

Directors' Report

The directors have pleasure in presenting their annual report and the audited consolidated financial statements for the year ended 31st December, 2006.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 39 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2006 are set out in the consolidated income statement on page 10.

An interim dividend of 4 cents per share, amounting to HK\$17,820,000, was paid to the shareholders of the Company during the year. The directors now recommend the payment of a final dividend of 6 cents per share to the shareholders of the Company whose names appear on the register of members on 25th May, 2007, amounting to HK\$26,730,000.

INVESTMENT PROPERTIES

All of the investment properties of the Group were revalued at 31st December, 2006, as set out in note 15 to the consolidated financial statements. The net increase in fair value of investment properties, which has been credited directly to profit or loss, amounted to HK\$3,517,000.

Particulars of the investment properties of the Group as at 31st December, 2006 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 16 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31st December, 2006, the Company's reserves available for distribution to shareholders comprised the retained profits of HK\$214,094,000 (2005: HK\$233,288,000).

Details of the Company's distributable reserves are set out in note 30 to the consolidated 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. Wong Kong Chi, Lai Chung Wing, Robert and Chan Wing Lee retire by rotation and, being eligible, offer themselves for re-election.

All of the independent non-executive directors proposed for re-election at the forthcoming annual general meeting have service contracts with the Company with a term of two years.

All the executive directors have service contracts with the Company with no fixed term of year, the non-executive director has a service contract 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

At 31st December, 2006, the interests of the directors and their associates in the shares 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"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies ("Model Code"), were as follows:

Long positions

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

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Leung Shu Wing	Beneficial owner	184,691,075(L)	41.457%
Yuen Tin Fan, Francis	Held by controlled corporation (Note 1)	26,984,000(L)	6.057%
	Founder of discretionary trust (Note 2)	74,770,000(L)	16.783%
		<u>101,754,000</u>	<u>22.840%</u>
Leung Miu King	Beneficial owner	21,050,000(L)	4.725%
Wong Chi Kin	Beneficial owner	767,000(L)	0.172%
Wong Choi Ying	Beneficial owner	9,500(L)	0.002%
		<u>308,271,575</u>	<u>69.196%</u>

Notes:

- 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.
- 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.

The letter "L" denotes a long position in shares.

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

Name of subsidiary	Name of director	Capacity	Number of non-voting preferred shares	Percentage of the non-voting preferred share capital of the company
Kee Shing Hardware Supplies Limited	Wong Chi Kin	Beneficial owner	400,000(L)	100%
Kee Shing Industrial Products Limited	Leung Shu Wing	Beneficial owner	7,000(L)	70%
Sam Wing International Limited	Leung Shu Wing	Beneficial owner	19,440(L)	90%

The letter "L" denotes a long position in shares.

Save as disclosed herein, at 31st December, 2006, none of the Directors or chief executive of the Company had any interests or short positions in the share of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

(a) Interests in the Company

As at 31st December, 2006, so far as is known to any directors or chief executive of the Company, other than the interests and short positions of the directors or chief executive of the Company as disclosed above, the following persons had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Name of shareholder	Capacity/ Nature of Interest	No. of Shares	Approx. percentage of shareholding
Tien Fung Hong Group Limited	Beneficial owner (note)	26,984,000(L)	6.057%
DBMG Trust Company Limited	Trustee of a discretionary trust	74,770,000(L)	16.783%

Note: Mr. Yuen Tin Fan, Francis, a director of the Company, is also a director of and holds 60% equity interest in Tien Fung Hong Group Limited.

The letter "L" denotes a long position in shares.

(b) Interests in other members of the Group

As at 31st December, 2006, so far as is known to any director or chief executive of the Company, the following person (other than the Company, a director or the chief executive of the Company) was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other members of the Group:

Name of shareholder	Name of member of the Group	Approx. percentage of registered/issued capital of the company
Mr. Chan Chung Wan	Ever Channel Properties Limited	10%
Mr. Chan Chung Wan	Global Trade Properties Limited	10%
Mr. Chan Chung Wan	Gold Asset Properties Limited	10%
Mr. Chan Chung Wan	Kingsview Properties Limited	10%
Mr. Chan Chung Wan	Pacific Wide Properties Limited	10%
Mr. Chan Chung Wan	Top Image Properties Limited	10%
Mr. Chan Chung Wan	Topbase Properties Limited	10%
Mr. Chan Chung Wan	Union Channel Properties Limited	10%
Mr. Chan Chung Wan	Union Crown Properties Limited	10%
Mr. Chan Chung Wan	Winbase Properties Limited	10%
Mr. Zen Wea Foo	Klendo Limited	10%
Mr. Herman Santoso	KSIP (Singapore) Pte. Limited	41%

Save as disclosed herein, as at 31st December, 2006, so far as is known to any directors or chief executive of the Company, no other person (other than a director or the chief executive of the Company) had an interest or short position in Ordinary shares of the Company (the "Shares") and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

CONNECTED TRANSACTION

During the year, the Company issued the guarantee to a supplier pursuant to which the Company absolutely and unconditionally guarantees the punctual payment and performance of obligations by KSIP (Singapore) Pte. Ltd. ("KSIP Singapore"), a non-wholly owned subsidiary of the Company, under the stock consignment agreement for three years. KSIP Singapore is owned as to 41% by Mr. Herman Santoso, a director of KSIP Singapore. By virtue of his shareholding interest and directorship in KSIP Singapore, Mr. Herman Santoso is a connected person of the Company. As Mr. Herman Santoso holds more than 30% of the shareholding interest in KSIP Singapore, KSIP Singapore is an associate of Mr. Herman Santoso and hence a connected person of the Company. Accordingly, the guarantee therefore constitutes a continuing connected transaction of the Company under Chapter 14A of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The maximum cap of the guarantee is US\$450,000 for the thirty-six calendar months from the date of execution of the guarantee on 19th April, 2006. Details of the above transaction are set out in the Company's announcement on 19th April, 2006.

The independent non-executive directors confirm that the transaction has been entered into by the Company in the ordinary course of its business, on normal commercial terms, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2006, 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 90% of the Group's total purchases and the purchases attributable to the Group's largest supplier was 50% 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 Listing Rules. 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, 2006.

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, 2007