, the revaluation increase arising on the revaluation of these assets was credited to the property revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the property corresponding revaluation surplus is transferred to retained profits directly.

Depreciation is provided to write off the cost or fair value of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method, at the following rates per annum:

| | |
|---|---|
| Leasehold land and buildings | 2% to 2.5% or over the remaining term of the lease, whichever is the shorter |
| Furniture, fixtures and equipment | 16% to 20% |
| Motor vehicles | 16% to 25% |
| Plant and machinery | 20% |
| Computer equipment | 20% to $33^1/_3$% |

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

When an item of property, plant and equipment is transferred to investment property carried at fair value, if the carrying amount is increased, the surplus is credited directly to equity (property revaluation reserve). On subsequent disposal of the investment property, the revaluation surplus included in property revaluation reserve may be transferred to retained profits directly.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Leasehold land and building**

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for a property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

**Subsidiaries**

Investments in subsidiaries are included in the Company's statement of financial position at cost, less any identified impairment loss.

**Associates**

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an investment in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

**Other assets**

Other assets consist of gold bullions measured at fair value, with changes in fair value arising from remeasurement recognised in profit or loss in the period in which they arise.

**Impairment of tangible assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increases under that standard to the extent of the decrease previously charged.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Financial instruments**

Financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

*Financial assets*

The Group's financial assets are classified into fair value through profit or loss ("FVTPL") and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets are classified at FVTPL when the financial assets are either held for trading or it is designated at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss excludes any dividend or interest earned on the financial assets.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Financial instruments** *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including amounts due from subsidiaries, debtors, bills receivable, and bank balances and deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade debtors, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade debtors and amounts due from subsidiaries, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade debtor or amount due from a subsidiary is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

*Financial liabilities and equity*

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Financial instruments** *(Continued)*

*Financial liabilities and equity (Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including creditors and accrued charges, amounts due to minority shareholders of subsidiaries, bank borrowings and amounts due to subsidiaries) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

*Financial guarantees contract*

Financial guarantees contract is a contract that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Company issues a financial guarantee in respect of a banking facility of a subsidiary at nil consideration, the guarantee is initially recognised at fair value within creditors and accrued charges and deemed contribution within investment in subsidiary.

The amount of the guarantee initially recognised is amortised to profit or loss over the terms of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in creditors and accrued charges in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

*Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Taxation** *(Continued)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*The Group as lessor*

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

*The Group as lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale for which the commencement date for capitalization is on or after 1st January, 2009, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit and loss on disposal of foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value, are included in profit or loss for the period, except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated to Hong Kong dollars using exchange rates prevailing at the end of the reporting period, and their income and expense are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

**Retirement benefits costs**

Payments to the Group's Mandatory Provident Fund Scheme and other defined contribution retirement schemes are charged as an expense when employees have rendered service entitling them to the contributions.

## 4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1st 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.

## 4. 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 |
|---|---|---|---|---|---|
| *Turnover* | | | | | |
| External sales | **940,037** | **22,995** | **1,683** | **–** | **964,715** |
| Inter-segment sales | **–** | **2,230** | **–** | **(2,230)** | **–** |
| Total turnover | **940,037** | **25,225** | **1,683** | **(2,230)** | **964,715** |
| Segment result | **8,366** | **89,483** | **7,745** | **–** | **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 | | | | | **85,679** |

*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 |
|---|---|---|---|---|---|
| *Turnover* | | | | | |
| External sales | 1,755,254 | 22,994 | 4,305 | – | 1,782,553 |
| Inter-segment sales | – | 2,440 | – | (2,440) | – |
| Total turnover | 1,755,254 | 25,434 | 4,305 | (2,440) | 1,782,553 |
| 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 | | | | | (88,958) |

Inter-segment sales are charged at prevailing market rates.

## 4. SEGMENT INFORMATION *(Continued)*

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 resource allocation and performance assessment.

**Segment assets and liabilities**

The following is an analysis of the Group's assets and liabilities by reportable segment:

| | **31.12.2009 HK$'000** | 31.12.2008 HK$'000 |
|---|---|---|
| *Assets* | | |
| Segment assets | | |
| – Sales of chemicals and metals | **151,372** | 218,900 |
| – Property investments | **399,378** | 367,684 |
| – Securities investments | **126,611** | 134,796 |
| Unallocated assets | **236,009** | 120,468 |
| Consolidated total assets | **913,370** | 841,848 |
| *Liabilities* | | |
| Segment liabilities | | |
| – Sales of chemicals and metals | **12,374** | 27,574 |
| – Property investments | **14,137** | 8,499 |
| – Securities investments | **406** | 482 |
| Unallocated liabilities | **216,049** | 218,980 |
| Consolidated total liabilities | **242,966** | 255,535 |

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than interest in associates, other receivables, taxation recoverable, short term bank deposits, bank balances and cash; and
- all liabilities are allocated to reportable segments other than other creditors, amounts due to minority shareholders of subsidiaries, taxation payable, bank borrowings, and deferred tax liabilities.

*For the year ended 31st December, 2009*

*Other segment information*

| | **Sales of chemicals and metals HK$'000** | **Property investments HK$'000** | **Securities investments HK$'000** | **Total HK$'000** |
|---|---|---|---|---|
| Amounts included in the measure of segment profit or loss or segment assets: | | | | |
| Capital expenditure | **72** | **19** | **–** | **91** |
| Depreciation | **624** | **910** | **–** | **1,534** |
| Gain arising from changes in fair value of investment properties | **–** | **70,039** | **–** | **70,039** |
| Gain arising from changes in fair value of investments held for trading | **–** | **–** | **4,088** | **4,088** |
| Gain arising from changes in fair value of other assets | **–** | **–** | **1,665** | **1,665** |
| Gain arising from changes in fair value of foreign exchange yield linked deposit | **–** | **–** | **112** | **112** |
| Impairment loss on trade debtors and bills receivable, net | **9,952** | **–** | **–** | **9,952** |
| Write-back of inventories | **17,173** | **–** | **–** | **17,173** |

## 4. SEGMENT INFORMATION *(Continued)*

**Segment assets and liabilities** *(Continued)*

*For the year ended 31st December, 2008*

*Other segment information*

| | Sales of chemicals and metals HK$'000 | Property investments HK$'000 | Securities investments HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Amounts included in the measure of segment profit or loss or segment assets: | | | | |
| Capital expenditure | 307 | 802 | – | 1,109 |
| Depreciation | 1,037 | 914 | – | 1,951 |
| Gain arising from changes in fair value of investment properties | – | 27,106 | – | 27,106 |
| Loss arising from changes in fair value of investments held for trading | – | – | 62,064 | 62,064 |
| Gain arising from changes in fair value of foreign exchange yield linked deposit | – | – | 58 | 58 |
| Loss on disposal of available-for–sale investments | – | – | 20 | 20 |
| Loss on disposal of property, plant and equipment | 28 | – | – | 28 |
| Impairment loss on trade debtors and bills receivable, net | 15,420 | – | – | 15,420 |
| Write-down of inventories | 20,647 | – | – | 20,647 |

**Revenue from trading of chemicals and metals**

The following is an analysis of the Group's revenue from trading of chemicals and metals:

| | **2009 HK$'000** | 2008 HK$'000 |
|---|---|---|
| Electroplating Materials and Chemicals | **840,000** | 1,609,257 |
| Paint and Coating Chemicals | **80,377** | 109,968 |
| Stainless Steel | **19,660** | 36,029 |
| | **940,037** | 1,755,254 |

**Geographical information**

The Group's operations are located in Hong Kong (place of domicile), Taiwan, elsewhere in the People's Republic of China ("PRC") and Singapore.

