



**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 2007**

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 2007 together with the comparative figures for the last corresponding year:

**CONSOLIDATED INCOME STATEMENT**

*For the year ended 31 December 2007*

	<i>Notes</i>	<b>2007</b> <b>HK\$'000</b>	2006 HK\$'000
Turnover	3	<b>997,202</b>	887,153
Cost of sales		<b>(918,156)</b>	(791,263)
Gross profit		<b>79,046</b>	95,890
Other income		<b>14,797</b>	3,944
Selling and distribution costs		<b>(12,811)</b>	(10,924)
Administrative expenses		<b>(120,678)</b>	(93,251)
Loss arising from misappropriation of funds	4	—	(28,708)
Allowance for bad and doubtful debts		<b>(5,548)</b>	(4,226)
Compensation for future economic loss related to resumption of land	5	—	9,666
Gain on disposal of investment properties		<b>600</b>	—
Gain on disposal of other non-current assets classified as held for sale		<b>9,730</b>	—
Gain on revaluation of properties held for sale		—	122
Gain arising from fair value changes of investment properties		<b>4,230</b>	2,618
Gain arising from fair value changes of investment properties included under non-current assets classified as held for sale		—	1,500
Gain (loss) arising from derivative financial instruments classified as held for trading		<b>5,136</b>	(2,451)
Finance costs	6	<b>(13,835)</b>	(12,207)
Loss before taxation		<b>(39,333)</b>	(38,027)
Taxation	7	<b>(6,429)</b>	(4,668)
Loss for the year	8	<b>(45,762)</b>	(42,695)
Loss per share	9		
Basic		<b>(6.8) HK cents</b>	(6.3) HK cents

# CONSOLIDATED BALANCE SHEET

At 31 December 2007

	Notes	2007 HK\$'000	2006 HK\$'000
<b>Non-current assets</b>			
Investment properties		39,020	36,260
Property, plant and equipment		669,400	623,981
Prepaid lease payments		126,064	124,422
Deposits paid for acquisition of property, plant and equipment		7,662	16,706
Intangible assets		3,069	3,396
		<u>845,215</u>	<u>804,765</u>
<b>Current assets</b>			
Inventories		196,413	177,320
Trade and other receivables	10	255,364	204,004
Properties held for sale		—	10,038
Prepaid lease payments		3,211	3,074
Taxation recoverable		3,927	2,293
Derivative financial instruments		1,028	523
Pledged bank deposits		26,773	10,058
Bank balances and cash		38,868	49,903
		<u>525,584</u>	<u>457,213</u>
Non-current assets classified as held for sale		—	54,263
		<u>525,584</u>	<u>511,476</u>
<b>Current liabilities</b>			
Trade and other payables	11	220,332	186,157
Amounts due to directors		13,000	6,000
Taxation payable		158	1,066
Bank borrowings — amount due within one year		245,479	259,232
Derivative financial instruments		980	2,235
		<u>479,949</u>	<u>454,690</u>
Liabilities directly associated with non-current assets classified as held for sale		—	7,050
		<u>479,949</u>	<u>461,740</u>
<b>Net current assets</b>		<u>45,635</u>	<u>49,736</u>
<b>Total assets less current liabilities</b>		<u>890,850</u>	<u>854,501</u>
<b>Non-current liabilities</b>			
Bank borrowings — amount due after one year		24,543	27,220
Deferred taxation liability		16,217	9,862
		<u>40,760</u>	<u>37,082</u>
		<u>850,090</u>	<u>817,419</u>
<b>Capital and reserves</b>			
Share capital		67,642	67,642
Reserves		782,448	749,777
		<u>850,090</u>	<u>817,419</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

### 1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange Hong Kong Limited (“Stock Exchange”) and by the Hong Kong Companies Ordinance.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for accounting periods beginning 1 January 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) — Int 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) — Int 8	Scope of HKFRS 2
HK(IFRIC) — Int 9	Reassessment of embedded derivatives
HK(IFRIC) — Int 10	Interim financial reporting and impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and separate financial statements <sup>2</sup>
HKFRS 2 (Amendment)	Vesting conditions and cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business combinations <sup>2</sup>
HKFRS 8	Operating segments <sup>1</sup>
HK(IFRIC) — Int 11	HKFRS 2: Group and treasury share transactions <sup>3</sup>
HK(IFRIC) — Int 12	Service concession arrangements <sup>4</sup>
HK(IFRIC) — Int 13	Customer loyalty programmes <sup>5</sup>
HK(IFRIC) — Int 14	HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction <sup>4</sup>

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2009.  
<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009.  
<sup>3</sup> Effective for annual periods beginning on or after 1 March 2008.  
<sup>4</sup> Effective for annual periods beginning on or after 1 January 2008.  
<sup>5</sup> Effective for annual periods beginning on or after 1 July 2008.

