

Chairman's Statement

主席報告

OPERATION RESULT

During Year 2005, the Group's electrical home appliances business suffered a decline in gross profit margin because of continued pricing pressure of materials/components. Compounded with a difficult retail environment in the United States and Europe, the Group was not able to improve the gross margin by raising selling prices to customers. To counter the eroding margins specially for old product lines, the Group launched several new products which required more advance Research & Development capability in specialized automatic equipment. These new products include air filtration module for home and commercial uses, and a series of innovative accessories for a major world renowned beverage company. As most of these new products were launched in late 2005, the Group expects to see meaningful contribution in 2006 and thereafter.

The cigarette paper business suffered operational losses as a result of delay in ramping up to new PM3 and PM4 machines.

On 19th July 2005, the Group, through its wholly owned subsidiary Airborne Holdings Ltd., entered into a sale and purchase agreement to sell 10,000,000 Class B shares (approximately 5%) in the issued share capital of Cheung Fung Technology (Holdings) Limited ("Cheung Fung") (which in turns holds approximately 60% of the Sichuan JinFeng Paper Company Limited ("Jinfeng Paper Co.") which engages in cigarette and other specialty paper products) to Trierenberg Holding AG ("TBG"), a global leader in cigarette paper and a main supplier of cigarette paper products to many of the big tobacco companies in the world. After completion of the sale of 5% shares in Cheung Fung at the beginning of September 2005, Cheung Fung was no longer a subsidiary but an associate company of the Group and the financial accounts of the Paper business division have been deconsolidated from the Group accounts effective from September 2005.

業績概要

於二零零五年，由於原材料、零配件價格的不斷上漲，集團家電業的毛利率較以往為低。另外，因為美國和歐洲零售業市場價格競爭，集團提高產品的售價亦不能全部抵消原材料、零配件的價格上漲。考慮到一些舊產品的毛利已經降低，其市場銷量也逐漸下降，集團開發了一些需要較優質工程能力、專業自動化設備投入費用也較高的新產品。這些新產品包括家用及商用的空氣過濾產品，及一家世界著名的大飲品公司的一系列產品。這些新產品大部分在二零零五年尾投產，預計這些新產品會在二零零六年及之後的年份為集團帶來重大收益。

卷煙紙業務也由於新卷煙紙機 (PM3和PM4) 未能及時投產而遭受營運損失。

集團於二零零五年七月十九日通過其全資附屬公司 AIRBORNEHOLDINGSLTD與全球煙紙行業的領導者、為世界最大的煙草公司供應煙紙產品的大生產商 TRIERENBERGHOLDINGAG (「TBG」) 達成銷售協議，出售祥豐科技(集團)有限公司(「祥豐」) (持煙紙和其它專用紙生產商四川錦豐紙業有限公司(「錦豐」) 約百分之六十的股份) 已發行股本的百分之五，即一千萬股B股的股權。於二零零五年九月初完成銷售百分之五祥豐股本，祥豐從此成為集團的聯營公司，不再是附屬公司，煙紙業務也不再納入集團的業績統一核算。

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On 8th December 2005, Jinfeng Paper Co., an associate company of the Group, signed a conditional joint-venture agreement (the "joint venture agreement") with a wholly-owned subsidiary of TBG. Under the joint-venture agreement, such subsidiary of TBG will become a new partner of the joint venture company whose principal business is to engage in the production of high porous plug wrap paper mainly for export to the world market. The joint-venture company is expected to begin operation in May 2006.

By bringing in a strategic partner in the Group's paper businesses, it is expected that higher percentage of cigarette paper market share can be captured both in China and abroad.

Despite the reduction in profit from the core businesses and the initial losses from the PM3 and PM4, the Group benefited from a robust Hong Kong real estate market and the commercial building at 410 Kwun Tong Road appreciated substantially in value in 2005.

In October 2005, the Group entered into a sale and purchase agreement with Harlition Ltd to sell the said commercial building for a consideration of HK\$528 million. Completion took place in January 2006 pursuant to the terms of the sale and purchase agreement. After deducting transaction costs and top-up payment to Harlition Ltd, net proceeds from the sale totaled approximately HK\$486 million. The carrying amount of the said commercial building upon sale was HK\$485 million after the revaluation surplus of HK\$108 million recognized in 2005.

The Group intends to return a portion of this sum to shareholders in the form of special dividends and retain a portion of the net proceeds to invest in new business opportunities to enhance our shareholders' value.

