

Chairman's Statement

KEE SHING (HOLDINGS) LIMITED

The Group's consolidated profit attributable to shareholders for the year ended 31st December, 2003 increased to HK\$38.7 million compared to HK\$4.2 million for the year ended 31st December, 2002. Affected by the Iraq war and the unprecedented SARS outbreak in Asian region during the first half year, contribution from the trading business was encouraging mainly due to significant demand growth in China and substantial rise in commodity prices in the second half year of 2003. Property rental business remained stable. With notable improvement in equities and bonds markets in the second half of 2003, the Group reduced total equities holdings but increased the amount of corporate debt securities. Also, the Group diversified part of short term bank deposits into long term capital preservation financial products. As a result, the Group recorded a realized gain and unrealized gain of HK\$24.5 million in total during the year. At the year end, the Group recognized an impairment loss of HK\$20.5 million on the goodwill arising on acquisition of Asia Commercial Holdings Limited. Earning per share for 2003 posted HK8.69 cents (2002: HK 0.93 cent).

DIVIDEND

Interim dividend of HK1.5 cents per ordinary share was declared on 29th August, 2003. Subject to the approval of shareholders at the forthcoming Annual General Meeting, the Board of Directors recommended a final dividend for 2003 of HK2.5 cents per ordinary share (2002: HK1.5 cents per ordinary share) payable on or before 23rd June, 2004 to shareholders whose names appear on the register of members of the Company as 28th May, 2004.

BUSINESS REVIEW

The Trading operation reported a segment result of HK\$35.9 million in 2003, representing a rise of 17.0% compared with HK\$30.7 million in 2002. Recovered from slow demand during the SARS period, the achievement of profit growth was built up from significant rise in commodities prices and large demand arising from China market. Suffering from constantly price competition, the Group was able to improve overall gross profit margin at the end of the year with anticipation of tighter supply of almost all kinds of materials in the last quarter of 2003. Strong demand from China continues in 2004. Facing the prospect of extremely volatile commodity prices, the Group believes prudent cost controlling is essential.

Hong Kong office occupancy level, however, could not recover after the SARS period and declining market rental dominated the market in 2003. On the contrary, residential and property market in Shanghai grew flourishingly, of which properties price and market rent all recorded satisfactory performance at the end of the year. A surplus gain of HK\$5.3 million on revaluation of investment properties was posted at the end of the year. In early 2004, one of the major tenants in the Group's Shanghai offices terminated its lease but most of the vacant area had been rented out before 31st March, 2004.

Looking past the gloomy years in global financial markets, overall environment becomes more promising since the second half year of 2003. Amid weakening in US dollars throughout the year, recent economic figures demonstrated solid global economic recovery was undergoing. Soaring stock prices and runaway economic expansion both in developed and emerging countries headed investors to seek for new opportunities in growing markets. For the year ended 2003, the Group recorded a realized gain of HK\$16.5 million and an unrealized gain of HK\$8.0 million in our securities investment division.

AUDIT COMMITTEE

The Group's audit committee has met three times in 2003 to review audit findings, accounting principles and practices adopted by the Group, and to discuss internal and external risk control area before submitting the management and financial reports to the Board of Directors for approval. The external auditors together with the Group's finance director and two senior management personnel have attended all meetings.

PROSPECTS

In 2004, we can see demand expansion from China persists, property market in Hong Kong rebounds and activities increase in financial markets. Fuelling from fast growing demand from Mainland China, tighter supply from upstream sources eases pressures from price competition among wholesaling industries. Being a long-term material supplier, our services play a key role in supporting stable supply to customers. With potential risk of unexpected volatility in commodity prices, we will cautiously manage inventory changes and purchasing strategies over the year. Also, we are continuously introducing new products into market so as to expand our product lines.

Hong Kong office demand shows slightly recovery in early of 2004 but declining market rents remain. Rental markets in Shanghai office and residential properties stay strong. With optimism on improving market sentiment and growth outlook in the near term, the Group will position the securities portfolio aiming for yield enhancement and sheltering any unexpected shock circumstances.

The Group remains confident to the prospects of economy growth in 2004 and will devote all strengths in pursuing further improvement in future.

LEUNG SHU WING

Chairman

Hong Kong, 26th March, 2004