世界（集團）有限公司

WORLD HOUSEWARE (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 713)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

The Board of Directors (the "Board") of World Houseware (Holdings) Limited (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2005 together with the comparative figures for the last corresponding year:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2005

	Notes	2005 HK$'000	2004 HK$'000
Turnover	4	**883,083**	870,936
Cost of sales		**(766,980)**	(759,863)
Gross profit		**116,103**	111,073
Other income		**2,987**	4,720
Selling and distribution costs		**(12,033)**	(11,404)
Administrative expenses		**(84,175)**	(78,174)
Allowance for bad and doubtful debts		**(1,530)**	(10,427)
Gain on disposal of properties held for sale		**3,540**	—
Gain on disposal of leasehold land and buildings		**—**	8,793
Gain on disposal of investment properties		**367**	—
Gain on revaluation of properties held for sale		**2,434**	—
Gain arising from fair value changes of investment properties		**2,506**	—
Surplus arising on revaluation of investment properties		**—**	3,548
Gain arising from fair value changes of derivative financial instruments		**4,482**	—
Finance costs	5	**(11,839)**	(5,372)
Profit before taxation		**22,842**	22,757
Taxation	6	**(2,854)**	(2,899)
Profit for the year	7	**19,988**	19,858
Dividends		**Nil**	6,764
Earnings per share	8		
Basic		**3.0 HK cents**	2.9 HK cents

CONSOLIDATED BALANCE SHEET

At 31 December 2005

	2005 *HK$'000*	2004 *HK$'000* (restated)
Non-current assets		
Investment properties	**48,842**	23,670
Property, plant and equipment	**608,263**	584,409
Prepaid lease payments	**125,485**	114,173
Deposits paid for acquisition of property, plant and equipment	**15,579**	22,333
	798,169	744,585
Current assets		
Inventories	**170,672**	174,428
Trade and other receivables	**228,468**	200,333
Properties held for sale	**57,337**	90,231
Prepaid lease payments	**2,798**	3,012
Investments held for trading	**5,078**	—
Investments in trading securities	**—**	5,143
Taxation recoverable	**394**	811
Derivative financial instruments	**2,483**	—
Bank balances and cash	**81,454**	95,816
	548,684	569,774
Current liabilities		
Trade and other payables	**178,239**	162,391
Taxation payable	**689**	8
Bank borrowings — amount due within one year	**229,167**	215,977
Derivative financial instruments	**154**	—
	408,249	378,376
Net current assets	**140,435**	191,398
	938,604	935,983
Non-current liabilities		
Bank borrowings — amount due after one year	**109,434**	141,550
Deferred taxation liability	**7,842**	7,081
	117,276	148,631
	821,328	787,352
Capital and reserves		
Share capital	**67,642**	67,642
Reserves	**753,686**	719,710
	821,328	787,352

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new HKFRSs, Hong Kong Accounting Standards ("HKAS") and Interpretations (hereinafter collectively referred to as the "new HKFRSs") issued by HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting years are prepared and presented.

Share-based payment

In the current year, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. Since the share options of the Company were granted before 7 November 2002, the Group has not applied HKFRS 2 to those share options in accordance with the relevant transitional provisions.

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of financial instruments in the Group's financial statements. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 December 2004, the Group classified and measured its equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice 24 "Accounting for Investments in Securities" ("SSAP 24"). Under SSAP 24, investments in equity securities are classified as "trading securities" and are measured at fair value. Unrealised gains or losses of "trading securities" are reported in the profit or loss for the year in which gains or losses arise. From 1 January 2005 onwards, the Group classifies and measures its equity securities in accordance with HKAS 39. Under HKAS 39, these financial assets are classified as investments held for trading under "financial assets at fair value through profit or loss" and are carried at fair value, with changes in fair values recognised in profit or loss. The adoption of HKAS 39 does not have any significant impact on the profit of the prior year and no prior year adjustment is necessary.

