

The directors have pleasure in presenting their report and the audited consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2005.

### 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 2005 are set out in note 33 to the consolidated financial statements.

### RESULTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated income statement on page 19.

The directors do not recommend the payment of a dividend for the year.

### INVESTMENT PROPERTIES

The investment properties held by the Group were revalued at 31 December 2005, resulting in a net increase in fair value of HK\$2,506,000 which has been credited directly to the consolidated income statement.

Details of these and other movements of investment properties of the Group are set out in note 13 to the consolidated financial statements.

### PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred expenditure of approximately HK\$63,548,000 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 14 to the consolidated financial statements.

### DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution represent the aggregate of the share premium and the special reserve less deficit which amounted to HK\$320,874,000 (2004: the aggregate of the share premium, the special reserve and retained profits amounted to HK\$326,941,000). Under the Companies Law in the Cayman Islands and the provisions of the Memorandum and Articles of Association of the Company, all reserves of the Company are available for distribution to shareholders, either by way of dividend or bonus issue of shares, provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid.

## 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	
Kwong Bau To	(appointed on 6 September 2005)
Choi Kwok Keung Sanvic	(appointed on 6 September 2005)
Chan Lai Kuen Anita	(appointed on 6 September 2005)
Wat Kwing Cheung Alexander	(resigned on 31 January 2005)

#### Non-executive director:

Cheung Tze Man Edward

#### Independent non-executive directors:

Hui Chi Kuen Thomas	
Ho Tak Kay	
Tang King Hung	(appointed on 19 April 2006)
Wong Kong Chi	(resigned on 19 April 2006)

In accordance with Article 116 of the Company's Articles of Association, Madam Fung Mei Po, Lai Lai Wah, Messrs. Lee Chun Sing and Cheung Tze Man Edward 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, Madam Chan Lai Kuen Anita, Messrs. Kwong Bau To, Choi Kwok Keung Sanvic and Tang King Hung shall retire office and being eligible, offer themselves for re-election.

Each of the non-executive directors has entered into a service agreement with the Company for a term of three years from 6 September 2005 except Mr. Tang King Hung has entered a service agreement with the Company for a term of three years from 19 April 2006 and subject to re-election in accordance with the Company's Articles of Association.

Other than as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract 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 2005, 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%
Kwong Bau To	1,087,103	—	—	—	1,087,103	0.16%
Hui Chi Kuen Thomas	100,000	—	—	—	100,000	0.01%
Chan Lai Kuen Anita	2,623	—	—	—	2,623	—

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 wholly 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, Lee Chun Sing and Madam Fung Mei Po are discretionary objects.

At 31 December 2005, 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

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 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 2005, 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, chief executives 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 2005, 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 2005.

### SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Particulars of the Company's share options scheme are set out in note 26 to the consolidated 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 1.1.2005	Number of share options expired during the year	Number of share options outstanding at 31.12.2005
Directors:						
Lee Tat Hing	19.2.2000	19.8.2000 — 18.2.2005	0.32	860,000	(860,000)	—
Fung Mei Po	19.2.2000	19.8.2000 — 18.2.2005	0.32	800,000	(800,000)	—
Lee Chun Sing	19.2.2000	19.8.2000 — 18.2.2005	0.32	800,000	(800,000)	—
Lai Lai Wah	19.2.2000	19.8.2000 — 18.2.2005	0.32	500,000	(500,000)	—
				2,960,000	(2,960,000)	—
Employees	19.2.2000	19.8.2000 — 18.2.2005	0.32	1,500,000	(1,500,000)	—
				4,460,000	(4,460,000)	—

No share options were granted to directors or employees during the year and all of the above share options were lapsed during the year.

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 9.36% and 36.36%, 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 17.49% and 45.29%, 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 2005.

### **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\$11,000.

### **SUFFICIENCY OF PUBLIC FLOAT**

The Company has maintained a sufficient public float throughout the year ended 31 December 2005.

### **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*

Hong Kong  
19 April 2006