

DIRECTORS' REPORT

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31st December, 2004.

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, 2004 are set out in the consolidated income statement on page 21.

An interim dividend of 10 cents per share, amounting to approximately HK\$44,550,000, was paid to the shareholders of the Company during the year. The directors now recommend the payment of a final dividend of 10 cents per share to the shareholders of the Company whose names appear on the register of members on 31st May, 2005, amounting to approximately HK\$44,550,000.

INVESTMENT PROPERTIES

All of the investment properties of the Group were revalued at 31st December, 2004, as set out in note 14 to the financial statements. The revaluation gave rise to a revaluation surplus of HK\$17,896,000 of which HK\$9,540,000 has been credited to the consolidated income statement and the remaining balance of HK\$8,356,000 was credited to the investment property revaluation reserve.

Particulars of the investment properties of the Group as at 31st December, 2004 are set out on page 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 (resigned on 13th January, 2004)

Independent non-executive directors:

Wong Kong Chi

Lai Chung Wing, Robert (appointed on 23rd June, 2004)

Chan Wing Lee (appointed on 18th August, 2004)

Ng Hon Ying (resigned on 23rd June, 2004)

Leung Ding Bong, Ronald (resigned on 18th August, 2004)

In accordance with Article 99 of the Company's Articles of Association, Messrs. Lai Chung Wing, Robert and Chan Wing Lee retire and, being eligible, offer themselves for re-election.

In accordance with Article 116 of the Company's Articles of Association, Messrs. Leung Shu Wing and Yuen Tin Fan, Francis 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 non-executive directors, Messrs. Lai Chung Wing, Robert and Chan Wing Lee, have been appointed for a term of one year. The term of office for each of the other non-executive directors 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, UNDERLYING SHARES AND DEBENTURES

At 31st December, 2004, the interests of the directors and their associates in the shares, underlying shares and debentures 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 Ordinances ("SFO Ordinances"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies, were as follows:

Long positions

(a) Ordinary shares of HK\$0.05 each in the Company

<u>Name of director</u>	<u>Capacity</u>	<u>Number of issued ordinary share held</u>	<u>Percentage of the issued share capital of the Comapny</u>
Leung Shu Wing	Beneficial owner	184,691,075	41.457%
Yuen Tin Fan, Francis	Held by controlled corporation (Note 1)	26,984,000	6.057%
	Founder of discretionary trust (Note 2)	<u>74,770,000</u>	<u>16.783%</u>
		101,754,000	22.840%
Leung Miu King	Beneficial owner	20,634,000	4.632%
Wong Chi Kin	Beneficial owner	767,000	0.172%
Wong Choi Ying	Beneficial owner	9,500	0.002%
		<u>307,855,575</u>	<u>69.103%</u>
		=====	=====

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.

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

<u>Name of subsidiary</u>	<u>Name of director</u>	<u>Capacity</u>	<u>Number of non-voting preferred shares</u>	<u>Percentage of the non-voting preferred share capital of the company</u>
Kee Shing Hardware Supplies Limited	Wong Chi Kin	Beneficial owner	400,000	100%

Kee Shing Industrial Products Limited	Leung Shu Wing	Beneficial owner	7,000	70%
Sam Wing International Limited	Leung Shu Wing	Beneficial owner	19,440	90%

Save as disclosed above, at 31st December, 2004, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its subsidiaries or associated corporations as defined in the SFO 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' Interests in Shares, Underlying Shares and Debentures” above, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO Ordinance discloses no other person as having a notifiable interest or a short position in the issued share capital of the Company as at 31st December, 2004.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2004, 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 91% of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 56% 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, 2004 with the Code of Best Practice contained in Appendix 14 (which was in force during the said period) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) except that certain non-executive Directors have no fixed their terms of office but retire from office on a rotational basis in accordance with the Articles of Association of the Company.

The Code of Best Practice contained in Appendix 14 to the Listing Rules has been replaced by the Code on Corporate Governance Practices with effect from 1st January, 2005 and the new Code will apply for subsequent reporting periods.

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

8th April, 2005