The Group's revenue from external customers and its non-current assets, other than financial instruments, by geographical location of the assets are detailed below:

| | **Revenue from external customers** | | **Non–current assets** | |
|---|---|---|---|---|
| | **2009 HK$'000** | 2008 HK$'000 | **2009 HK$'000** | 2008 HK$'000 |
| Hong Kong | **617,671** | 1,174,954 | **37,592** | 46,443 |
| Taiwan | **69,322** | 246,705 | **49** | 43 |
| Singapore | **91,251** | 128,819 | **11,286** | 10,329 |
| Elsewhere in the PRC | **101,638** | 131,950 | **355,408** | 324,982 |
| Others | **84,833** | 100,125 | **–** | 453 |
| | **964,715** | 1,782,553 | **404,335** | 382,250 |

No revenue from individual customer contribute over 10% of the total sales of the Group for both years presented.

## 5. OTHER INCOME

Included in other income is interest income from bank deposits of HK$412,000 (2008: HK$2,742,000).

## 6. FINANCE COSTS

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

## 7. INCOME TAX EXPENSE

| | 2009 HK$'000 | 2008 HK$'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 |
| | **6,806** | 3,123 |
| Overprovision in prior years | | |
| Hong Kong Profits Tax | **(23)** | (95) |
| Profits tax outside Hong Kong | **(73)** | (153) |
| | **(96)** | (248) |
| | **6,710** | 2,875 |
| Deferred taxation (note 30) | | |
| Current year | **3,552** | 1,740 |
| Effect of change in tax rate | **–** | (2,803) |
| | **3,552** | (1,063) |
| | **10,262** | 1,812 |

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.

Details of deferred tax liabilities are set out in note 30.

The tax charge for the year can be reconciled to the profit (loss) before taxation per the consolidated statement of comprehensive income as follows:

| | Hong Kong | | Elsewhere in the PRC | | Other countries | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2009 HK$'000 | 2008 HK$'000 | 2009 HK$'000 | 2008 HK$'000 | 2009 HK$'000 | 2008 HK$'000 | 2009 HK$'000 | 2008 HK$'000 |
| (Loss) profit before taxation | **(775)** | (111,658) | **91,048** | 48,598 | **5,971** | (24,086) | **96,244** | (87,146) |
| Applicable tax rate | **16.5%** | 16.5% | **7.5%** | 7.5% | **19%** | 19% | | |
| Tax at the applicable income tax rate | **(128)** | (18,424) | **6,829** | 3,645 | **1,134** | (4,576) | **7,835** | (19,355) |
| Land appreciation tax | **–** | – | **2,042** | – | **–** | – | **2,042** | – |
| Tax effect of expenses not deductible for tax purpose | **555** | 7,547 | **486** | 1,095 | **16** | 2,597 | **1,057** | 11,239 |
| Tax effect of income not taxable for tax purpose | **(127)** | (1,104) | **(324)** | (105) | **(474)** | (37) | **(925)** | (1,246) |
| Tax effect of utilisation of tax losses previously not recognised | **(2,547)** | (640) | **–** | – | **(859)** | – | **(3,406)** | (640) |
| Tax effect of unrecognised tax loss | **3,071** | 12,526 | **–** | – | **–** | 1,719 | **3,071** | 14,245 |
| Tax effect on change in tax rate | **–** | (166) | **–** | (2,637) | **–** | – | **–** | (2,803) |
| Tax effect on different tax rate of operations in other jurisdiction | **–** | – | **486** | – | **42** | 258 | **528** | 258 |
| Overprovision in prior years | **(23)** | (95) | **–** | – | **(73)** | (153) | **(96)** | (248) |
| Others | **(43)** | (13) | **653** | 337 | **(454)** | 38 | **156** | 362 |
| Tax (credit) charge for the year | **758** | (369) | **10,172** | 2,335 | **(668)** | (154) | **10,262** | 1,812 |

## 8. PROFIT (LOSS) FOR THE YEAR

| | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| Profit (loss) for the year has been arrived at after charging: | | |
| Auditor's remuneration | | |
| – current year | **1,799** | 1,809 |
| – under(over)provision in the prior year | **68** | (32) |
| | **1,867** | 1,777 |
| Impairment loss on trade debtors included in other expenses | **11,233** | 11,628 |
| Impairment loss on bills receivable included in other expenses | **–** | 5,324 |
| Loss on disposal of property, plant and equipment | **–** | 28 |
| Net foreign exchange loss | **–** | 6,723 |
| Rental payments in respect of properties under operating leases | **2,041** | 1,979 |
| Retirement benefits scheme contributions (excluding amounts paid under directors' emoluments) | **560** | 700 |
| and after crediting: | | |
| Dividend income from investments held for trading | **1,022** | 2,979 |
| Net foreign exchange gain | **704** | – |
| Reversal of impairment loss on trade debtors | **1,281** | 1,532 |
| Gross rental income from investment properties | **22,995** | 22,994 |
| Less: direct operating expenses from investment properties that generated rental income during the year | **(4,362)** | (5,356) |
| | **18,633** | 17,638 |

## 9. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 8 (2008: 8) directors were as follows:

| | Leung Shu Wing<br>HK$'000 | Leung Miu King<br>HK$'000 | Wong Chi Kin<br>HK$'000 | Wong Choi Ying<br>HK$'000 | Yuen Tin Fan, Francis<br>HK$'000 | Wong Kong Chi<br>HK$'000 | Lai Chung Wing, Robert<br>HK$'000 | Chan Wing Lee<br>HK$'000 | Total 2009<br>HK$'000 |
|---|---|---|---|---|---|---|---|---|---|
| Fees | – | – | – | – | 250 | 250 | 250 | 250 | 1,000 |
| Other emoluments | | | | | | | | | |
| Salaries and other benefits | 848 | 897 | 505 | 788 | – | – | – | – | 3,038 |
| Contributions to retirement benefits schemes | – | 11 | 12 | 12 | – | – | – | – | 35 |
| Total emoluments | 848 | 908 | 517 | 800 | 250 | 250 | 250 | 250 | 4,073 |

