

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in the property, plant and equipment and investment property of the Group during the year are set out in notes 15 and 16 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in note 33 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There has been no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 December 2005.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 35 to the financial statements and in the consolidated summary statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2005, the Company's reserves available for distribution and/or distribution in specie, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to HK\$52,519,000. In addition, the Company's share premium account, in the amount of HK\$99,260,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 39.4% of the Group's total sales for the year and sales to the largest customer included therein amounted to 21.6%. Purchases from the Group's five largest suppliers accounted for 26% of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers.

DIRECTORS

The directors of the Company during the year were:

Executive Directors:

Mr. Lin Chun Kuei (*Chairman and Chief Executive Officer*)

Mr. Andree Halim (*Co-vice Chairman*)

Mr. Ng Kin Nam (*Co-vice Chairman and Authorised Representative*)

Mr. Li Chien Kuan

Mr. Lin Chun Fu

Mr. Graeme Stanley Pope

(Resigned on 9 March 2006)

Mr. Guo Yah Taur (alias Peter Ya Tao Kuo)

Ms. Lin Huang Su Feng

(Appointed on 1 July 2005)

Mr. Lin Wei-Hung

(Appointed on 1 July 2005)

Mr. Daniel Halim

(Appointed on 1 July 2005)

Mr. Cheung Kwok Ping

(Appointed on 1 July 2005)

Non-executive Director:

Mr. Tan Kong King

(Appointed on 1 July 2005)

Independent Non-executive Directors:

The Hon. Bernard Charnwut Chan

Mr. Goh Gen Cheung

Mr. Ma Chiu Cheung, Andrew

In accordance with bye-law 111(A) of the Company's bye-laws, Messrs. Ng Kin Nam, Guo Yah Taur and The Hon. Bernard Charnwut Chan will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with bye-law 115 of the Company's bye-laws, Messrs. Lin Huang Su Feng, Lin Wei-Hung, Daniel Halim, Cheung Kwok Ping and Tan Kong King will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

The directors of the Company, including those appointed for a specific term, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company are set out on pages 14 to 19 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Lin Chun Kuei, Mr. Lin Chun Fu and Mr. Li Chien Kuan, Executive Directors, entered into service agreements with the Company for a term of three years commencing from 1 December 1997, which are renewable automatically for successive terms of one year each, until terminated by not less than six months' notice in writing served by either party on the other.

Mr. Graeme Stanley Pope, an Executive Director, entered into a service agreement with the Company, through a service company beneficially owned by him, for a term of one year commencing from 22 May 2000, renewable automatically for successive terms of one year, until terminated by not less than three months' notice in writing served by either party on the other. Mr. Pope resigned as an Executive Director on 9 March 2006.

Mr. Guo Yah Taur (alias Peter Ya Tao Kuo), an Executive Director, entered into a service agreement with the Company for a term of three years commencing from 30 March 2001, renewable automatically for successive terms of one year, until terminated by not less than six months' notice in writing served by either party on the other.

Mr. Ng Kin Nam, an Executive Director, has entered into a service agreement with the Company on 20 May 2003 for an initial fixed term of three years commencing from 1 August 2002 and thereafter renewable automatically for successive terms of one year, until terminated by either party thereto giving to the other not less than six months' notice in writing.

Mr. Andree Halim, an Executive Director, has entered into a service agreement with the Company on 23 February 2004 for an initial fixed term of three years commencing from 1 March 2004 and thereafter renewable automatically for successive terms of one year, until terminated by either party thereto giving to the other not less than six months' notice in writing.

Each of Mr. Lin Wei-Hung, Ms. Lin Huang Su Feng, Mr. Daniel Halim and Mr. Cheung Kwok Ping, all being Executive Directors, has entered into a service agreement with the Company on 21 June 2005 for an initial fixed term of three years commencing from 1 July 2005 and thereafter renewable automatically for successive terms of one year, until terminated by either party thereto giving to the other not less than six months' notice in writing.

Mr. Tan Kong King, a Non-executive Director, has entered into a service agreement with the Company on 21 June 2005 for an initial term of three years commencing from 1 July 2005 unless terminated by either party thereto giving to the other not less than three months' notice in writing.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's Board of Directors with reference to directors' duties, responsibilities and performance and the results of the Group. Details of directors' remuneration is set out in note 8 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the service agreement entered between the Company and a service company beneficially owned by an executive director as mentioned in the section "Directors' service contracts" above and in note 8 to the financial statements, no director had a beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE COMPANY

(a) Directors' and chief executive's interests in the Company

As at 31 December 2005, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which (i) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