The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control which will be accounted for as equity transactions.

The directors of the Company anticipate the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

### 3. 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.

Household products — manufacture and distribution of household products  
PVC pipes and fittings — manufacture and distribution of PVC pipes  
Property investment — investments in properties

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

#### *Year ended 31 December 2007*

	Household products <i>HK\$'000</i>	PVC pipes and fittings <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover					
Sales of goods					
External sales	447,112	522,070	26,279	—	995,461
Inter-segment sales	1,653	780	—	(2,433)	—
Rental income	—	—	1,774	(33)	1,741
Total	<u>448,765</u>	<u>522,850</u>	<u>28,053</u>	<u>(2,466)</u>	<u>997,202</u>
Result					
Segment result	(49,434)	5,931	20,872		(22,631)
Gain arising from derivative financial instruments classified as held for trading					5,136
Unallocated income					778
Unallocated corporate expenses					(8,781)
Finance costs					(13,835)
Loss before taxation					(39,333)
Taxation					(6,429)
Loss for the year					<u>(45,762)</u>

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

*Year ended 31 December 2007*

	Household products <i>HK\$'000</i>	PVC pipes and fittings <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Corporate <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Other information					
Capital additions	40,345	17,718	—	3,417	61,480
Depreciation	21,376	27,698	—	1,001	50,075
Amortisation of intangible assets	351	—	—	—	351
Amortisation of prepaid lease payments	1,508	794	—	876	3,178
Allowance for bad and doubtful debts	2,451	3,097	—	—	5,548
Written off of other receivables	4,527	—	—	—	4,527
Allowance for inventories	8,754	—	—	—	8,754
Exchange loss (gain), net	23,967	(1,062)	—	—	22,905
(Gain) loss on disposal of property, plant and equipment	(7,187)	707	—	—	(6,480)
Gain arising from fair value changes of investment properties	—	—	(4,230)	—	(4,230)
Gain from disposal of investment properties	—	—	(600)	—	(600)
Gain from disposal of other non-current assets classified as held for sale	(3,406)	—	(6,324)	—	(9,730)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

*At 31 December 2007*

	Household products <i>HK\$'000</i>	PVC pipes and fittings <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets				
Segment assets	580,259	597,768	39,072	1,217,099
Unallocated corporate assets				153,700
Consolidated total assets				<u>1,370,799</u>
Liabilities				
Segment liabilities	95,736	122,349	—	218,085
Unallocated corporate liabilities				302,624
Consolidated total liabilities				<u>520,709</u>

Year ended 31 December 2006

	Household products <i>HK\$'000</i>	PVC pipes and fittings <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover					
Sales of goods					
External sales	423,718	413,934	47,500	—	885,152
Inter-segment sales	751	682	—	(1,433)	—
Rental income	—	—	2,034	(33)	2,001
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>424,469</u>	<u>414,616</u>	<u>49,534</u>	<u>(1,466)</u>	<u>887,153</u>
Result					
Segment result	(15,389)	7,288	7,841		(260)
Loss arising from misappropriation of funds					(28,708)
Compensation for future economic loss related to resumption of land					9,666
Loss arising from derivative financial instruments classified as held for trading					(2,451)
Unallocated income					592
Unallocated corporate expenses					(4,659)
Finance costs					<u>(12,207)</u>
Loss before taxation					(38,027)
Taxation					<u>(4,668)</u>
Loss for the year					<u><u>(42,695)</u></u>