# Notes to the Financial Statements

For the year ended 31st December, 2009

## 9. DIRECTORS' EMOLUMENTS *(Continued)*

| | Leung Shu Wing HK$'000 | Leung Miu King HK$'000 | Wong Chi Kin HK$'000 | Wong Choi Ying HK$'000 | Yuen Tin Fan, Francis HK$'000 | Wong Kong Chi HK$'000 | Lai Chung Wing, Robert HK$'000 | Chan Wing Lee HK$'000 | Total 2008 HK$'000 |
|---|---|---|---|---|---|---|---|---|---|
| Fees | – | – | – | – | 300 | 150 | 300 | 300 | 1,050 |
| Other emoluments | | | | | | | | | |
| Salaries and other benefits | 873 | 895 | 530 | 927 | – | 150 | – | – | 3,375 |
| Contributions to retirement benefits schemes | – | 12 | 12 | 12 | – | – | – | – | 36 |
| Total emoluments | 873 | 907 | 542 | 939 | 300 | 300 | 300 | 300 | 4,461 |

No directors waived any emoluments for each of the year ended 31st December, 2008 and 2009.

No emoluments were paid by the Group to the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office during each of the two years ended 31st December, 2009.

## 10. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group included two directors (2008: three directors), details of whose emoluments are included in the amounts disclosed in note 9 above. The emoluments of the remaining three (2008: two) highest paid employees, other than directors of the Company, are as follows:

| | **2009 HK$'000** | 2008 HK$'000 |
|---|---|---|
| Salaries and other benefits | **2,903** | 2,167 |
| Performance related incentive payments | **211** | – |
| Retirement benefits scheme contributions | **36** | 24 |
| | **3,150** | 2,191 |

Their emoluments were within the following bands:

| | **2009 Number of employees** | 2008 Number of employees |
|---|---|---|
| HK$1,000,001 to HK$1,500,000 | **3** | 2 |

## 11. DIVIDENDS

| | **2009 HK$'000** | 2008 HK$'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 | **–** | 26,730 |
| | **–** | 37,868 |

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

## 12. 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.

## 13. INVESTMENT PROPERTIES

| | **THE GROUP** |
|---|---|
| | HK$'000 |
| VALUATION | |
| At 1st January, 2008 | 320,406 |
| Exchange realignment | 18,511 |
| Increase in fair value | 27,106 |
| Disposal | (20,898) |
| At 31st December, 2008 | 345,125 |
| Exchange realignment | 692 |
| Increase in fair value | 70,039 |
| Disposal | (37,859) |
| At 31st December, 2009 | 377,997 |

The Group's investment properties comprise:

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Properties held under medium-term leases: | | |
| – in Hong Kong | **18,408** | 17,220 |
| – elsewhere in the PRC | **336,735** | 274,744 |
| | **355,143** | 291,964 |
| Properties held under long leases: | | |
| – elsewhere in the PRC | **17,887** | 49,223 |
| – overseas | **4,967** | 3,938 |
| | **377,997** | 345,125 |

The fair value of the Group's investment properties located in Hong Kong, elsewhere in the PRC and Singapore as at 31st December, 2009 and 2008 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 valuation report on these properties was signed by a director of Knight Frank Petty Limited who is a member of the Hong Kong Institute of Surveyors. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

The revaluation of investment properties during the current year gave rise to a net gain arising from changes in fair value of HK$70,039,000 (2008: HK$27,106,000) which has been recognised in the consolidated statement of comprehensive income.

All the investment properties of the Group are rented out under operating leases.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

# Notes to the Financial Statements

For the year ended 31st December, 2009

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land and buildings HK$'000 | Furniture, fixtures and equipment HK$'000 | Motor vehicles HK$'000 | Plant and machinery HK$'000 | Computer equipment HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **THE GROUP** | | | | | | |
| COST OR VALUATION | | | | | | |
| At 1st January, 2008 | 36,180 | 14,821 | 3,229 | 2,261 | 2,179 | 58,670 |
| Exchange realignment | (37) | 181 | 38 | – | 3 | 185 |
| Additions | – | 307 | 645 | 3 | 154 | 1,109 |
| Disposals | – | (791) | (768) | (681) | (148) | (2,388) |
| At 31st December, 2008 | 36,143 | 14,518 | 3,144 | 1,583 | 2,188 | 57,576 |
| Exchange realignment | 191 | 21 | 23 | – | 5 | 240 |
| Additions | – | 51 | – | 9 | 31 | 91 |
| Disposals | – | (1,095) | – | (476) | (2) | (1,573) |
| At 31st December, 2009 | 36,334 | 13,495 | 3,167 | 1,116 | 2,222 | 56,334 |
| Comprising: | | | | | | |
| At cost | 8,534 | 13,495 | 3,167 | 1,116 | 2,222 | 28,534 |
| At valuation – 1991 | 27,800 | – | – | – | – | 27,800 |
| | 36,334 | 13,495 | 3,167 | 1,116 | 2,222 | 56,334 |
| DEPRECIATION | | | | | | |
| At 1st January, 2008 | 9,708 | 13,023 | 3,109 | 1,903 | 2,037 | 29,780 |
| Exchange realignment | (13) | 150 | 24 | – | 2 | 163 |
| Provided for the year | 735 | 877 | 82 | 134 | 123 | 1,951 |
| Eliminated on disposals | – | (765) | (682) | (681) | (147) | (2,275) |
| At 31st December, 2008 | 10,430 | 13,285 | 2,533 | 1,356 | 2,015 | 29,619 |
| Exchange realignment | 56 | 12 | 22 | – | 3 | 93 |
| Provided for the year | 729 | 693 | 116 | 94 | 80 | 1,712 |
| Eliminated on disposals | – | (1,074) | – | (352) | (2) | (1,428) |
| At 31st December, 2009 | 11,215 | 12,916 | 2,671 | 1,098 | 2,096 | 29,996 |
| CARRYING VALUES | | | | | | |
| At 31st December, 2009 | 25,119 | 579 | 496 | 18 | 126 | 26,338 |
| At 31st December, 2008 | 25,713 | 1,233 | 611 | 227 | 173 | 27,957 |

Included in the leasehold land and buildings of the Group are certain lease payments that cannot be allocated reliably between the land and buildings element, and accordingly, the entire lease is treated as a finance lease and included in property, plant and equipment.

