

DIRECTORS' REPORT

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31st December, 2005.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 38 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2005 are set out in the consolidated income statement on page 23.

An interim dividend of 10.0 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 10.0 cents per share to the shareholders of the Company whose names appear on the register of members on 25th May, 2006, amounting to approximately HK\$44,550,000.

INVESTMENT PROPERTIES

All of the investment properties of the Group were revalued at 31st December, 2005, as set out in note 14 to the financial statements. The net increase in fair value of investment properties, which has been credited directly to profit or loss, amounted to HK\$9,955,000.

Particulars of the investment properties of the Group as at 31st December, 2005 are set out on pages 60.

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.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31st December, 2005, the Company's reserves available for distribution to shareholders comprised the retained profits of HK\$222,432,000 (2004 as restated : HK\$255,524,000).

Details of the Company's distributable reserves are set out in note 29 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 director:

Yuen Tin Fan, Francis

Independent non-executive directors:

Wong Kong Chi

Lai Chung Wing, Robert

Chan Wing Lee

In accordance with Article 116 of the Company's Articles of Association, Messrs. Leung Miu King, Wong Chi Kin and Wong Choi Ying retire by rotation and, being eligible, offer themselves for re-election.

All of the directors proposed for re-election at the forthcoming annual general meeting have a service contracts with the Company with no fixed term of year.

The non-executive directors service contracts with a term of two years.

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' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31st December, 2005, 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 Ordinance ("SFO Ordinance"), 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 shares held</u>	<u>Percentage of the issued share capital of the Company</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>
		<u>101,754,000</u>	<u>22.840%</u>
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, 2005, 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, 2005.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2005, the aggregate turnover attributable to the Group's five largest customers was less than 27% 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 57% 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.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent.

EMOLUMENT POLICY

The emolument policy of the senior employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2005.

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

12th April, 2006