

The directors have pleasure in presenting their report and the audited financial statements of the Company for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its principal subsidiaries are engaged in the design, manufacture and marketing of PVC and fabric household products and PVC pipes and fittings.

The details of the Company's principal subsidiaries at 31 December 2001 are set out in note 15 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group and the dividends paid and proposed by the Company for the year are set out in the consolidated income statement on page 22 and in note 11 to the financial statements.

FINANCIAL SUMMARY

A summary of the results of the Group and its assets and liabilities for the past five financial periods is set out on page 68.

SHARE CAPITAL AND SHARE OPTIONS

The movements during the year in the issued share capital of the Company are set out in note 25 to the financial statements.

Details of the Company's share option scheme and of the outstanding unexercised options are set out in note 26 to the financial statements.

RESERVES

The movements during the year in the reserves of the Group and of the Company are set out in note 27 to the financial statements.

INVESTMENT PROPERTIES

A deficit of HK\$2,434,000 arose from the revaluation of the Group's investment properties at 31 December 2001. The deficit is charged to the income statement. Details of this and other movements in the Group's investment properties are set out in note 13 to the financial statements.

OTHER PROPERTIES, PLANT AND EQUIPMENT

During the year, the Group incurred expenditure of approximately HK\$41 million on additions to production and other facilities. Details of these and other movements in other properties, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

BORROWINGS AND INTEREST CAPITALISED

Details of the Group's bank borrowings are set out in notes 20 and 22 to the financial statements.

Interest of approximately HK\$390,000 was capitalised by the Group during the year and included in buildings under construction.

CONVERTIBLE REDEEMABLE NOTE

During the year, the Company redeemed the convertible redeemable note in the principal sum of HK\$46,200,000, the details of which are set out in note 21 to the financial statements.

DIRECTORS

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

Executive directors:

Lee Tat Hing	<i>Chairman and Managing Director</i>
Fung Mei Po	<i>(appointed as Vice-Chairwoman on 1 January 2002)</i>
Lee Chun Sing	<i>(appointed as Vice-Chairman on 1 January 2002)</i>
Lee Pak Tung	
Wat Kwing Cheung, Alexander	
Lai Lai Wah	<i>(appointed on 21 January 2002)</i>

Independent non-executive directors:

Cheung Tze Man, Edward

Wong Kong Chi

In accordance with Article 116 of the Company's Articles of Association, Lee Tat Hing, Lee Chun Sing and Wong Kong Chi retire by rotation and, being eligible, offer themselves for re-election.

In accordance with Article 117(c) of the Company's Articles of Association, Lai Lai Wah retires at the next following annual general meeting and, being eligible, offers herself for re-election.

All directors are subject to retirement by rotation as required by the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the forthcoming annual general meeting has 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.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2001, the interests of the directors and their associates in the shares of the Company and its associated corporations as recorded in the register maintained under Section 29 of Hong Kong's Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Number of shares			
	Personal interests	Family interests	Corporate interests	Other interests
Lee Tat Hing	1,756,072	35,971,132(a)	28,712,551(c)	280,895,630(d)
Fung Mei Po	35,971,132	30,468,623(b)	—	280,895,630(d)
Lee Pak Tung	2,766,448	—	—	—
Lee Chun Sing	21,815,830	240,000	—	280,895,630(d)
Wat Kwing Cheung, Alexander	228,000	—	—	—
Cheung Tze Man, Edward	—	—	—	—
Wong Kong Chi	—	—	—	—

Notes:

- (a) Mr. Lee Tat Hing is the husband of Madam Fung Mei Po whose personal interests are therefore also the family interests of Mr. Lee Tat Hing.
- (b) Madam Fung Mei Po is the wife of Mr. Lee Tat Hing whose personal and corporate interests are therefore also the family interests of Madam Fung Mei Po.
- (c) The shares are held by Lees International Investments Limited, a company beneficially owned by Mr. Lee Tat Hing.
- (d) The shares are held by Goldhill Profits Limited which is wholly owned by a discretionary trust of which Messrs. Lee Tat Hing and Lee Chun Sing and Madam Fung Mei Po are discretionary objects.

At 31 December 2001, the following directors had personal interests in the deferred non-voting shares of certain subsidiaries of the Company:

Name of director	Name of subsidiary	Number of deferred non-voting shares held
Lee Tat Hing	World Houseware Producing Company Limited	1,555
Fung Mei Po	World Home Linen Manufacturing Company Limited	100
Lee Pak Tung	World Houseware Producing Company Limited	50
	Hong Kong PVC Placemat Manufacturing Company Limited	25,000
Wat Kwing Cheung,	Hong Kong PVC Placemat Manufacturing Company Limited	75,000
Alexander	World Houseware Producing (China) Company Limited	500,000

The deferred shares do not carry any rights to vote at general meetings of these subsidiaries or to participate in any distributions of profits until the net profits of these subsidiaries which are available for dividend exceed HK\$10 billion, or to receive a return of capital until a total sum of HK\$10 billion has been distributed to the ordinary shareholders of each of these subsidiaries.

At 31 December 2001, save as aforesaid and other than certain nominee shares in subsidiaries held by directors in trust for the Group, none of the directors or their associates had any interests in the shares or any securities of the Company and its associated corporations as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

Other than the interests in shares disclosed above in respect of the directors of the Company, the Company has not been notified of any other interests representing 10 per cent or more of the Company's issued shares as at 31 December 2001.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

On 19 February 2000, options were granted to the following directors of the Company to subscribe for shares in the Company at an exercise price of HK\$0.32 per share:

Name of director	Number of shares for which options have been granted
Lee Tat Hing	860,000
Fung Mei Po	800,000
Lee Chun Sing (see note)	800,000

Note: The spouse of Mr. Lee Chun Sing, Madam Lai Lai Wah, a senior member of the Group's management team and who was also appointed as a director of the Company on 21 January 2002, was also granted an option to subscribe for 500,000 shares in the Company on the same terms.

Other than as disclosed above, 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 debt securities (including debentures) of, the Company or any other body corporate and none of the directors, chief executive, their spouses or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised such right during the year.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

There were no contracts of significance subsisting, 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, at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The largest customer of the Group by itself and together with the next four largest customers accounted for 11.0% and 33.8% respectively of the Group's turnover for the year under review.

The largest supplier of the Group by itself and together with the next four largest suppliers accounted for 14.9% and 40.4% respectively of the Group's purchases for the year under review.

None of the directors, their associates or any shareholder which, to the knowledge of the directors, owns more than 5% of the Company's issued share capital has a beneficial interest in the share capital of any of the above major customers or suppliers of the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the year.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR OTHER SIMILAR RIGHTS

Other than the convertible redeemable note and the share options as disclosed in notes 21 and 26 to the financial statements respectively, the Company had no convertible securities, options, warrants or other similar rights in issue during the year or at 31 December 2001.

CORPORATE GOVERNANCE

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

The Company's audit committee comprises the independent non-executive directors, Messrs. Cheung Tze Man, Edward and Wong Kong Chi. In establishing the terms of reference for this committee, the directors have had regard to the "Guide for the formation of an audit committee" issued by the Hong Kong Society of Accountants in December 1997.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights in the Company's Articles of Association, or in the law in the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK\$46,000.

AUDITORS

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

On behalf of the Board

LEE TAT HING

Chairman and Managing Director

Hong Kong
23 April 2002