Certain of the leasehold land and buildings of the Group were revalued at 31st December, 1991. Had all the leasehold land and buildings been carried at cost less accumulated depreciation and amortisation, the carrying value of these properties would have been stated at HK$17,323,000 (2008: HK$17,522,000).

The Group has pledged its leasehold land and buildings having a net book value of approximately HK$6.1 million (2008: HK$6.2 million) to secure general banking facilities granted to the Group.

## 14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group's leasehold land and buildings comprise:

| | Leasehold land and buildings | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Properties held under medium-term leases: | | |
| – in Hong Kong | **18,975** | 19,540 |
| Properties held under medium-term leases: | | |
| – overseas | **6,144** | 6,173 |
| | **25,119** | 25,713 |

| | Furniture, fixtures and equipment | Computer equipment | Total |
|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 |
| **THE COMPANY** | | | |
| COST | | | |
| At 1st January, 2008 | 2,323 | 1,533 | 3,856 |
| Additions | – | 126 | 126 |
| Disposals | – | (119) | (119) |
| At 31st December, 2008 | 2,323 | 1,540 | 3,863 |
| Additions | – | – | – |
| Disposals | (29) | (2) | (31) |
| At 31st December, 2009 | 2,294 | 1,538 | 3,832 |
| DEPRECIATION | | | |
| At 1st January, 2008 | 1,956 | 1,485 | 3,441 |
| Provided for the year | 201 | 60 | 261 |
| Eliminated on disposals | – | (119) | (119) |
| At 31st December, 2008 | 2,157 | 1,426 | 3,583 |
| Provided for the year | 128 | 50 | 178 |
| Eliminated on disposals | (29) | (2) | (31) |
| At 31st December, 2009 | 2,256 | 1,474 | 3,730 |
| CARRYING VALUES | | | |
| At 31st December, 2009 | 38 | 64 | 102 |
| At 31st December, 2008 | 166 | 114 | 280 |

## 15. INVESTMENTS IN SUBSIDIARIES

| | THE COMPANY | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Unlisted investments at cost, including deemed capital contribution in subsidiaries | **194,305** | 180,284 |
| Less: Impairment loss recognised | **(187,128)** | (149,690) |
| | **7,177** | 30,594 |

During the year, the directors reviewed the carrying values of the investments in subsidiaries. The recoverable amount of the investments in subsidiaries is estimated by directors based on the expected future cash flows generated from the operation of those subsidiaries. As at 31st December, 2009, impairment loss of HK$187,128,000 (31st December, 2008: HK$149,690,000) had been recognised.

Details of the Company's subsidiaries at 31st December, 2009 and 2008 are set out in note 39.

## 16. INTEREST IN AN ASSOCIATE

| | THE GROUP | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Cost of investment | | |
| Unlisted | **757** | 757 |
| Share of post-acquisition losses and other comprehensive expense, net of dividends received, up to cost of investment | **(757)** | (304) |
| | **–** | 453 |

Particulars of the associate at 31st December, 2009 and 2008 are as follows:

| Name of associate | Form of business structure | Country of incorporation | Principal place of operation | Class of shares held | Proportion of issued share capital held by the Group<br>% | Principal activities |
|---|---|---|---|---|---|---|
| KSIP (Thailand 1989) Co., Ltd. | Incorporated | Thailand | Thailand | Ordinary | 49 | Inactive |

Summarised financial information in respect of the Group's associate is set out below:

| | **31.12.2009** | 31.12.2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Total assets and net assets | **–** | 924 |
| Group's share of associate's net assets | **–** | 453 |

## 17. 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 (can be terminated at any time prior to maturity without compensation at the option of the Group). The deposit does not carry interest but its potential return is linked to the performance of yields of a basket of currencies. The linking to foreign exchange yield is considered to be non-closely related embedded derivative. Upon initial recognition, the deposit is designated as financial asset at fair value through profit and loss. The fair value as at 31st December, 2008 is based on the valuation amount provided by the counterparty financial institution. Such deposit was terminated during the year, resulting in a fair value gain of HK$112,000.

## 18. AMOUNTS DUE FROM SUBSIDIARIES

The amounts due from subsidiaries are unsecured, bearing interest at 1.12%and have no fixed terms of repayment. The directors of the Company have agreed that no repayment will be demanded within the next twelve months from the end of reporting period, accordingly, the amounts are shown as non-current assets and measured at amortised cost at the effective interest rate of 1.12% (2008: 3.37%) per annum.

## 19. INVENTORIES

| | THE GROUP | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Raw materials | **87** | 108 |
| Finished goods | **72,587** | 127,331 |
| | **72,674** | 127,439 |

The market price of certain inventories with impairment loss of HK$17,173,000 provided for in prior years, had increased during the year, which lead to a write-back of inventories of HK$17,173,000.

## 20. DEBTORS, DEPOSITS AND PREPAYMENTS

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

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:

| | THE GROUP | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'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 | **314** | 8,787 |
| | **64,733** | 72,078 |

## 20. DEBTORS, DEPOSITS AND PREPAYMENTS *(Continued)*

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 more than 270 days because historical experience is such that receivables that are 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).

**Aging of trade debtors which are past due but not impaired**

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Overdue: | | |
| 0-30 days | **11,374** | 20,660 |
| 31-60 days | **1,074** | 3,194 |
| 61-90 days | **165** | 5,188 |
| 91-120 days | **22** | 1,324 |
| 121-270 days | **5** | 1,081 |
| Total | **12,640** | 31,447 |

**Movement in the allowance for doubtful debts**

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| At beginning of the year | **19,789** | 11,681 |
| Amounts written off during the year as uncollectible | **(9,539)** | (1,988) |
| Impairment loss recognised on receivables | **11,233** | 11,628 |
| Impairment loss reversed | **(1,281)** | (1,532) |
| At end of the year | **20,202** | 19,789 |

In determining the recoverability of a trade debtor, the Group considers any change in the credit quality of the trade debtor from the date credit was initially granted up to the end of the reporting period. The directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Included in the allowance for doubtful debts are specific trade debtors with a balance of HK$11,089,000 (2008: HK$15,912,000) which have been placed under liquidation or in severe financial difficulties. The impairment recognised represents the carrying amount of the specific trade debtor.

The Company did not have any trade debtors at the end of the reporting period.

## 21. INVESTMENTS HELD FOR TRADING

| | THE GROUP | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Listed securities: | | |
| – Equity securities listed in Hong Kong | **19,693** | 30,104 |
| – Equity securities listed elsewhere | **15,003** | 14,884 |
| | **34,696** | 44,988 |
| Mutual funds | **67,975** | 80,976 |
| | **102,671** | 125,964 |

The fair values of all listed equity securities are determined by reference to the quoted market bid price available on the relevant exchanges.