Financial assets and financial liabilities other than equity securities

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. There was no material impact resulted from the classification and measurement.

Derivatives

From 1 January 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the year in which they arise. On 1 January 2005, the Group recognised the fair value of the derivatives as financial liabilities that are deemed as held for trading on that day amounting to HK$1,038,000 with a corresponding decrease in the Group's retained profits.

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively for transfers of financial assets on or after 1 January 2005. As a result, the Group's bill receivables with full recourse which were derecognised prior to 1 January 2005 have not been restated. As at 31 December 2005, the Group's bills receivables with full recourse have not been derecognised. Instead, the related borrowings of HK$9,853,000 have been recognised on the balance sheet date. This change has had no material effect on the results for the current year.

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight line basis. This change in accounting policy has been applied retrospectively. The application of HKAS 17 has resulted in the reclassification of an amount of HK$117,185,000 from land and buildings to prepaid lease payments on 31 December 2004.

Investment properties

In the current year, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the year in which they arise. In previous years, investment properties under the predecessor accounting standard were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the consolidated income statement. Where a decrease had previously been charged to the consolidated income statement and revaluation increase subsequently arose, that increase was credited to the consolidated income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 January 2005 onwards. However, these changes have no material impact to the Group as the gain arising from changes in fair value in the current year relates to a write back which previously recognised as revaluation deficit charged to profit or loss.

Deferred taxation related to investment properties

In previous years, deferred taxation consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation. In the current year, the Group has applied HK(SIC) Interpretation 21 "Income Taxes — Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred taxation consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) Interpretation 21, this change in accounting policy has been applied retrospectively. These changes have no material impact on the Group.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current year are as follows:

	2005 ***HK$'000***
Gain arising from fair value changes of investment properties	**338**
Gain arising from fair value changes of derivative financial instruments	**3,367**
Increase in profit for the year	**3,705**

The application of the new HKFRSs has no effect on 1 January 2004. The cumulative effects of the application of the new HKFRSs as at 31 December 2004 and 1 January 2005 are summarised below:

	31.12.2004 *HK$'000* (originally stated)	Retrospective adjustments *HK$'000*	31.12.2004 *HK$'000* (restated)	Opening adjustments *HK$'000*	**1.1.2005** ***HK$'000*** (restated)
Balance sheet items					
Property, plant and equipment	701,594	(117,185)	584,409	—	**584,409**
Prepaid lease payments	—	117,185	117,185	—	**117,185**
Derivative financial instruments	—	—	—	(1,038)	**(1,038)**
Total effects on assets and liabilities		—		(1,038)	
Retained profits	159,670	—	159,670	(1,038)	**158,632**

4. TURNOVER AND SEGMENT INFORMATION

Business segment

For management purposes, the Group is organised into three divisions: household products, PVC pipes and fittings and property investment.

Segment information about these businesses is presented below as primary segment information:

Year ended 31 December 2005

	Household products ***HK$'000***	**PVC pipes and fittings** ***HK$'000***	**Property investment** ***HK$'000***	**Eliminations** ***HK$'000***	**Consolidated** ***HK$'000***
Turnover					
Sales of goods					
External sales	**479,307**	**403,052**	**—**	**—**	**882,359**
Inter-segment sales	**1,582**	**1,252**	**—**	**(2,834)**	**—**
Rental income	**—**	**—**	**757**	**(33)**	**724**
Total	**480,889**	**404,304**	**757**	**(2,867)**	**883,083**
Result					
Segment result	**9,348**	**16,940**	**8,643**		**34,931**
Unallocated corporate expenses					**(250)**
Finance costs					**(11,839)**
Profit before taxation					**22,842**
Taxation					**(2,854)**
Profit for the year					**19,988**

Inter-segment sales are charged at cost plus certain markup.