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

Year ended 31 December 2006

	Household products <i>HK\$'000</i>	PVC pipes and fittings <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Corporate <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Other information					
Capital additions	52,312	20,462	—	5,108	77,882
Depreciation	21,925	26,905	—	1,002	49,832
Amortisation of prepaid lease payments	1,142	1,032	—	1,108	3,282
Allowance for bad and doubtful debts	860	3,366	—	—	4,226
Allowance for inventories	1,589	—	—	—	1,589
Exchange loss (gain), net	9,114	(779)	—	—	8,335
Loss (gain) on disposal of property, plant and equipment	519	(134)	—	—	385
Gain arising from fair value changes of investment properties	—	—	(2,618)	—	(2,618)
Gain arising from fair value changes of investment properties included under non-current assets classified as held for sale	—	—	(1,500)	—	(1,500)
Gain on revaluation of properties held for sale	—	—	(122)	—	(122)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

At 31 December 2006

	Household products <i>HK\$'000</i>	PVC pipes and fittings <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets				
Segment assets	553,275	541,338	77,799	1,172,412
Unallocated corporate assets				143,829
Consolidated total assets				<u>1,316,241</u>
Liabilities				
Segment liabilities	91,893	89,939	7,050	188,882
Unallocated corporate liabilities				309,940
Consolidated total liabilities				<u>498,822</u>

## 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 and received from tenants in the People's Republic of China ("PRC"). All properties held for sale disposed of during the year were situated in the PRC. An analysis of the Group's sales of household products by geographical market based on location of customers is as follows:

	Turnover	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
United States of America	<b>353,706</b>	337,200
Asia	<b>46,105</b>	42,043
Canada	<b>23,923</b>	25,592
Europe	<b>17,063</b>	12,931
Latin America	<b>4,381</b>	3,882
Australia	<b>1,214</b>	1,866
Other areas	<b>720</b>	204
	<hr/>	<hr/>
Total sales of household products	<b>447,112</b>	423,718
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Analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, 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.

#### 4. LOSS ARISING FROM MISAPPROPRIATIONS OF FUNDS

As set out in the announcement dated 14 September 2006 published by the Company, a senior cashier of World Plastic Mat (Baoan) Company Limited ("World Baoan"), one of the Company's subsidiaries in the PRC, had embezzled some of World Baoan's funds ("Misappropriation of Funds"). The matter was reported to the PRC police and the senior cashier was arrested for criminal investigation.

The Company engaged a forensic accountant to carry out an enquiry into the incident and quantify the financial impact on World Baoan in relation to the Misappropriation of Funds. The forensic accountant's report was issued on 11 December 2006 pursuant to which the estimated financial impact in relation to the Misappropriation of Funds was preliminarily estimated as approximately RMB25,012,000 (approximately HK\$24,284,000). On the basis of this forensic accountant's report, the Group has carried out further investigation to ascertain the amount of funds misappropriated and finally determined that the loss arising from the Misappropriation of Funds amounted to approximately RMB27,994,000 (approximately HK\$27,311,000) and the legal and professional expenses amounted to HK\$1,397,000 incurred which are directly associated with the incident have been charged to the consolidated income statement for the year ended 31 December 2006.

The bank balances and cash and other receivables have been adjusted downwards by approximately RMB14,102,000 and RMB6,658,000, respectively, while trade and other payables has been adjusted upwards by approximately RMB7,234,000 in the books of World Baoan during the year to reflect the loss amounted to approximately RMB27,994,000 arising from the Misappropriation of Funds for the year ended 31 December 2006.



On 2 July 2007, the PRC court issued a final verdict, which stated the senior cashier was found liable to repay the financial damage of RMB25,281,000 (approximately HK\$25,903,000) to World Baoan; and the senior cashier was sentenced to jail. The Group has not recovered any money since then and in the opinion of the directors, the recoverability of this amount from the senior cashier is remote, therefore, no recovery from the loss arising from Misappropriation of Funds has been recognised in the consolidated income statements.

## 5. COMPENSATION FOR FUTURE ECONOMIC LOSS RELATED TO RESUMPTION OF LAND

On 28 December 2006, the Company entered into an unconditional agreement with Guangshen Railway Company Limited for the resumption of certain land held by the Group by the State Land Bureau of the PRC for use by Guangshen Railway Company Limited. The compensation for future economic loss amounting to approximately RMB9,908,000 (approximately HK\$9,666,000) has been recognised in the consolidated income statement for the year ended 31 December 2006.

