Chairman's Statement

The attributable profit of the Kee Shing Group in the fiscal year 2005 was HK$ 67.9 million, representing a rise of 32.3% on the restated figures for the year ended 31st December, 2004. The attributable profit, which reflects the adoption of new Hong Kong Financial Reporting Standards effective from 1st January, 2005, includes the adjustments for the impact of adoption of Hong Kong Financial Reporting Standard 3, Hong Kong Accounting Standards 40, 17, 32 & 39 and Interpretation 21 on business combinations, investment properties, leases, financial instruments and income taxes respectively. An increase of HK$ 6.3 million in profit for the year was recorded due to the adoption.

Interim dividend of 10.0 Hong Kong cents per ordinary share was declared on 21st September, 2005. Subject to the approval of shareholders at the forthcoming Annual General Meeting, the Board of Directors recommended a final dividend for 2005 of 10.0 Hong Kong cents per ordinary share (2004: 10.0 Hong Kong cents per ordinary share) payable on or before 21st June, 2006 to shareholders whose names appear on the register of members of the Company as 25th May, 2006.

BUSINESS REVIEW

The strength of commodity prices due to tight supply but strong demand across Asian region improved the overall profitability in trading segment. Toward the end of 2005, the tightness situation was intensified in electroplating business unit and escalated the profit margin. Sales from South East Asian region also contributed higher return to the Group due to their robust economic expansion. Revenue generated from trading segment grew by 11.0% annually to HK$ 1,943.5 million and operation profit improved to HK$ 65.9 million, a rise of 25.8% over HK$ 52.4 million recorded last year. Throughout the year, overall market was mainly directed by the inconsistent demand driven by the pace of de-stocking effect in the China market. Cost pressures on financing inventory and account receivable considerably accelerated as the interest rate in Hong Kong and the U.S. continued to rise during the whole year. Prudent and vigilant control over these particular risk areas was vital to achieving better cash flow and competitive advantages within the industries.

Property segment contributed HK$ 23.3 million in profit during the year, including a gain of revaluation of investment properties as at 31st December, 2005 amounting to HK$ 9.96 million. Rental growth in Shanghai offices uplifted total rental income by 9.1% over that in 2004. Occupation rate of Shanghai offices attained almost 100% but that of the Shanghai residential properties fell almost 10% over the course of the year. The drop of occupation rate in residential properties was the result of pressure generated from abundance supply of investor-owned properties after the control measures implemented by the Shanghai government aiming at cooling down the properties market since the second quarter of 2005. In total, the Group only managed to sell 4 residential units in 2005 with a gain of HK$ 1.3 million.

The management has been cautious with the Group's securities portfolio to cope with vigorous changes in global financial markets. During 2005, the management has constantly reviewed, monitored and reallocated the assets and risks within the portfolio. After adoption of Hong Kong Accounting Standards 32 and 39, the Group recorded a segment profit of HK$ 8.1 million when compared with HK$ 3.5 million in 2004.

CORPORATE GOVERNANCE

The Group is committed to adopt the standards set on the governance requirements and best practices introduced by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This adoption is not simply to adhere with the mandatory system but to safeguard the interests of shareholders and stakeholders so as to minimize their detriments.

During 2005, the Board has adopted governance documents to achieve high standard of integrity. The documents include:

- matters specifically reserved for the Board's decision-making;
- defined roles and responsibilities of the Chairman and the Chief Executive Officer/Managing Director;
- procedures for the directors to seek independent professional advices; and
- procedures of induction programme for newly appointed directors to the Board.
-

The Board also set up a Remuneration Committee with defined terms of reference to determine total remuneration granted to executive directors and to approve the remuneration of officers in the Group's senior management team. The Group also revised the terms of reference of the Audit Committee to strengthen the effectiveness of the Group's internal control system and risk management.

A summary of the Group's compliances has been set out in the Corporate Governance Report on page 12 to page 16 in this Annual Report.

OUTLOOK

Global economic expansion has slowed down but demand remains firm across Hong Kong, China and other South Asian markets. Commodity prices may ease from their highs due to slower demand growth and new supply. However, we expect that prices will buoy at high level as economic growth in China continue to support the major commodity markets. The pace of de-stocking effect in China market is expected to influence the import volume and pricing strategies throughout 2006. Rental market in Shanghai residential properties has showed a sign of rebound in the first quarter of 2006 while rental in Shanghai office grows further. Ongoing review and restructuring of the Group's securities portfolio will be performed to ensure a reasonable return. Increasing pressure on cost from financing and operation is expected to persist. The Group's management team will all the time review, monitor and control the cost structures for pursuing better performance of 2006.

I would like to take this opportunity to thank all staff across the Group on their hard work and commitment during the year. Their outstanding performance has been recognized and highly praised by the Board.

LEUNG SHU WING
Chairman
Hong Kong, 12th April, 2006