Year ended 31 December 2005

	Household products HK$'000	PVC pipes and fittings HK$'000	Property investment HK$'000	Corporate HK$'000	Consolidated HK$'000
Other information					
Capital additions	**24,225**	**23,638**	**4,244**	**15,685**	**67,792**
Depreciation	**22,577**	**26,363**	**—**	**1,042**	**49,982**
Amortisation of prepaid lease payments	**546**	**1,357**	**—**	**863**	**2,766**
Allowance for bad and doubtful debts	**453**	**1,077**	**—**	**—**	**1,530**
Loss on disposal of property, plant and equipment	**1,446**	**118**	**—**	**—**	**1,564**

At 31 December 2005

	Household products HK$'000	PVC pipes and fittings HK$'000	Property investment HK$'000	Consolidated HK$'000
Assets				
Segment assets	**519,026**	**532,868**	**129,860**	**1,181,754**
Unallocated corporate assets				**165,099**
Consolidated total assets				**1,346,853**
Liabilities				
Segment liabilities	**51,215**	**86,057**	**387**	**137,659**
Unallocated corporate liabilities				**387,866**
Consolidated total liabilities				**525,525**

Year ended 31 December 2004

	Household products HK$'000	PVC pipes and fittings HK$'000	Property investment HK$'000	Eliminations HK$'000	Consolidated HK$'000
Turnover					
Sales of goods					
External sales	493,011	377,034	—	—	870,045
Inter-segment sales	6,258	1,695	—	(7,953)	—
Rental income	—	—	891	—	891
Total	499,269	378,729	891	(7,953)	870,936
Result					
Segment result	(4,896)	21,824	4,139	—	21,067
Unallocated corporate income					7,062
Finance costs					(5,372)
Profit before taxation					22,757
Taxation					(2,899)
Profit for the year					19,858

Inter-segment sales are charged at cost plus certain markup.

Year ended 31 December 2004

	Household products *HK$'000*	PVC pipes and fittings *HK$'000*	Property investment *HK$'000*	Corporate *HK$'000*	Consolidated *HK$'000*
Other information					
Capital additions	29,173	63,015	4,902	2,572	99,662
Depreciation	23,579	25,537	—	302	49,418
Amortisation of prepaid lease payments	570	1,071	—	1,515	3,156
Allowance for bad and doubtful debts	9,427	1,000	—	—	10,427
Gain on disposal of leasehold land and buildings	—	—	—	8,793	8,793
Loss on disposal of property, plant and equipment other than leasehold land and buildings	59	—	—	—	59

At 31 December 2004

	Household products *HK$'000*	PVC pipes and fittings *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
Assets				
Segment assets	468,215	554,829	114,024	1,137,068
Unallocated corporate assets				177,291
Consolidated total assets				1,314,359
Liabilities				
Segment liabilities	84,005	77,035	105	161,145
Unallocated corporate liabilities				365,862
Consolidated total liabilities				527,007

Geographical segment

Substantially all of the sales of the Group's PVC pipes and fittings and rental income of the Group's property investment were made to customers in the PRC, including Hong Kong. An analysis of the Group's sales of household products by geographical market is as follows:

	Turnover	
	2005 *HK$'000*	2004 *HK$'000*
United States of America	**358,418**	367,736
Asia	**68,909**	72,393
Canada	**23,908**	19,578
Europe	**20,214**	19,984
Latin America	**6,182**	9,859
Australia	**1,341**	2,100
Other areas	**335**	1,361
Total sales of household products	**479,307**	493,011

Analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located has not been presented as more than 90% of the assets and capital additions are located in the PRC, including Hong Kong.

5. FINANCE COSTS

	2005	2004
	HK$'000	*HK$'000*
Interest on bank borrowings:		
— wholly repayable within five years	**(11,420)**	(5,024)
— not wholly repayable within five years	**(1,155)**	(348)
	(12,575)	(5,372)
Net interest received on derivative financial instruments *(Note)*	**736**	—
	(11,839)	(5,372)

Note: Fair value changes of HK$4,482,000 on the consolidated income statement excluded accrued interest income in derivative financial instruments.

