

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31st December, 2001.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, manufacture and sale of a diversified range of consumer home products and operation of a general merchandise store. The activities of associates are set out in note 36 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group and appropriations of the Company for the year ended 31st December, 2001 are set out in the consolidated income statement on page 14 and in the accompanying notes to the financial statements. The directors now recommend the payment of a final dividend of 1 cent per share to the shareholders on the register of members on 17th May, 2002, amounting to HK\$4,779,263.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales for the year.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for 13% and 31% respectively of the Group's total purchases for the year.

None of the directors, their associates, or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest supplier.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 22 to the financial statements.

SHARE OPTION SCHEME

Under the Company's share option scheme (the "Old Scheme"), the directors may grant options to any eligible employees of the Group, including directors of the Company or its subsidiaries, to subscribe for shares in the Company. Options granted are exercisable in the period commencing on the date six months after the date of acceptance by the grantee (the "Commencement Date") up to the close of business on the day preceding the sixth anniversary from the Commencement Date. The subscription price of the share options is the higher of the nominal value of the shares and an amount which is not less than 80% of the average of the last dealt prices of the shares on the five trading days immediately preceding the offer of the options. The Old Scheme was expired on 10th April, 2001.

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A summary of the share options of the Company, outstanding at 1st January, 2001 and 31st December, 2001, is as follows:

Name	Date of grant	Exercise price	Number of share options outstanding at 1st January, 2001	Expired during the year	Number of options outstanding at 31st December, 2001
Directors:					
Lam Po Kwai, Frankie	29.02.2000	0.37	1,500,000	1,500,000	–
Wong Yau Ching, Maria	10.10.1994	0.50	1,400,000	1,400,000	–
	29.02.2000	0.37	1,500,000	1,500,000	–
Lee Yuen Bing, Nina	10.10.1994	0.50	900,000	900,000	–
	29.02.2000	0.37	1,500,000	1,500,000	–
So Man Yee, Katherine	10.10.1994	0.50	900,000	900,000	–
	29.02.2000	0.37	1,500,000	1,500,000	–
Au Son Yiu	29.02.2000	0.37	700,000	700,000	–
Lee Johnson	29.02.2000	0.37	700,000	700,000	–
Employees of the Group:					
Others	29.02.2000	0.37	6,900,000	6,900,000	–
			17,500,000	17,500,000	–

Pursuant to the Resolution, the Company adopted a new executive Share option scheme (the "New Scheme") which became effective on 1st June, 2001. The directors may grant options to any full-time employees of the Group, including directors of the Company or its subsidiaries, to subscribe for shares in the Company. The total number of shares in respect of which options may be granted under the New Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time. No option may be granted to any individual which if exercised in full would result in the total number of shares already issued and issuable to him under all the options previously granted to him and the said option exceeding 2.5% of the shares of the Company in issue at any point in time. Options granted are exercisable commencing on the date of acceptance by the grantee. The subscription price of the option shares is the higher of the nominal value of the shares and an amount which is not less than 80% of the average of the last dealt prices of the shares on the five trading days immediately preceding the offer of the options. The New Scheme remained in force for a period of ten years from the date of its adoption.

No share options were granted under New Scheme during the year.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 23 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

The Group continued its plant replacement policy and expended HK\$17,364,478 on new plant and machinery during the year.

Details of these and other movements in property, plant and equipment of the Group and the Company during the year are set out in note 13 to the financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 31st December, 2001 are set out on pages 59 and 60 of the annual report.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Lam Po Kwai, Frankie

Wong Yau Ching, Maria

Lee Yuen Bing, Nina

So Man Yee, Katherine

Non-executive directors:

Shao Zhengkang (resigned on 27th July, 2001)

He Ling (appointed on 27th July, 2001)

Independent non-executive directors:

Au Son Yiu

Lee Johnson

In accordance with Bye-law 99 (as amended by Bye-law 182(vi)) of the Company's Bye-laws, Ms. Lee Yuen Bing, Nina and Ms. He Ling retire and, being eligible, offer themselves for re-election.

The directors being proposed for re-election at the forthcoming annual general meeting do not have 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 have been appointed for a term subject to retirement by rotation as required by the Company's Bye-laws.

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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.

CONNECTED TRANSACTION

During the year, the Group purchased goods amounting to approximately HK\$43,015,314 from a 62.5% held subsidiary, Bigfield Goldenford Holdings Limited ("Bigfield") in which one of its directors, Lee Kun, continued to be a director as well as a beneficial minority shareholder of Bigfield. In the opinion of the independent non-executive directors, these transactions were carried out in the usual course of business of the Group and on normal commercial terms.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st December, 2001, the interests of the directors in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of director	Number of shares held	
	Personal interest	Corporate interest
Lam Po Kwai, Frankie	63,135,785	104,729,411 (a)
Wong Yau Ching, Maria	19,073,433	–
Lee Yuen Bing, Nina	10,867,059	24,367,798 (b)
So Man Yee, Katherine	737,045	–
Au Son Yiu	1,433,660	–

(a) These shares are held through Carrson Holdings Investment Limited and Frankfort Capital Investment Limited, both of which are companies beneficially owned by Lam Po Kwai, Frankie.

(b) These shares are held through Join Admin Benefit Corporation Limited, a company beneficially owned by Lee Yuen Bing, Nina.

Save as disclosed above, except for certain nominee shares in subsidiaries held by Lam Po Kwai, Frankie in trust for the Group, none of the directors or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme of the Company, at no time during the year was the Company or any of its subsidiaries a party to any arrangement 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 and none of 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 Lam Po Kwai, Frankie, a director of the Company, disclosed under the heading "Directors' Interests in Securities" above, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no other person as having an interest representing 10% or more in the issued share capital of the Company as at 31st December, 2001.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$28,800.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2001 with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board
Lam Po Kwai, Frankie
Chairman

12th April, 2002