## 6. FINANCE COSTS

	2007 HK\$'000	2006 HK\$'000
Interest on bank borrowings:		
— wholly repayable within five years	(12,410)	(16,453)
— not wholly repayable within five years	(1,375)	(850)
	<u>(13,785)</u>	<u>(17,303)</u>
Net interest (paid) received on derivative financial instruments (Note 1)	(50)	1,637
Less: Amount capitalised in construction in progress (Note 2)	—	3,459
	<u><u>(13,835)</u></u>	<u><u>(12,207)</u></u>

*Note 1: (Loss)/gain arising from fair value changes of HK\$467,000 (2006: HK\$2,017,000) on the consolidated income statement does not include accrued interest expense or income in respect of derivative financial instruments.*

*Note 2: Borrowing cost included in the cost of property, plant and equipment during 2006 arose on the general borrowing pool and were calculated by applying a capitalisation rate of 2.5% to expenditure on such assets.*

## 7. TAXATION

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Hong Kong		
— charge for the year	(36)	—
Other regions in the PRC		
— charge for the year	(848)	(2,884)
— underprovision in prior years	—	(42)
	<u>(884)</u>	<u>(2,926)</u>
Deferred taxation charge		
— credit (charge) for the year	1,202	(1,742)
— attributable to a change in tax rate	(6,747)	—
	<u>(5,545)</u>	<u>(1,742)</u>
Taxation charge	<u><u>(6,429)</u></u>	<u><u>(4,668)</u></u>

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the assessable income arising in Hong Kong for the year.

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.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate to 25% for certain subsidiaries from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

Certain of the Group's subsidiaries that are currently entitled to exemption and reduction from the PRC statutory income tax rate would continue to enjoy such treatment until the exemption and reduction period expire, but not beyond 2012.

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Loss before taxation	<u>(39,333)</u>	<u>(38,027)</u>
Tax at the domestic income tax rate of 15% (2006: 15%)	5,900	5,704
Tax effect of expenses not deductible for tax purpose	(1,501)	(6,364)
Tax effect of income not taxable for tax purpose	4,304	206
Underprovision in prior years	—	(42)
Tax effect of tax losses not recognised	(11,570)	(5,618)
Tax effect of change in tax rate for deferred taxation	(6,747)	—
Utilisation of tax losses previously not recognised	2,415	147
Income taxed at concessionary rate	674	1,327
Effect of different tax rates of subsidiaries operating in other jurisdictions	96	(28)
Tax charge for the year	<u><u>(6,429)</u></u>	<u><u>(4,668)</u></u>

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.

## 8. LOSS FOR THE YEAR

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Loss for the year has been arrived at after charging:		
Directors' emoluments	16,966	17,192
Other staff's retirement benefit scheme contributions	3,254	3,570
Other staff costs	86,735	83,423
Total staff costs	<u>106,955</u>	<u>104,185</u>
Allowance for inventories	8,754	1,589
Written off of other receivables	4,527	—
Amortisation of intangible assets	351	—
Amortisation of prepaid lease payments	3,178	3,282
Auditors' remuneration	2,553	2,000
Cost of inventories recognised as an expense	878,086	737,978
Cost of properties held for sale recognised as an expense	10,038	44,160
Depreciation	50,075	49,832
Exchange loss	24,548	9,115
Loss on disposal of property, plant and equipment	—	385
Operating lease rentals in respect of rented premises	581	1,319
Shipping and handling expenses (included in selling and distribution costs)	7,570	8,402
and after crediting:		
Dividend income from investments held for trading	—	78
Gain on disposal of property, plant and equipment (included in other income)	6,480	—
Written off of other payables (included in other income)	5,955	—
Gain on fair value changes of investments held for trading, excluding dividend income	—	175
Exchange gain	1,643	780
Gross rental income from investment properties	1,741	2,001
Less: Direct operating expenses that generated rental income	<u>(174)</u>	<u>(231)</u>
	<u>(1,567)</u>	<u>1,770</u>
Interest income	<u>778</u>	<u>338</u>

## 9. LOSS PER SHARE

The calculations of the basic and diluted loss per share are as follows:

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Loss for the purpose of calculating basic loss per share	<u>(45,762)</u>	<u>(42,695)</u>
	<b>Number of shares</b>	
	<b>2007</b>	2006
Number of shares for the purpose of calculating basic loss per share	<u>676,417,401</u>	<u>676,417,401</u>