6. TAXATION

	2005	2004
	HK$'000	*HK$'000*
Hong Kong Profits Tax calculated at 17.5% (2004:17.5%) on the estimated assessable profits of the year		
— charge for the year	**—**	—
— underprovision in prior years	**—**	(79)
	—	(79)
Other regions in the PRC		
— charge for the year	**(2,452)**	(1,720)
— overprovision in prior years	**175**	—
	(2,277)	(1,720)
Deferred taxation charge	**(577)**	(1,100)
Net taxation charge	**(2,854)**	(2,899)

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements in the current year as the Group has no assessable income for both years.

Taxation of other regions in the PRC represents PRC Enterprise Income Tax of 15% on income derived from other parts of the PRC outside Hong Kong. Pursuant to the relevant laws and regulations in the PRC, certain subsidiaries in the PRC are entitled to the exemption from PRC Enterprise Income Tax for two or three years commencing from their first profit-making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC Enterprise Income Tax for the following three years. During the year, three of the Company's PRC subsidiaries are within their 50% tax relief period, the rest is within its tax exemption period.

The net taxation charge for the year can be reconciled to the profit before taxation in the consolidated income statement as follows:

	2005	2004
	HK$'000	*HK$'000*
Profit before taxation	**22,842**	22,757
Tax at the domestic income tax rate of 15% (2004: 15%)	**(3,426)**	(3,413)
Tax effect of expenses not deductible for tax purpose	**(370)**	(352)
Tax effect of income not taxable for tax purpose	**1,759**	782
Over(under)provision in respect of prior year	**175**	(68)
Tax effect of deferred taxation assets not recognised	**(2,452)**	(4,399)
Utilisation of tax losses previously not recognised	**974**	771
Income tax on concessionary rate	**447**	3,684
Effect of different tax rates of subsidiaries operating in other jurisdictions	**39**	96
Net taxation charge for the year	**(2,854)**	(2,899)

The PRC Enterprise Income Tax rate of 15% is the domestic tax rate in the jurisdiction where the operation of the Group is substantially based.

7. PROFIT FOR THE YEAR

	2005	2004
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Directors' emoluments	**17,377**	15,813
Other staff's retirement benefit scheme contributions	**3,238**	3,187
Other staff costs	**83,457**	81,634
Total staff costs	**104,072**	100,634
Allowance for inventories	**300**	—
Amortisation of prepaid lease payments	**2,766**	3,156
Auditors' remuneration	**1,780**	1,595
Depreciation	**49,982**	49,418
Loss arising from fair value changes of investments held for trading excluding dividend income	**65**	—
Loss on disposal of property, plant and equipment other than leasehold land and buildings	**1,564**	59
Operating lease rentals in respect of rented premises	**2,627**	2,675
Shipping and handling expenses (included in selling and distribution costs)	**9,122**	9,119
Temporary quota charges	**—**	82
and after crediting:		
Dividend income from investments held for trading	**62**	—
Dividend income from trading securities	**—**	53
Gross rental income from investment properties	**724**	891
Less: Direct operating expenses that generated rental income	**(248)**	(187)
	476	704
Interest income	**403**	479
Realised gain on forward contracts	**—**	1,066
Unrealised holding gain on trading securities	**—**	694
Exchange gain	**502**	1,429

8. EARNINGS PER SHARE

The calculations of the basic earnings per share are as follows:

	2005	2004
	HK$'000	*HK$'000*
Earnings for the purpose of calculating basic earnings per share	**19,988**	19,858

	Number of shares	
	2005	2004
Number of shares for the purpose of calculating basic earnings per share	**676,417,401**	676,417,401

(a) No diluted earnings per share has been presented for both years because the exercise price of the Company's options was higher than the average market price of the Company's shares and the options expired on 18 February 2005.