Name of Director	Notes	Number of shares held, capacity and nature of interest			Total	Approximate percentage of the Company's issued share capital (%)
		Personal	Family	Corporate		
Mr. Lin Chun Kuei		116,959,200	–	–	116,959,200	13.64
Ms. Lin Huang Su Feng	1	–	116,959,200	–	116,959,200	13.64
Mr. Lin Chun Fu		33,690,800	–	–	33,690,800	3.93
Mr. Andree Halim	2	42,086,000	–	102,300,000	144,386,000	16.84
Mr. Daniel Halim	2	–	–	102,300,000	102,300,000	11.93
Mr. Ng Kin Nam	3	66,243,200	7,601,000	88,359,800	162,204,000	18.92

(a) Directors' and chief executive's interests in the Company (Continued)

Notes:

1. *Ms. Lin Huang Su Feng is the spouse of Mr. Lin Chun Kuei. Accordingly, she is deemed to be interested in the 116,959,200 shares which are beneficially owned by Mr. Lin.*
2. *Tian Wan Pte. Ltd. is the beneficial owner of 102,300,000 shares. The entire issued share capital of Tian Wan Pte. Ltd. is beneficially owned as to 50% each by Mr. Andree Halim and Mr. Daniel Halim, the son of Mr. Andree Halim. Accordingly, both Mr. Andree Halim and Mr. Daniel Halim are deemed to be interested in the 102,300,000 shares beneficially owned by Tian Wan Pte. Ltd.*
3. *Jade Investment Limited is the beneficial owner of 88,359,800 shares. The entire issued share capital of Jade Investment Limited is beneficially owned as to 50% each by Mr. Ng Kin Nam and Ms. Angeleslao Jocelyn O., the spouse of Mr. Ng Kin Nam. Accordingly, Mr. Ng Kin Nam is deemed to be interested in the 88,359,800 shares beneficially owned by Jade Investment Limited.*

Mr. Ng is also deemed to be interested in the 7,601,000 shares beneficially owned by Ms. Jocelyn O. Angeleslao.

In addition to the above, certain directors hold shares in certain subsidiaries of the Company, in a non-beneficial capacity, solely for the purpose of complying with minimum company membership requirements.

Save as disclosed above, as at 31 December 2005, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the share option scheme disclosures in note 34 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Detailed disclosures relating to the Company's share option scheme are set out in note 34 to the financial statements.

No share options were granted or exercised during the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN THE COMPANY**Substantial shareholders**

So far as is known to the Directors and the chief executive of the Company, as at 31 December 2005, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company of 5% 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:

- (i) Long positions in ordinary shares of the Company:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital (%)
Jocelyn O. Angeleslao	1	Through a controlled corporation	88,359,800	10.31
	1	Directly beneficially owned	7,601,000	0.88
	1	Through the spouse	66,243,200	7.73
			<hr/>	<hr/>
			162,204,000	18.92
Tian Wan Pte. Ltd.	2	Directly beneficially owned	102,300,000	11.93
Jade Investment Limited	3	Directly beneficially owned	88,359,800	10.31

Notes:

- Ms. Jocelyn O. Angeleslao is the spouse of Mr. Ng Kin Nam, an executive Director, and the beneficial owner of 50% of the existing issued share capital of Jade Investment Limited. Accordingly, she is deemed to be interested in the 66,243,200 shares beneficially owned by Mr. Ng Kin Nam and the 88,359,800 shares beneficially owned by Jade Investment Limited. She is also the beneficial owner of 7,601,000 shares. The interests of Mr. Ng are disclosed under the heading "Directors' and chief executive's interests in the Company".*
- Tian Wan Pte. Ltd. is the beneficial owner of 102,300,000 shares. The entire issued share capital of Tian Wan Pte. Ltd. is beneficially owned as to 50% each by Mr. Andree Halim and Mr. Daniel Halim, the son of Mr. Andree Halim. Accordingly, both Mr. Andree Halim and Mr. Daniel Halim are deemed to be interested in the 102,300,000 shares beneficially owned by Tian Wan Pte. Ltd.*
- Jade Investment Limited is the beneficial owner of 88,359,800 shares. The entire issued share capital of Jade Investment Limited is beneficially owned as to 50% each by Mr. Ng Kin Nam and Ms. Angeleslao Jocelyn O., the spouse of Mr. Ng Kin Nam. Accordingly, Mr. Ng Kin Nam is deemed to be interested in the 88,359,800 shares beneficially owned by Jade Investment Limited.*

Mr. Ng is also deemed to be interested in the 7,601,000 shares beneficially owned by Ms. Jocelyn O. Angeleslao.