Mutual funds represent funds managed by professional fund managers, which are redeemable at their net assets value, net of handling fee and expenses. Fair values of the mutual funds are provided by the fund managers and are measured based on their net assets value which is calculated by dividing the value of the assets of the mutual funds less its liabilities, by the total number of units in issue as stipulated in the relevant trust deed. The underlying investments held by the mutual funds are valued as follows:

- quoted investments of the underlying funds are valued at their closing bid price.
- Unquoted investments of the underlying funds are valued in accordance with the most recent revaluation or expected disposal or redemption price provided by the professional fund managers.

## 22. OTHER ASSETS

Other assets represent gold bullions stated at fair values. The fair values are determined by reference to the quoted market price. Any gain or loss arising on measurement is recognised in profit or loss.

## 23. OTHER FINANCIAL ASSETS

Other financial assets include bills receivable, short term bank deposits and bank balances and cash.

The Group's bills receivable are aged within 90 days. In 2008, impairment loss of HK$5,324,000 has been made in the consolidated financial statements for the amount under dispute with a counterparty bank.

Short term bank deposits and bank balances and cash comprise cash and deposits held by the Group and the Company with an original maturity of three months or less.

Bank balances and short term bank deposits carry interest at market rates with average interest rate of 0.0068% and 2.4013% (2008: 0.41% and 3.06%) per annum respectively.

## 24. CREDITORS AND ACCRUED CHARGES

| | THE GROUP | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Trade creditors | **7,049** | 18,448 |
| Other creditors and accrued charges | **22,304** | 20,111 |
| | **29,353** | 38,559 |

## 24. CREDITORS AND ACCRUED CHARGES *(Continued)*

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

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0 – 30 days | **7,049** | 18,390 |
| 31 – 60 days | **–** | 58 |
| | **7,049** | 18,448 |

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.

## 25. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

The amounts due to minority shareholders of subsidiaries are unsecured, interest free and repayable on demand.

## 26. BANK BORROWINGS

| | **THE GROUP** | | **THE COMPANY** | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| The bank borrowings, which are due within one year, comprise: | | | | |
| Bank loans | | | | |
| – secured (Note) | **8,601** | 12,795 | **–** | – |
| – unsecured | **25,102** | 40,338 | **15,500** | 25,000 |
| Trust receipt and import loans | **155,152** | 141,898 | **–** | – |
| | **188,855** | 195,031 | **15,500** | 25,000 |

Note: For details of the assets pledged as collateral, please refer to note 33.

The bank borrowings of the Group and the Company are arranged at floating interest rates. The average interest rate for the Group and the Company for the year was 1.17% (2008: 3.37%) and 1.13% (2008: 3.84%) per annum, respectively.

The Group's bank borrowings that are denominated in currencies, other than the functional currency of the operations to which they related are set out below:

| | **The Group** | | **The Company** | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **HK$** | HK$ | **HK$** | HK$ |
| United States dollars | **20,884** | 20,093 | **–** | – |
| Japanese Yen | **16,975** | 17,372 | **–** | – |

## 27. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured, interest free and repayable on demand.

## 28. SHARE CAPITAL

| | Number of shares | Amount HK$'000 |
|---|---|---|
| Ordinary shares of HK$0.05 each | | |
| Authorised: | | |
| At beginning and at end of the years 2008 and 2009 | 700,000,000 | 35,000 |
| Issued and fully paid: | | |
| At beginning and at end of the years 2008 and 2009 | 445,500,000 | 22,275 |

## 29. RESERVES

| | Share premium HK$'000 | Retained profits/ (accumulated loss) HK$'000 | Total HK$'000 |
|---|---|---|---|
| **THE COMPANY** | | | |
| At 1st January, 2008 | 153,728 | 181,920 | 335,648 |
| Loss for the year | – | (148,138) | (148,138) |
| Dividends paid (note 11) | – | (37,868) | (37,868) |
| At 31st December, 2008 | 153,728 | (4,086) | 149,642 |
| Profit for the year | – | 110,224 | 110,224 |
| At 31st December, 2009 | 153,728 | 106,138 | 259,866 |

The Company's reserves available for distribution to shareholders as at 31st December, 2009 comprised the retained profit of HK$106,138,000 (2008: accumulated loss of HK$4,086,000).

## 30. DEFERRED TAX LIABILITIES

The Group's deferred tax liabilities are set out below:

| | Fair value change of investment properties HK$'000 | Revaluation of leasehold land and building HK$'000 | Accelerated tax depreciation HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1st January, 2008 | 11,270 | 2,766 | 1,150 | 15,186 |
| Charge to consolidated statement of comprehensive income | 1,740 | – | – | 1,740 |
| Effect of change in tax rate | (2,803) | – | – | (2,803) |
| Exchange realignment | 669 | – | – | 669 |
| At 31st December, 2008 | 10,876 | 2,766 | 1,150 | 14,792 |
| Charge (credit) to consolidated statement of comprehensive income | 4,134 | – | (582) | 3,552 |
| Exchange realignment | 4 | – | – | 4 |
| At 31st December, 2009 | 15,014 | 2,766 | 568 | 18,348 |

## 30. DEFERRED TAX LIABILITIES *(Continued)*

At the end of the reporting period, the Group had unused tax losses of approximately HK$216 million (2008: HK$217 million) available for offset against future profits. No deferred tax assets have been recognised in respect of such unused tax losses due to the unpredictability of future profit streams. Such tax losses may be carried forward indefinitely.

## 31. OPERATING LEASE COMMITMENTS

**The Group as lessee:**

At the end of the reporting period, the Group and the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Within one year | **1,531** | 1,478 | **90** | 81 |
| In the second to fifth year inclusive | **–** | 1,387 | **–** | – |
| | **1,531** | 2,865 | **90** | 81 |

Operating lease payments represent rentals payable by the Group and the Company for certain of its office premises. Leases are negotiated for terms ranging from one to three years and rentals are fixed over the lease terms.

**The Group as lessor:**

Property rental income earned during the year is disclosed in note 8. The properties held have committed tenants for the lease term ranging from one to three years and rentals are fixed over the lease terms.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

| | THE GROUP | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Within one year | **15,161** | 21,255 |
| In the second to fifth year inclusive | **11,825** | 9,098 |
| | **26,986** | 30,353 |

## 32. CONTINGENT LIABILITIES

As at 31st December, 2009, the financial guarantees were given to banks by the Company in respect of banking facilities utilised by the subsidiaries amounting to HK$172,126,000 (2008: HK$164,788,000) of which unamortised amount of HK$8,363,000 (2008: HK$39,162,000) was recognised in the Company's statement of financial position as financial guarantee contracts and was included in creditors and accrued charges.