(b) Changes in the Group's accounting policies during the year are described in detail in notes 2 and 3. To the extent that those changes have had an impact on results reported for 2005 and 2004, they have had an impact on the amounts reported for earnings per share. The following total summarises that impact on basic earnings per share:

	2005	2004
	HK cents	*HK cents*
Figures before adjustments	**2.4**	2.9
Adjustments arising from changes in accounting policies	**0.6**	—
As reported/restated	**3.0**	2.9

FINAL DIVIDEND

The directors do not recommend the payment of final dividend for the year ended 31 December 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

- The Group recorded a turnover of HK$883,083,000 for the year ended 31 December 2005, representing an increase of 1.4% as compared with last year.
- Gross profit and gross profit margin of the Group recorded HK$116,103,000 and 13.1%, representing an increase of HK$5,030,000 and 0.3% respectively as compared with last year.
- Profit for the year attributable to shareholders was HK$19,988,000, representing an increase of 0.7% as compared with last year.
- Basic earnings per share was 3.0 cents, representing an increase of 3.4% as compared with last year.
- The Board does not propose any payment of dividend during the year.

BUSINESS REVIEW

Year 2005 continued to be a very challenging time of the Group.

For the year ended 31 December 2005, the turnover of the Group amounted to HK$883,083,000 which represented an increase of 1.4% or HK$12,147,000 as compared with that of HK$870,936,000 for the same period last year. The turnover of household products was HK$479,307,000 representing a decrease of 2.8% or HK$13,704,000 as compared with HK$493,011,000 for the same period last year. The turnover of PVC pipes and fittings amounted to HK$403,052,000, representing an increase of 6.9% or HK$26,018,000 as compared with HK$377,034,000 for the same period last year. During the year under review, the Group's gross profit amounted to HK$116,103,000, representing an increase of 4.5% or HK$5,030,000 as compared with HK$111,073,000 for the same period last year; and the gross profit margin was 13.1%, representing an increase of 0.3%, as compared with 12.8% for the same period last year.

Household products

During the year under review, fabric and PVC household products were under pressure from record-hitting high oil prices and continued increase in the prices of related PVC raw materials. Coupled with escalating interest rates, appreciation of Renminbi and rising labour costs in the PRC, the Group experienced a significant increase in its production cost. The reintroduction of quota for certain textile products by the United States and a number of European countries has led to intense competition in the industry, causing our competitors to cut their prices in order to seize non-quota products orders. The Group faced a very stringent business environment for fabric household products, and its original development roadmap was impeded. Despite flexible strategies and policies adopted by the Board, our business still underperformed beyond our expectations.

PVC pipes and fittings

In view of the abovementioned factors on the production cost, the operating results of PVC pipes and fittings had declined although the turnover soared.

Property investment

During the year, two properties were disposed of and recorded a gain of HK$3,907,000. Also, a property was reclassified from properties held for sale to investment properties and recorded a gain on revaluation of HK$2,434,000 whereas gain arising from fair value changes of investment properties of HK$2,506,000 was made. The Group's property investment segment collectively recorded the gain on fair value changes, revaluation and disposal amounting to HK$8,847,000 during the year under review.

PROSPECTS

Looking ahead, the Group will uphold its prime principle of meticulous operation approach. The Board is optimistic despite various market uncertainties and stress on operations and turnover. Focused control of resources, closure of underperforming section, aggressive implementation of cost reduction measure and enhancement of productivity and technological abilities represent the major exertions in boosting our production efficiency and thereby lowering the strain on production cost.

We look forward to strengthening our business strategies through investing in the high technologies, high potential and high economic efficiency business. With the contribution and efforts of the management and staff, the Board is confident in achieving better returns in the future.

