

Directors' Report

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31st December, 2001.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 32 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2001 are set out in the consolidated income statement on page 20.

An interim dividend of 1 cent per share, amounting to HK\$4,455,000, was paid to the shareholders of the Company during the year. The directors now recommend the payment of a final dividend of 1.5 cents per share to the shareholders of the Company whose names appear on the register of members on 23rd May, 2002, amounting to HK\$ 6,682,500, and the retention of the remaining profit for the year.

INVESTMENT PROPERTIES

All of the investment properties of the Group were revalued at 31st December, 2001, as set out in note 13 to the financial statements. The resulting surplus arising on revaluation, which amounted to HK\$16,110,000 has been credited to the consolidated income statement.

Particular of the investment properties of the Group as at 31st December, 2001 are set out on pages 51 and 52.

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.

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 directors:

Yuen Tin Fan, Francis

Kwan Hing Hin, Stephen

Tang Sai Kwan, Pipvide (resigned on 15th February, 2001)

Independent non-executive directors:

Leung Ding Bong, Ronald

Wong Kong Chi

In accordance with Article 116 of the Company's Articles of Association, Messrs. Wong Chi Kin, Yuen Tin Fan, Francis and Wong Kong Chi retire by rotation and, being eligible, offer themselves for re-election.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The term of office for each non-executive director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS' INTERESTS IN CONTRACTS

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' INTEREST IN SHARES

At 31st December, 2001, the interests of the directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

<u>Name of director</u>	<u>Personal interest</u>	<u>Number of shares held</u>	
		<u>Corporate interest</u>	<u>Other interest</u>
Leung Shu Wing	184,691,075	-	-
Yuen Tin Fan, Francis	-	26,984,000 (Note 1)	74,760,000 (Note 2)
Leung Miu King	20,434,000	-	-
Kwan Hing Hin, Stephen	5,000,000	-	-
Wong Chi Kin	767,000	-	-
Wong Choi Ying	9,500	-	-

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. 74,760,000 shares in the Company are registered in the name of Snowdon International Limited, a company which is beneficially owned as to 100% by the trustees of the T F Yuen Trust, a discretionary trust of which Mr. Yuen Tin Fan, Francis is one of the beneficiary objects.

The personal beneficial interests of the directors in the non-voting preferred shares of the Company's subsidiaries as at 31st December, 2001 were as follows:

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

Save as disclosed above, at 31st December, 2001, none of the directors or their associates had any interests in the securities of the Company or any of its subsidiaries or associated

corporations as defined in the SDI Ordinance.

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

Other than the interests of certain directors disclosed under the heading "Directors' Interest in Shares" above, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no other person as having an interest representing 10% or more of the issued share capital of the Company as at 31st December, 2001.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2001, the aggregate turnover attributable to the Group's five largest customers was less than 30% of the Group's total turnover. The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 94% of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 40% 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.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2001 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

DONATION

During the year, the Group made a charitable donation amounting to HK\$50,000.

AUDITORS

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

On behalf of the Board
LEUNG SHU WING
Chairman

28th March, 2002