## 33. PLEDGE OF ASSETS

The following assets were pledged to banks to secure banking facilities granted to the Group as at end of the reporting period:

| | THE GROUP | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Foreign exchange yield linked deposit | **–** | 8,715 |
| Investments held for trading | **7,347** | 7,711 |
| Leasehold land and buildings | **6,145** | 6,174 |
| | **13,492** | 22,600 |

The Company did not pledge any assets at the end of the reporting period.

## 34. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme and other defined contribution retirement schemes for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The employees of the Company's subsidiaries established outside Hong Kong are members of a state-managed retirement scheme operated by respective governments. These subsidiaries are required to contribute certain percentage of basic payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to these schemes is to make the required contributions under the scheme.

The retirement benefits cost charged to the consolidated statement of comprehensive income of HK$595,000 (2008: HK$736,000) represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

## 35. RELATED PARTY TRANSACTIONS

Other than the amount due from subsidiaries, amount due to subsidiaries and related guarantee provided by the Company as disclosed in respective notes, the Group and the Company does not entered into any transactions with related parties.

The compensation to key management personnel comprises only the directors' emoluments, details of which are disclosed in note 9.

## 36. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## 36. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

**Allowance of doubtful debts**

The Group makes allowances for bad and doubtful debts when there is objective evidence that receivables balances are impaired. The balances of the receivables are based on the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. The directors involved a considerable amount of judgment in assessing the ultimate realisation of these receivables including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their activity to make payments, additional allowance may be required. As at 31st December, 2009, the carrying amount of trade receivables is HK$64,733,000 (2008: HK$72,078,000) net of allowance for doubtful debts of HK$20,202,000 (2008: HK$19,789,000).

**Net realisable value of inventories**

Inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value when there is objective evidence that the cost of inventories may not be recoverable. The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may not also be recoverable if the estimated costs to be incurred to make the sale have increased. The amount written off to the profit or loss is the difference between the carrying value and net realisable value of the inventories. As at 31st December, 2009, the carrying amount of inventories is HK$72,674,000 (2008: HK$127,439,000), with reversal of write-down on inventories of HK$17,173,000 (2008 written down of: HK$20,647,000).

## 37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group and the Company consists of net debt, which includes the borrowings disclosed in note 26, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The management reviews the capital structure regularly. As a part of this review, the management considers the cost of capital and the risks associated with the issued share capital and will balance the Group's overall capital structure through the payment of dividends, the issue of new debt or the repayment of existing debt.

The Group's overall strategy remains unchanged from 2008.

## 38. FINANCIAL INSTRUMENTS

**(a) Categories of financial instruments**

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| *Financial assets* | | | | |
| FVTPL | | | | |
| – Held for trading | **102,671** | 125,964 | **–** | – |
| – Designated as at FVTPL | **–** | 8,715 | **–** | – |
| Loans and receivables (including cash and cash equivalents) | **301,463** | 193,335 | **300,234** | 302,639 |
| *Financial liabilities* | | | | |
| Amortised cost | **205,310** | 225,426 | **16,389** | 122,187 |
| Financial guarantee contracts | **–** | – | **8,363** | 39,162 |

## 38. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies

The management monitors and manages the financial risks relating to the operations of the Group through various internal management reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures such risks.

### (c) Foreign currency risk management

Some of the Group's transactions were conducted in United States dollars, Japanese Yen, Euro, Renminbi, New Taiwanese dollars and Hong Kong dollars which are other than the functional currency of the operations to which they related. Certain trade debtors, bank balances and deposits, trade creditors and bank borrowings of the Group are also denominated in foreign currencies other than the functional currency of the group entities. Hence, exposures to exchange rate fluctuations arise. The Group will manage the exchange rate exposures by using forward exchange contracts to hedge its foreign currency exposure in trading activities when considered appropriate.

The carrying amount of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities other than the functional currency of the operations to which they relate at the end of the reporting period is as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **THE GROUP** | | | | |
| United States dollars | **126,029** | 78,810 | **18,811** | 30,283 |
| Japanese Yen | **50** | 74 | **7,408** | 17,556 |
| Euro | **5,300** | 2,527 | **30** | 37 |
| Renminbi | **634** | 306 | **–** | – |
| New Taiwanese dollars | **–** | – | **58** | – |
| Hong Kong dollars | **1,006** | 402 | **4,655** | 1,391 |
| | **133,019** | 82,119 | **30,962** | 49,267 |
| **THE COMPANY** | | | | |
| United States dollars | **38** | – | **–** | – |
| Japanese Yen | **–** | – | **–** | 9,838 |

*Foreign currency sensitivity*

As Hong Kong dollars is currently pegged to United States dollars, management considers that the exposure to exchange fluctuation in respect of United States dollars is limited as the relevant group entities have Hong Kong dollars as their functional currency. The Group therefore mainly exposed to other currencies.

The following table indicates the approximate change in the Group's and Company's profit or loss in response to reasonably possible changes in the foreign exchange rates to which the Group and Company have significant exposure at the end of the reporting period.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities' exposure to currency risk for non-derivative financial instruments in existence at that date.

## 38. FINANCIAL INSTRUMENTS *(Continued)*

**(c) Foreign currency risk management** *(Continued)*

*Foreign currency sensitivity (Continued)*

The stated changes represent the management's assessment of reasonably possible changes in foreign exchange rates over the next reporting period. Results of the analysis as presented in the below table represent an aggregation of the effects on each of the group entities' profit or loss measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes. A positive (negative) number represented an increase in profit or decrease in loss (decrease in profit or increase in loss). The analysis is preformed on the same basis for 2008.

| | **2009** | | 2008 | |
|---|---|---|---|---|
| | **Increase (decrease) in foreign exchange rates** | **Effect on profit or loss HK$'000** | Increase (decrease) in foreign exchange rates | Effect on profit or loss HK$'000 |
| **THE GROUP** | | | | |
| Japanese Yen against | **10%** | **(736)** | 10% | (1,748) |
| Hong Kong dollars | **(10%)** | **736** | (10%) | 1,748 |
| Euro against | **10%** | **527** | 10% | 249 |
| Hong Kong dollars | **(10%)** | **(527)** | (10%) | (249) |
| Renminbi against | **10%** | **63** | 10% | 130 |
| Hong Kong dollars | **(10%)** | **(63)** | (10%) | (130) |
| New Taiwanese dollars against | **10%** | **(6)** | 1% | – |
| Hong Kong dollars | **(10%)** | **6** | (1%) | – |
| **THE COMPANY** | | | | |
| Japanese Yen against | **–** | **–** | 10% | (984) |
| Hong Kong dollars | **–** | **–** | (10%) | 984 |

**(d) Interest rate risk management**

The Group obtained financing through bank borrowings. Majority of bank borrowings bear interests on floating rates and matured within one year. Accordingly, the Group is not exposed to significant fair value interest rate risk. The Group analyses its interest rate exposure on a dynamic basis, but the Group did not use floating-to-fixed interest rate swaps in managing its cash flow interest rate risk.