## 10. TRADE AND OTHER RECEIVABLES

The following is an aging analysis of the Group's trade receivables at the balance sheet date:

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
0 — 30 days	<b>106,478</b>	65,558
31 — 60 days	<b>50,709</b>	41,561
61 — 90 days	<b>31,899</b>	20,278
91 — 180 days	<b>30,865</b>	31,590
Over 180 days	<u>7,070</u>	<u>7,197</u>
Net trade receivables	<b>227,021</b>	166,184
Other receivables	<u>28,343</u>	<u>37,820</u>
Total trade and other receivables	<u><b>255,364</b></u>	<u>204,004</u>

The Group allows credit periods of up to 180 days, depending on the product sold, to its trade customers. Trade and other receivables are unsecured and interest-free. Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and defines appropriate credit limits by customer.

The Group's trade receivables which are denominated in currencies other than the functional currencies of the relevant group companies are set out below:

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
United States dollars ("USD")	<b>90,182</b>	48,106

Included in the Group's trade receivable balances are debtors with carrying amount of HK\$63,497,000 (2006:HK\$57,438,000) which are past due at the reporting date for which the Group had not provided for impairment loss. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
0-30 days past due	—	—
31-60 days past due	<b>1,057</b>	781
61-90 days past due	<b>26,516</b>	17,870
91-180 days past due	<b>28,854</b>	31,590
Over 180 days past due	<b>7,070</b>	7,197
	<b>63,497</b>	57,438

Movement in the allowance for doubtful debts

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Balance at beginning of the year	<b>21,018</b>	16,520
Impairment losses recognised on receivables	<b>5,548</b>	4,226
Exchange difference	<b>647</b>	272
Balance at end of the year	<b>27,213</b>	21,018

The Group's management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality. Based on the payment pattern of the customers of the Group, trade receivables which are past due but not impaired are generally collectable. Allowance on doubtful debt recognised for 2006 and 2007 represent the allowance against the full amount of outstanding trade receivables which are either aged over one year because historical experience is such that receivables past due beyond one year are generally not recoverable, or individually impaired trade receivables of customers which has either been placed under liquidation or in severe financial difficulties.

The directors of the Company consider that the carrying amount of trade and other receivables approximates its fair value.

## 11. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables at the balance sheet date:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
0-30 days	128,490	46,498
31-60 days	23,455	37,564
61-90 days	11,936	10,338
Over 90 days	<u>20,342</u>	<u>48,833</u>
Total trade payables	184,223	143,233
Other payables	<u>36,109</u>	<u>42,924</u>
Total trade and other payables	<u><u>220,332</u></u>	<u><u>186,157</u></u>

The average credit period on purchases of goods is 90 days.

Included in trade and other payables are the following amounts denominated in currency other than the functional currency of the relevant group companies:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
USD	<u><u>23,410</u></u>	<u><u>9,356</u></u>

The directors of the Company consider that the carrying amount of trade and other payables approximates its fair value.

## FINAL DIVIDEND

The directors resolved not to recommend the payment of final dividend for the year ended 31 December 2007.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results

- The Group recorded a turnover of HK\$997,202,000 for the year ended 31 December 2007, representing an increase of 12.4% as compared to the same period last year.
- Gross profit and gross profit margin of the Group recorded were HK\$79,046,000 and 7.9%, representing a decrease of HK\$16,844,000 and a decrease of 17.6% respectively as compared to the same period last year.

- Loss for the year was HK\$45,762,000, as compared to a loss of HK\$42,695,000 for the same period last year.
- Basic loss per share was 6.8 HK cents, as compared to loss per share of 6.3 HK cents for the same period last year.
- The Board of Directors do not propose any payment of dividend for the year.

## **BUSINESS REVIEW**

For the year ended 31 December 2007, the Group recorded a consolidated turnover of HK\$997,202,000, representing a 12.4% increase from HK\$887,153,000 last year. Gross profit and gross profit margin were HK\$79,046,000 and 7.9% respectively. Loss for the year was HK\$45,762,000.

