

The directors have pleasure in presenting their report and the audited financial statements of the Company for the year ended 31 December 2004.

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, PVC pipes and fittings and property investment.

The details of the Company's principal subsidiaries at 31 December 2004 are set out in note 13 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 16 and in note 9 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 50.

Investment Properties

A surplus of HK\$3,548,000 arose from the revaluation of the Group's investment properties at 31 December 2004. The surplus is credited to the income statement. Details of the revaluation in the Group's investment properties are set out in note 11 to the financial statements.

Property, Plant and Equipment

During the year, the Group incurred expenditure of approximately HK\$118,565,000 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 12 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

Fung Mei Po

Lee Chun Sing

Lai Lai Wah

Lee Pak Tung

Wat Kwing Cheung, Alexander (resigned on 31 January 2005)

Directors' Report

Directors (Continued)

Non-executive director:

Cheung Tze Man, Edward

Independent non-executive directors:

Wong Kong Chi

Hui Chi Kuen, Thomas (appointed on 1 July 2004)

Ho Tak Kay (appointed on 1 July 2004)

In accordance with Article 116 of the Company's Articles of Association, Messrs. Lee Tat Hing, Lee Pak Tung and Wong Kong Chi retire by rotation and, being eligible, offer themselves for re-election. In accordance with Articles 99 and 117 of the Company's Articles of Association, Messrs. Hui Chi Kuen, Thomas and Ho Tak Kay shall retire office and being eligible, each of them will offer himself 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 2004, 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				Total	Percentage of shareholding
	Personal interests	Family interests	Corporate interests	Other interests		
Lee Tat Hing	1,756,072	37,395,087(a)	28,712,551(e)	280,895,630(f)	348,759,340	51.56%
Fung Mei Po	37,395,087	30,468,623(b)	—	280,895,630(f)	348,759,340	51.56%
Lee Chun Sing	21,815,830	240,000(c)	—	280,895,630(f)	302,951,460	44.79%
Lai Lai Wah	240,000	302,711,460(d)	—	—	302,951,460	44.79%
Lee Pak Tung	2,766,448	—	—	—	2,766,448	0.41%
Wat Kwing Cheung, Alexander	228,000	—	—	—	228,000	—
Hui Chi Kuen, Thomas	100,000	—	—	—	100,000	—

Directors' Interests in Shares *(Continued)*

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 and other 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.

At 31 December 2004, 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, Alexander	Hong Kong PVC Placemat Manufacturing Company Limited	75,000
	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 2004, save as aforesaid and options holdings disclosed under the heading of "Share Options and Directors' Rights to Acquire Shares or Debentures" 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 or short positions in the shares or any securities of the Company and its associated corporations.

Directors' Report

Substantial Shareholders

At 31 December 2004, 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 2004.

Share Options and Directors' Rights to Acquire Shares or Debentures

Particulars of the Company's share options 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 1.1.2004 and 31.12.2004
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
				2,960,000
Employees	19.2.2000	19.8.2000 — 18.2.2005	0.32	1,500,000
				4,460,000

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, subsisted 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 8.8% and 32.7%, respectively of the Group's turnover for the year.

The largest supplier of the Group by itself and together with the next four largest suppliers accounted for 9.1% and 30.9%, respectively of the Group's purchases for the year.

None of the directors, their associates or any shareholders 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 and 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 2004.

Corporate Governance

The Company has complied throughout the year ended 31 December 2004 with the Code of Best Practice as set out in Appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except that the non-executive director and independent non-executive directors were not appointed for a specific term as set out in Appendix 14 of the Listing Rules but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the bye-laws of the Company.

Throughout the year ended 31 December 2004, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all the directors of the Company, all directors confirmed they have complied with the required standard set out in the Model Code.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

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\$162,000.

Directors' Report

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31 December 2004.

Post Balance Sheet Events

Details of significant post balance sheet events are set out in note 30 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, 12 April 2005