The Group's bank balance, short-term bank deposits and certain bank borrowings carry interest at market rates. In the opinion of the directors of the Company, the reasonably possible change in the interest rate of short-term bank deposits are negligible. As a result, they are not included the sensitivity analysis below.

*Interest rate sensitivity*

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative financial instruments (representing variable rate bank borrowings as at 31st December, 2009 and 2008) and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used as it represents management's assessment of the possible change in interest rate.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31st December, 2009 would decrease/increase by HK$944,000 (2008: loss would increase/decrease by HK$975,000).

## 38. FINANCIAL INSTRUMENTS *(Continued)*

**(d) Interest rate risk management** *(Continued)*

*Interest rate sensitivity (Continued)*

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended 31st December, 2009 would decrease/increase by HK$78,000 (2008: loss would increase/decrease by HK$125,000).

The Group's sensitivity to interest rates has decreased during the current year mainly due to the reduction in variable rate debt instruments.

**(e) Other price risks**

The Group's investments held for trading, comprising listed equity securities and mutual funds, are measured at fair value at the end of the reporting period. The management has performed analysis of the nature of market risk associated with the equity securities and mutual funds, including discussion with the investment advisors, and concluded that the price risk is more prominent in evaluating the market risk of this kind of investments. The management manages this exposure by maintaining a portfolio of investments with different risk profiles in accordance with the limits set by the Group and located in different jurisdictions.

*Price sensitivity*

The sensitivity analyses below have been determined based on the exposure to price risk at the end of the reporting period. A 10% increase or decrease is used as it represents management's assessment of the possible change in price of equity securities and mutual funds.

If the prices of the respective equity securities and mutual funds had been 10% higher/lower, the Group's profit for the year ended 31st December, 2009 would increase/decrease by HK$10,267,000 (2008: loss would decrease/increase by HK$12,596,000) as a result of the changes in fair value of investments held-for-trading investments.

**(f) Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Trade debtors consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and investments is limited because directors consider that the counterparties are financially sound.

The Company has concentration of credit risk as approximate 99% (31st December, 2008: 34%) of the total amounts due from subsidiaries was due from a subsidiary of the Company.

As at 31st December, 2009, the Group and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated and the Company's statement of financial position; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Company as disclosed in note 32.

## 38. FINANCIAL INSTRUMENTS *(Continued)*

### (g) Liquidity risk management

In the management of the liquidity risk, the Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings closely.

The Group relies on bank borrowings as a significant source of liquidity. As at 31st December, 2009, the Group and the Company have available unutilised short-term bank loan facilities of approximately HK$461,896,000 (2008: HK$710,119,000).

*Liquidity information*

The following tables detail the Group's and the Company's remaining contractual maturity for other non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The tables include both interest and principal cash flows.

**THE GROUP**

| | Weighted average effective interest rate | Less than 1 month | 1-3 months | Over 3 months | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|---|
| | % | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **31st December, 2009** | | | | | | |
| Creditors and accrued charges | – | 8,086 | 42 | 4,279 | 12,407 | 12,407 |
| Amounts due to minority shareholders of subsidiaries | – | 4,048 | – | – | 4,048 | 4,048 |
| Bank borrowings – variable rate | 1.17 | 157,615 | 31,496 | – | 189,111 | 188,855 |
| | | 169,749 | 31,538 | 4,279 | 205,566 | 205,310 |
| **31st December, 2008** | | | | | | |
| Creditors and accrued charges | – | 21,096 | 439 | 2,414 | 23,949 | 23,949 |
| Amounts due to minority shareholders of subsidiaries | – | 6,446 | – | – | 6,446 | 6,446 |
| Bank borrowings – variable rate | 2.71 | 173,476 | 22,418 | – | 195,894 | 195,031 |
| | | 201,018 | 22,857 | 2,414 | 226,289 | 225,426 |

## 38. FINANCIAL INSTRUMENTS *(Continued)*

**(g) Liquidity risk management** *(Continued)*

**THE COMPANY**

| | Weighted average effective interest rate | Less than 1 month | 1-3 months | Over 3 months | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|---|
| | % | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **31st December, 2009** | | | | | | |
| Creditors and accrued charges | – | – | – | 889 | 889 | 889 |
| Bank borrowings – variable rate | 1.13 | 15,530 | – | – | 15,530 | 15,500 |
| | | 15,530 | – | 889 | 16,419 | 16,389 |
| **31st December, 2008** | | | | | | |
| Creditors and accrued charges | – | 36 | 5 | 889 | 930 | 930 |
| Amounts due to subsidiaries | – | 96,257 | – | – | 96,257 | 96,257 |
| Bank borrowings – variable rate | 4.66 | 10,138 | 15,018 | – | 25,156 | 25,000 |
| | | 106,431 | 15,023 | 889 | 122,343 | 122,187 |

In addition, as mentioned in note 32, the Company has, at the end of the reporting period, given financial guarantees to banks in respect of banking facilities granted to its subsidiaries of HK$628,987,000 (2008: HK$746,593,000) of which HK$8,363,000 (2008: HK$39,162,000) was recognized in the Company's statement of financial position as financial guarantee contracts. In the event due to a failure by its subsidiaries to repay their borrowings, the Company may be required to settle the maximum guaranteed amounts upon demand by the counterparties to the guarantee. The management expected that it was not probable that the counterparties to the financial guarantee contracts for banking facilities granted to the subsidiaries of the Company will claim under the contracts.

**(h) Fair value of financial instruments**

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 and Level 2 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

| | | 31.12.2009 | |
|---|---|---|---|
| | **Level 1** | **Level 2** | **Total** |
| | HK$'000 | HK$'000 | HK$'000 |
| Total investments held for trading | 70,112 | 32,559 | 102,671 |

There were no transfers between Level 1 and 2 in the current year.

## 38. FINANCIAL INSTRUMENTS *(Continued)*

### (h) Fair value of financial instruments *(Continued)*

Included in the consolidated statement of comprehensive income, an amount of HK$4,088,000 relates to the gain arising from changes in fair value of investments held for trading held at the end of the reporting period.