Substantial shareholders *(Continued)*

- (ii) Long positions in ordinary shares of subsidiaries of the Company:

Name of subsidiary	Name of substantial shareholder	Percentage of shareholding (%)
Peaktop Technologies (USA) Hong Kong Limited	Geoglobal Partners LLC	49
Waterwerks Pty. Ltd	Infiniti Marketing Group Pty. Ltd.	10

Save as disclosed above, as at 31 December 2005, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interest or short positions in the shares or underlying shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 5% 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.

CONNECTED TRANSACTIONS

- (i) The Group has paid approximately HK\$1,401,000 of product design and research expenses to a company owned by Mr. Graeme Stanley Pope, a director of the Company, for the development of new products.
- (ii) Pursuant to an agreement dated 9 January 2004 (the "Agreement") entered into between the Group and Geoglobal, a company which holds 49% of the subsidiaries, Peaktop Technologies (USA) Hong Kong Limited and Peaktop Technologies (USA), Inc., the Group and Geoglobal agreed to share the net profit on those sales introduced by Geoglobal in accordance with the Agreement or in other proportion as agreed otherwise. During the year, the Group charged to the income statement of such profit amounted to HK\$76,017,000 (2004: 41,018,000) in the form of sales commission. The accrued sales commission payable to Geoglobal amounted to HK\$5,333,000 (2004: HK\$23,009,000) as at 31 December 2005.
- (iii) On 18 May 2005, the Company entered into the capitalisation agreements with each of Mr. Lin Chun Kuei, Mr. Andree Halim and Mr. Ng Kin Nam, directors of the Company, pursuant to which Mr. Lin, Mr. Halim and Mr. Ng have conditionally agreed to subscribe for 42,086,000 new shares each in cash at a subscription price of approximately HK\$0.139 per share by capitalising their shareholders' loans.

As at the date of the capitalisation agreements, the Company was indebted to each of Mr. Lin, Mr. Halim and Mr. Ng in the sum of US\$750,000 (equivalent to approximately HK\$5,850,000) each. The subscription price payable by each of the directors under the capitalisation agreements will be satisfied by capitalising the entire amount of the shareholders' loans due from the Company to Mr. Lin, Mr. Halim and Mr. Ng. On 7 July 2005, the Company issued 126,258,000 shares in aggregate to the directors pursuant to the capitalisation agreements.

- (iv) The Group provided corporate guarantees of approximately HK\$23,177,000, HK\$990,000 and HK\$181,096,000 on the banking facilities granted to Heissner AG, Heissner UK Limited and Peaktop Technologies (USA) Hong Kong Limited, 99.1%, 99.7% and 51% owned subsidiaries of the Group during the year. The total banking facilities granted by the bankers utilised as at 31 December 2005 were approximately HK\$23,177,000 and HK\$103,657,000 respectively.

CONNECTED TRANSACTIONS *(Continued)*

- (v) On 24 October 2005, the Group entered into a distribution agreement with Peaktop Technologies (USA) Hong Kong Limited (“PTT (HK)”) in relation to the appointment of PTT (HK) as its distributor for resale of gardening and water gardening products (“Products”) in USA, Canada and Mexico. During the year, the price for the Products paid by PTT (HK) and PTT (HK)’s profit shared with the Group was approximately HK\$228,900,000 and the monthly service fee paid by PTT (HK) to the Group was approximately HK\$936,000.
- (vi) On 24 October 2005, the Group entered into a distribution agreement with the Peaktop Technologies (USA), Inc. (“PTT (USA)”) in relation to the appointment of PTT (USA) as its distributor for resale of the Products in USA, Canada and Mexico. During the year, the aggregate transaction value of PTT (USA) amounted to approximately HK\$14,200,000.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 42 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Rule 8.08 of the Listing Rules required at least 25% of the issued share capital of the Company must be held in public hands. Based on information available and within the knowledge of the directors as at the date of this report prior to the issue of the annual report, the obligation has been complied with.

CORPORATE GOVERNANCE

The Company is committed to building and maintaining high standards of corporate governance. The Company applied the principles and complied with all requirements set out in the Code on Corporate Governance Practices (“CG Code”) contained in Appendix 14 of the Listing Rules, except for the deviations from provisions A.2.1 and A.4.1 of the CG Code.

Further information on the Company’s corporate governance practices is set out in the Report of the Corporate Governance of the annual report.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the written terms of reference, for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls.

The audit committee comprises the three Independent Non-executive Directors of the Company, namely Mr. Ma Chiu Cheung, Andrew as Chairman, The Hon. Bernard Charnwut Chan and Mr. Goh Gen Cheung.

AUDITORS

Ernst & Young will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board of Directors

Lin Chun Kuei

Chairman

Hong Kong, 25 April 2006