The year 2007 was a difficult and challenging year for all manufacturers based in the PRC. In respect of the operating environment, the price of fuel oil has been increasing continuously on the international market. At the beginning of the year 2007, oil price first broke the records of US\$80 and US\$90 per barrel. By the beginning of 2008, the prices further increased to nearly US\$100, without any sign of decreasing. As a result, the prices of down-stream plastic material all hiked up significantly. Coupled with other multiple unfavourable factors such as continued appreciation of Renminbi, increased salary costs under the new labour laws of the PRC and the reduction of export tax refund, the operating environment was unprecedentedly difficult.

Due to the keen competition on the international market, the Group had to maintain its product prices at competitive levels to maintain its market share. As the increase in production costs could not be passed onto its customers totally, the gross profit margin deteriorated. A loss was recorded for the household products business and the gross profit margin of PVC pipes and fittings also decreased significantly.

As to the South China Reborn Resources (Zhongshan) Company Limited, the new investments of waste plastic oil refinery project and the manufacturing of environment-friendly sheeting and PP, PE, PEVA and EVA rigid films have already commenced operation. However, as this is the Group's self-developed new environmental protection business, further investments are still required in the purchase of new equipments to improve machine operating efficiency so as to optimize its technical capacity including the enhancement of productivity and quality for realizing the Group's desirable economic benefit. Accordingly, this sector of business may not bring substantial contribution to the Group in the meantime.

During the year under review, turnover of property investment amounted to HK\$26,279,000, representing a decrease of 45% from HK\$47,500,000 of the same period last year. Gain from fair value changes of investment properties was HK\$4,230,000.

## **PROSPECTS**

Looking into 2008, the subprime loan crisis in the United States may lead to an economic recession, whereas the increase in production costs such as RMB appreciation, raw materials and salaries would continue for some time with no indication of decrease in the near future. In view of these, the Group would adopt a prudent and proactive approach to consolidate its resources and deployment. On the

one hand, we will accelerate the discontinuation for business which can generate only minimal gross profit margin. On the other hand, we will focus our resources on the environmental reborn business by expanding the Group's market share in PRC so as to relieve the reliance on export trading so that the effort of the diversification of business of the Group can be achieved.

## **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 2007, the Group had bank balances and cash and pledged bank deposits of approximately HK\$65,641,000 (31.12.2006: HK\$59,961,000) and had interest-bearing bank borrowings of approximately HK\$270,022,000 (31.12.2006: HK\$293,502,000). The Group's interest-bearing bank borrowings was mainly computed at Hong Kong Inter-Bank Offering Rate plus a margin. The Group's total banking facilities available as at 31 December 2007 amounted to HK\$669,945,000; of which HK\$283,488,000 of the banking facilities was utilised (utilisation rate was at 42.3%).

The Group continued to conduct its business transactions principally in Hong Kong dollars, US dollars and Renminbi. The Group's exposure to the foreign exchange fluctuations has not experienced any material difficulties in the operations or liquidity as a result of fluctuations in currency exchange.

At 31 December 2007, the Group had current assets of approximately HK\$525,584,000 (31.12.2006: HK\$511,476,000). The Group's current ratio was approximately 1.1 as at 31 December 2007 as compared with approximately 1.1 as at 31 December 2006. Total shareholders' funds of the Group as at 31 December 2007 increase by 4% to HK\$850,090,000 (31.12.2006: HK\$817,419,000). The gearing ratio (measured as total liabilities/total shareholders' funds) of the Group as at 31 December 2007 was 0.61 (31.12.2006: 0.61).

## **CHARGES ON ASSETS**

Certain leasehold land and buildings, investment properties, prepaid lease payments and bank deposits with an aggregate net book value of HK\$317,194,000 were pledged to banks for general banking facilities granted to the Group.

## **STAFF AND EMPLOYMENT**

At 31 December 2007, the Group employed a total workforce of about 3,306 (31.12.2006: 3,650) including 1,016 permanent staff and 2,290 contracted staff in our factories located in the PRC. The total staff remuneration incurred during the period was HK\$89,989,000 (31.12.2006: HK\$86,993,000). 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**

During the year ended 31 December 2007, there were no purchases, sales or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 15 May 2008 to 20 May 2008 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the right to attend and vote at the meeting all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, at Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 14 May 2008.

## **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 2007.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

In the opinion of the Directors, the Company has complied with the code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2007.

## **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 2007 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](http://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, 22 April 2008

*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 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. Tsui Chi Him Steve, Mr. Ho Tak Kay and Mr. Hui Chi Kuen Thomas.*