Other than set out in notes 21 and 22, the fair value of other financial assets and all financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

## 39. SUBSIDIARIES

Particulars of the subsidiaries at 31st December, 2009 and 2008 are as follows:

| Name of subsidiary | Place of incorporation/ registration | Principal place of operation | Issued/ registered and fully paid capital | | Percentage of issued/ registered capital held by the Company | Principal activities |
|---|---|---|---|---|---|---|
| | | | Ordinary | Non-voting preferred (note) | % | |
| Asia Fame International Limited | Hong Kong | Hong Kong | HK$1,000,000 | – | 100* | Manufacturing of electroplating chemicals and solutions |
| Bright Star Limited | Cook Islands | Hong Kong | US$1,000 | – | 100 | Investment holding |
| Charterway Developments Limited | Hong Kong | Hong Kong | HK$1,000,000 | – | 100 | Property investment |
| E.P. Resources Limited | Hong Kong | Hong Kong | HK$10,000 | – | 100* | Securities investment and trading |
| Electrochemical Technologies Limited | Hong Kong | Hong Kong | HK$2 | – | 100* | Securities investment |
| EngoTech Limited | Hong Kong | Hong Kong | HK$10,000 | – | 100* | Manufacturing of and trading in electroplating chemicals and solutions |
| Ever Channel Properties Limited | Hong Kong | Elsewhere in the PRC | HK$10,000 | – | 90 | Property investment |
| Global Trade Properties Limited | Hong Kong | Elsewhere in the PRC | HK$10,000 | – | 90 | Property investment |
| Gold Asset Properties Limited | Hong Kong | Elsewhere in the PRC | HK$10,000 | – | 90 | Property investment |
| Guan Heng Trading (Shanghai) Co., Ltd.# | Shanghai, PRC | Elsewhere in the PRC | US$350,000 | – | 100 | Trading in chemicals |
| Jollifair Investments Limited | Hong Kong | Hong Kong | HK$3,497,897 | – | 100* | Investment holding |
| Kee Shing (Coins) Limited | Hong Kong | Hong Kong | HK$1,000,000 | – | 100* | Securities trading |
| Kee Shing Hardware Supplies Limited | Hong Kong | Hong Kong | HK$800,000 | HK$400,000 | 100 | Trading in stainless steel |
| Kee Shing Industrial Products Limited | Hong Kong | Hong Kong and Taiwan | HK$200 | HK$1,000,000 | 100* | Investment holding and trading in electroplating chemicals and metals |

## 39. SUBSIDIARIES *(Continued)*

| Name of subsidiary | Place of incorporation/ registration | Principal place of operation | Issued/ registered and fully paid capital | | Percentage of issued/ registered capital held by the Company | Principal activities |
|---|---|---|---|---|---|---|
| | | | Ordinary | Non-voting preferred (note) | % | |
| Kee Shing International Limited | Hong Kong | Hong Kong | HK$2 | – | 100* | Securities investment |
| Kee Shing (Investments) Limited | Cook Islands | Hong Kong | US$1,000 | – | 100* | Investment holding |
| Kee Shing Property Consultants (Shanghai) Co., Ltd.# | Shanghai, PRC | Elsewhere in the PRC | RMB2,902,060 | – | 100 | Property management |
| Kingsview Properties Limited | Hong Kong | Elsewhere in the PRC | HK$10,000 | – | 90 | Property investment |
| Klendo Limited | Hong Kong | Elsewhere in the PRC | HK$10,000 | – | 90* | Property investment |
| KSIP (Singapore) Pte. Ltd. | Republic of Singapore | Republic of Singapore | S$1,000,000 | – | 51 | Trading in electroplating chemicals and metal plating products |
| Pacific Apex International Limited | Hong Kong | Hong Kong | HK$10,000 | – | 100* | Inactive |
| Pacific Wide Properties Limited | Hong Kong | Elsewhere in the PRC | HK$10,000 | – | 90 | Property investment |
| Sam Wing International Limited | Hong Kong | Elsewhere in the PRC | HK$1,825,200 | HK$2,160,000 | 100* | Trading in chemicals and securities investment |
| Sure Glory Ventures, Inc. | British Virgin Islands | Australia | US$2 | – | 100* | Investment holding |
| Topbase Properties Limited | Hong Kong | Elsewhere in the PRC | HK$10,000 | – | 90 | Property investment |
| Top Image Properties Limited | Hong Kong | Elsewhere in the PRC | HK$10,000 | – | 90 | Property investment |
| Trendex Investment Limited | Hong Kong | Elsewhere in the PRC | HK$10,000 | – | 100* | Property investment |
| Union Channel Properties Limited | Hong Kong | Elsewhere in the PRC | HK$10,000 | – | 90 | Property investment |
| Union Crown Properties Limited | Hong Kong | Elsewhere in the PRC | HK$10,000 | – | 90 | Property investment |
| Winbase Properties Limited | Hong Kong | Elsewhere in the PRC | HK$10,000 | – | 90 | Property investment |

* Directly held by the Company

\# A wholly foreign owned enterprise.

None of the subsidiaries had any loan capital subsisted at 31st December, 2009 or at any time during the year.

Note:

The non-voting preferred shares, which are not held by the Company, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution on winding up.

# Particulars of Investment Properties

At 31st December, 2009

| LOCATION | TYPE | LEASE TERM |
|---|---|---|
| HONG KONG | | |
| Units A, B, C, D and E on 2nd Floor<br>Kee Shing Centre<br>74-76 Kimberley Road<br>Tsimshatsui<br>Kowloon<br>Hong Kong | Commercial | Medium-term lease |
| ELSEWHERE IN THE PEOPLE'S REPUBLIC OF CHINA | | |
| Units 1003, 1005, 1010, 1011, 1012,<br>1013 on 10th Floor<br>the whole of 11th and 12th Floors and the<br>Multi-function Room on Roof<br>Novel Building<br>887 Huai Hai Road Central<br>Luwan District<br>Shanghai<br>People's Republic of China | Commercial | Medium-term lease |
| 15th Floor, Shui On Plaza<br>333 Huai Hai Road Central<br>Luwan District<br>Shanghai<br>People's Republic of China | Commercial | Medium-term lease |
| 5D, 9F, 17F<br>of Huadua Court, Haihua Garden<br>the Junction of Xiexu Road and<br>Dapu Road<br>Luwan District<br>Shanghai<br>People's Republic of China | Residential | Long lease |
| 33D of Huali Court<br>Haihua Garden<br>the Junction of Xiexu Road and<br>Dapu Road<br>Luwan District<br>Shanghai<br>People's Republic of China | Residential | Long lease |
| 7B of Huaying Court<br>Haihua Garden<br>the Junction of Xiexu Road<br>and Dapu Road<br>Luwan District<br>Shanghai<br>People's Republic of China | Residential | Long lease |
| 9C, 9D<br>of Huaxin Court<br>Haihua Garden<br>the Junction of Xiexu Road and Dapu Road<br>Luwan District<br>Shanghai<br>People's Republic of China | Residential | Long lease |
| OVERSEAS | | |
| 39 Jalan Pemimpin #03-01<br>Tai Lee Industrial Building<br>Singapore | Warehouse | Long lease |

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