

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31st December, 2004.

### **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. The activities of associates 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 17. An interim dividend of HK1.5 cents per share amounting to HK\$7,168,894 was paid to the shareholders during the year.

The directors now recommend the payment of a final dividend of 0.5 cent per share to the shareholders on the register of member on 13th May, 2005, amounting to HK\$2,389,632.

### **MAJOR CUSTOMERS AND SUPPLIERS**

The five largest customers of the Group accounted for approximately 32% of the Group's total turnover and the largest customer accounted for approximately 20% of the Group total turnover.

The five largest suppliers of the Group accounted for less than 30% of the Group's total purchases for the year.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

### **SHARE CAPITAL**

Details of the share capital of the Company are set out in note 21 to the financial statements.

### **SHARE OPTION SCHEME**

The Company adopted an executive share option scheme (the "Scheme") which became effective on 31st May, 2002 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 30th May, 2012. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties.

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### **SHARE OPTION SCHEME** *(Continued)*

No share options were granted under the Scheme. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders, independent non-executive directors or any of their respective associates in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per option. Options may be exercised at any time from the date of grant of the share option. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant, and the nominal value of a share of the Company.

There is no outstanding share option and no share options were granted or exercised during the year.

### **PROPERTY, PLANT AND EQUIPMENT**

The Group continued its plant replacement policy and expended HK\$12,557,417 on new plant and equipment 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 12 to the financial statements.

### **MAJOR PROPERTIES**

Details of the major properties of the Group at 31st December, 2004 are set out on pages 55 and 56 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:**

Mr. Lam Po Kwai, Frankie

Ms. Wong Yau Ching, Maria

Ms. Lee Yuen Bing, Nina

Ms. So Man Yee, Katherine

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### **DIRECTORS AND DIRECTORS' SERVICE CONTRACTS** *(Continued)*

#### **Non-executive director:**

Ms. He Ling

#### **Independent non-executive directors:**

Mr. Au Son Yiu

Mr. Lee Johnson

Mr. Tang Tin Sek (appointed on 1st July, 2004)

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 a 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.

### **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 HK\$56,256,214 from a 62.5% held subsidiary, Bigfield Goldenford Holdings Limited ("Bigfield") in which one of its directors, Mr. 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' REPORT

### **DIRECTORS' INTERESTS IN SHARES**

As at 31st December, 2004, the interests of the directors and their associates in the shares of the Company 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

#### **Long position – ordinary shares of HK\$0.1 each of the Company**

Name of director	Number of shares held		Total number of issued ordinary shares held	Percentage of the issued share capital of the Company
	Personal interest	Corporate interest		
Mr. Lam Po Kwai, Frankie	72,545,785	104,729,411 (a)	177,275,196 (c)	37.09%
Ms. Wong Yau Ching, Maria	19,073,433	–	19,073,433	3.99%
Ms. Lee Yuen Bing, Nina	10,867,059	24,367,798 (b)	35,234,857 (d)	7.37%
Ms. So Man Yee, Katherine	737,045	–	737,045	0.15%
Mr. Au Son Yiu	1,433,660	–	1,433,660	0.30%

- (a) These shares are held through Carrson Holdings Investment Limited and Frankfort Capital Investment Limited, both of which are companies beneficially owned by Mr. Lam Po Kwai, Frankie.
- (b) These shares are held through Join Admin Benefit Corporation Limited, a company beneficially owned by Ms. Lee Yuen Bing, Nina.
- (c) Ms. Lee Yuen Bing, Nina is the wife of Mr. Lam Po Kwai, Frankie and is deemed to be interested in these shares.
- (d) Mr. Lam Po Kwai, Frankie is the husband of Ms. Lee Yuen Bing, Nina and is deemed to be interested in these shares.

Save as disclosed above, except for certain nominee shares in subsidiaries held by Mr. Lam Po Kwai, Frankie in trust for the Group, none of the directors or their associates had any interests or short positions in any shares of the Company or any of its associated corporations as at 31st December, 2004.

## DIRECTORS' REPORT

### **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**

As at 31st December, 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than interest disclosed above in respect of certain directors, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company.

#### **Long positions – ordinary shares of HK\$0.1 each of the Company**

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of the issued share capital of the Company</b>
Solidpole Ltd.	Beneficial owner	34,855,428	7.29%
China Everbright Holdings Company Ltd.	Held by controlled corporation	34,855,428 (a)	7.29%

Note (a): China Everbright Holdings Company Ltd. is the holding company of Solidpole Ltd. and is deemed to be interested in these shares.

Other than the interests disclosed above, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 31st December, 2004.

### **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\$324,000.

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### **CORPORATE GOVERNANCE**

The Company has complied throughout the year ended 31st December, 2004 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, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### **AUDIT COMMITTEE**

The Company has an audit committee which was established in accordance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls.

The audit committee comprises the three members, Mr. Au Son Yiu, Mr. Lee Johnson and Mr. Tang Tin Sek. All of them are independent non-executive directors of the Company.

### **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

15th April, 2005