

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements of the Company for the year ended 31 December 2003.

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 2003 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 17 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 52.

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 48 and note 24 to the financial statements, respectively.

INVESTMENT PROPERTIES

A surplus of HK\$20,000 arose from the revaluation of the Group's investment properties at 31 December 2003. The surplus is credited to the income statement. Details of the revaluation 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\$62,354,000 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' REPORT

DIRECTORS

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

Executive directors:

Lee Tat Hing
Fung Mei Po
Lee Chun Sing
Lai Lai Wah
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 Lai Lai Wah, Messrs. Lee Chun Sing and Wat Kwing Cheung, Alexander 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' REPORT

DIRECTORS' INTERESTS IN SHARES

At 31 December 2003, the interests of the directors and their respective associates in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required (a) 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 or short positions which they are taken or deemed to have taken under such provisions of the SFO); or (b) to be recorded in the register to be kept pursuant to Section 352 of the SFO; or (c) pursuant to Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and The Stock Exchange were as follows:

Name of director	Number of shares		
	Personal interests	Corporate interests	Other interests
Lee Tat Hing	1,756,072	28,712,551(a)	280,895,630(b)
Fung Mei Po	37,395,087	—	280,895,630(b)
Lee Chun Sing	21,815,830	—	280,895,630(b)
Lai Lai Wah	240,000	—	—
Lee Pak Tung	2,766,448	—	—
Wat Kwing Cheung, Alexander	228,000	—	—

Notes:

- (a) The shares are held by Lees International Investments Limited, a company beneficially owned by Mr. Lee Tat Hing.
- (b) 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 2003, 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

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES *(Continued)*

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 2003, 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.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, 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 5 percent or more of the Company's issued share capital as at 31 December 2003.

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Particulars of the Company's share option scheme are set out in note 23 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 HK\$	Number of share options outstanding at 1.1.2003 and 31.12.2003
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
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				4,460,000
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DIRECTORS' REPORT

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES *(continued)*

No share options were granted to directors or employees during the year 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.

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

During the year, 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 largest supplier of the Group by itself and together with the next four largest suppliers accounted for 14.2% and 35.5%, 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 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 2003.

DIRECTORS' REPORT

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied throughout the year ended 31 December 2003 with the Code of Best Practice set out in Appendix 14 to the Rules Governing The Listing of Securities on The Stock Exchange.

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\$175,000.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 31 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 2004