The Group's new investment, environmental protection and reborn resources business operated by one of the wholly-owned subsidiaries, namely South China Reborn Resources (Zhongshan) Company Limited, has completed the phase I construction of the production plants as scheduled. Interior furnishing, installation of machineries and staff training are currently underway and it is planned that trial production and operation will commence in the first half year of 2006. Upon the commencement of the new business segment, it is anticipated that the Group's household products segment will be gradually relieved from the cost pressure. Meanwhile, the Group will continue its research and development to explore and develop new technologies which relate to environmental protection and reborn resources business so as to broaden its business base of the Group and to improve its operating profits.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group finances its operations from internally generated cash flows, term loans and trade finance facilities provided by banks in Hong Kong and the PRC. At 31 December 2005, the Group had bank balances and cash of approximately HK$81,454,000 (31.12.2004: HK$95,816,000) and had interest-bearing bank borrowings of approximately HK$338,601,000 (31.12.2004: HK$357,527,000). The Group's interest-bearing bank borrowings mainly carry interests at Hong Kong Inter-Bank Offering Rate plus a margin. In considering the fluctuation risk of the floating interest rate, the Group had used interest rate swap contracts for hedging purpose in order to reduce its interest rate risk exposure. The Group's total banking facilities available as at 31 December 2005 amounted to HK$738,250,000; of which HK$348,174,000 were utilised (utilisation rate was at 47.2%).

The Group continued to conduct its business transactions principally in Hong Kong dollars, US dollars and Renminbi. During the year, fluctuations in foreign currency exchange did not have any material impact on the Group's operations or liquidity.

At 31 December 2005, the Group had current assets of approximately HK$548,684,000 (31.12.2004: HK$569,774,000). The Group's current ratio was approximately 1.3 as at 31 December 2005 as compared with approximately 1.5 as at 31 December 2004. Total shareholders' funds of the Group as at 31 December 2005 increased by 4.3% to HK$821,328,000 (31.12.2004: HK$787,352,000). The gearing ratio (measured as total liabilities/total shareholders' funds) of the Group as at 31 December 2005 was 0.64 (31.12.2004: 0.67).

CHARGES ON ASSETS

Certain leasehold land and buildings, investment properties and properties held for sale with an aggregate net book value of HK$116,054,000 were pledged to banks for general banking facilities granted to the Group.

STAFF AND EMPLOYMENT

At 31 December 2005, the Group employed a total workforce of about 4,560 (31.12.2004: 4,800) including 390 permanent staff and 4,170 contracted staff in our factories located in the PRC. The total staff remuneration (excluding directors' remuneration) incurred during the year was HK$86,695,000 (31.12.2004: HK$84,821,000). It is the Group's policy to review its employee's pay levels and performance bonus system regularly to ensure that the remuneration policy is competitive within the relevant industries. It is the Group's policy to encourage its subsidiaries to send the management and staff to attend training classes or seminars that related to the Group's business. Tailor made internal training program was also provided to staff in our PRC factories.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There were no purchases, sales or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the audited financial statements for the year ended 31 December 2005.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year, the Company has applied the principles and complied with all requirements set out in the code on corporate governance practices contained in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all the directors, all the directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The Company's 2005 Annual Report containing all the information required by Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange (www.hkex.com.hk) and will be sent to shareholders of the Company as soon as practicable.

By Order of the Board
Lee Tat Hing
Chairman

Hong Kong, 19 April 2006

As at the date of this announcement, the executive directors of the Company are Mr. Lee Tat Hing, Madam Fung Mei Po, Mr. Lee Chun Sing, Madam Lai Lai Wah, Mr. Lee Pak Tung, Mr. Kwong Bau To, Mr. Choi Kwok Keung Sanvic and Madam Chan Lai Kuen Anita; the non-executive director of the Company is Mr. Cheung Tze Man Edward; the independent non-executive directors of the Company are Mr. Wong Kong Chi, Mr. Hui Chi Kuen Thomas and Mr. Ho Tak Kay.

Please also refer to the published version of this announcement in The Standard.