

The directors have pleasure in presenting their report and the audited financial statements of the Company for the year ended 31 December 2002.

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 2002 are set out in note 14 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 10 to the financial statements.

FINANCIAL SUMMARY

A summary of the results of the Group and its assets and liabilities for the past five financial years is set out on page 64 .

RESERVES

The movements during the year in the reserves of the Group and of the Company are set out in the consolidated statement of changes in equity on page 25 and note 25 to the financial statements, respectively.

INVESTMENT PROPERTIES

A deficit of HK\$2,330,000 arose from the revaluation of the Group's investment properties at 31 December 2002. 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 12 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred expenditure of approximately HK\$97,831,000 on additions to production and other facilities. Details of these and other movements in property, plant and equipment of the Group during the year are set out in note 13 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	Chairman and Managing Director
Fung Mei Po	(appointed as Vice-chairwoman on 1 January 2002)
Lee Chun Sing	(appointed as Vice-chairman on 1 January 2002)
Lai Lai Wah	(appointed on 21 January 2002)
Lee Pak Tung	
Wat Kwing Cheung, Alexander	

Independent non-executive directors:

Cheung Tze Man, Edward
Wong Kong Chi

In accordance with Article 116 of the Company's Articles of Association, Madam Fung Mei Po, Messrs. Lee Pak Tung and Cheung Tze Man, Edward, retire by rotation and, being eligible, offer themselves 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 2002, 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	Personal interests	Number of shares			Other interests
		Family interests	Corporate interests		
Lee Tat Hing	1,756,072	37,395,087 (a)	28,712,551 (e)		280,895,630 (f)
Fung Mei Po	37,395,087	30,468,623 (b)	—		280,895,630 (f)
Lee Chun Sing	21,815,830	240,000 (c)	—		280,895,630 (f)
Lai Lai Wah	240,000	21,815,830 (d)	—		—
Lee Pak Tung	2,766,448	—	—		—
Wat Kwing Cheung, Alexander	228,000	—	—		—

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) Mr. Lee Chun Sing is the husband of Madam Lai Lai Wah whose personal interests are therefore also the family interests of Mr. Lee Chun Sing.
- (d) Madam Lai Lai Wah is the wife of Mr. Lee Chun Sing whose personal interests are therefore also the family interests of Madam Lai Lai Wah.
- (e) The shares are held by Lees International Investments Limited, a company beneficially owned by Mr. Lee Tat Hing.
- (f) 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.

DIRECTORS' INTERESTS IN SHARES *(Continued)*

At 31 December 2002, 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 2002, 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 2002.

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Particulars of the Company's share options schemes are set out in note 24 to the financial statements.

The following options were granted to the directors of the Company and employees of the Group to subscribe for shares in the Company:

	Date of grant	Exercisable period	Exercise price <i>HK\$</i>	Number of share options outstanding
Directors:				
Lee Tat Hing	19.2.2000	19.8.2000 — 18.2.2005	0.32	860,000
Fung Mei Po	19.2.2000	19.8.2000 — 18.2.2005	0.32	800,000
Lee Chun Sing	19.2.2000	19.8.2000 — 18.2.2005	0.32	800,000
Lai Lai Wah	19.2.2000	19.8.2000 — 18.2.2005	0.32	500,000
				<hr/> 2,960,000
Employees	19.2.2000	19.8.2000 — 18.2.2005	0.32	1,500,000
				<hr/> 4,460,000

No share options were granted to directors or employees during the two years ended 31 December 2002 and none of the above share options were exercised, cancelled or lapsed in the same period.

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 11.3% and 29.5%, 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 13.7% and 32.4%, 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 share options as disclosed above, the Company had no convertible securities, options, warrants or other similar rights in issue during the year or at 31 December 2002.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied throughout the year ended 31 December 2002 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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights in the Company's Articles of Association, or in the laws 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\$506,000.

POST BALANCE SHEET EVENT

Details of a significant post balance sheet event are set out in note 32 to the financial statements.

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 2003