

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31st December, 2002.

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, 2002 are set out in the consolidated income statement on page 21.

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 23th May, 2002, amounting to HK\$6,682,500.

Investment Properties

All of the investment properties of the Group were revalued at 31st December, 2002, as set out in note 14 to the financial statements. The resulting deficit arising on revaluation, which amounted to HK\$1,000,000 has been charged to the consolidated income statement.

Particulars of the investment properties of the Group as at 31st December, 2002 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 15 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

Independent non-executive directors:

Leung Ding Bong, Ronald
Wong Kong Chi

In accordance with Article 116 of the Company's Articles of Association, Messrs. Leung Shu Wing, Leung Ding Bong, Ronald and Wong Choi Ying 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' Report

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

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

Note: 26,984,000 shares in the Company are owned by Tien Fung Hong Group Limited, a company which is 60% owned by Mr. Yuen Tin Fan, Francis.

The personal beneficial interests of the directors in the non-voting preferred shares of the Company's subsidiaries as at 31st December, 2002 were as follows:

Name of subsidiary	Name of director	Number of non-voting preferred shares
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, 2002, 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, 2002.

Major Customers and Suppliers

For the year ended 31st December, 2002, 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 93% of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 41% 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, 2002 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\$10,000.

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, 2003