於二零零五年十二月八日，集團的聯營公司錦豐紙業與TBG的一家全資附屬公司簽署一項有條件的合資協議（「合資協議」）。根據協議，該TBG的附屬公司亦將成為合資公司的新合作伙伴，其主要業務是生產高透氣度咀棒成型紙，出口國際市場。預計合資公司將於二零零六年五月初投運。

集團希望通過引入煙紙業務的策略性合作伙伴提高在國內外煙紙市場的佔有率。

雖然集團的核心業務盈利減少及新煙紙機PM3和PM4前期營運受損，但我們仍然受惠於強勁的香港地產市場，官塘道410號商業大廈於二零零五年大幅升值。

集團於二零零五年十月與HARLITONLTD達成銷售協議以港幣五億兩仟八百萬元的價格出售該商業大廈。交易於二零零六年一月按合約條款完成。扣除相關的交易費用以及付給HARLITONLTD的特別補貼，淨收入約為港幣四億八仟六百萬元。出售物業之賬面值包括重估增值港幣一億零八百萬元後為港幣四億八仟五百萬元，已在二零零五年確認。

集團將這筆收入的一部分以特別股息的方式分派各股東，餘下部分用於投資新項目，以提高對股東的回報。

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For the financial year ended 31st December 2005, the Group's consolidated turnover (including 8 months of paper division) was HK\$1,009 million compared with HK\$1,055 million in 2004, representing a decrease of 4.4 % in turnover, mainly due to the deconsolidation of the paper division.

The Group's net profit attributable to shareholders during the year increased by 30.33% year on year, mainly due to the increase in fair value of the property at 410 Kwun Tong Road, notwithstanding the disappointing results from the core businesses in electrical home appliances and cigarette paper. We are pleased to announce that our net profit attributable to shareholders for the year 2005 was HK\$161.02 million, representing profit per share of 42.99 HK cents (Our net profit attributable to shareholders in 2004 was HK\$123.55 million, with profit per share of 33.41 HK cents).

DIVIDEND

The Board is recommending the payment of a final dividend of 11 HK cents per share, making a total payout of 16 HK cents per share for 2005. (2004: total of 16 HK cents per share). The Board would also recommend the payment of a special dividend of 50 HK cents per share, payable with the final dividend. The total amount of dividend appropriated, based on the number of shares in issue, is HK\$253.5 million (2004: HK\$59.3 million).

The book of transfers and register of member will be closed from 29th May 2006 to 2nd June 2006, both days inclusive during which period no transfer of shares will be registered. In order to qualify for the final and special dividends, lodging of all transfers accompanied by the relevant share certificates must not be later than 4:00 p.m. on 26th May 2006 with the Company's Registrars, Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road West, Wan Chai, Hong Kong. The dividend is payable on 14th June 2006 to members on register on 2nd June 2006.

截至二零零五年十二月三十一日止財政年度，本集團之綜合營業額(包括煙紙業務八個月的業績)為港幣十億零九百萬元。與二零零四年度的港幣十億五仟五佰萬元相比，營業額下降了百分之四點四，主要原因是煙紙業務不再納入集團的綜合業績核算。

儘管集團的核心業務家電及煙紙業務不甚令人滿意，但由於官塘道410號商業大廈的銷售利潤，本集團於二零零五年之純利比去年上升了百分之三十點三十三，至港幣一億六仟一百零二萬元，每股盈利港幣四十二點九九仙(二零零四年之盈利為港幣一億兩仟三百五十五萬元，每股盈利港幣三十三點四一仙)。

股息

董事會建議派發末期股息為每股港幣十一仙，二零零五年度總股息為每股港幣十六仙(二零零四年總股息為每股港幣十六仙)。董事會還建議派發特別股息每股港幣五十仙，與末期股息一起派發。根據發行的股票數量，本年度股息總額為港幣二億五仟三百五十萬元(二零零四年股息總額為港幣五仟九百三十萬元)。

本公司將於二零零六年五月二十九日至二零零六年六月二日(包括首尾兩天)暫停辦理登記過戶手續。如欲收取末期和特別股息，所有過戶文件連同有關股票須於二零零六年五月二十六日下午四時正前送抵過戶處，香港中央證券登記有限公司，地址為香港皇后大道東183號合和中心46樓。股息將於二零零六年六月十四日派發予於二零零六年六月二日登記在名冊上之股東。

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FINANCIAL POSITION

The liquidity position of the Group has significantly improved. Its current ratio was 4.57 as of 31st December 2005, against 1.01 as of 31st December 2004.

During the year, the Group's Accounts Receivables turnover stood at 63 days in year 2005, compared with 67 days of the previous year. The inventory turnover decreased from 74 days in year 2004 to 56 days in year 2005.

Bank balances and cash were HK\$50.65 million as of 31st December 2005, representing a decrease of HK\$127.85 million over that of the previous year.

There was no bank borrowing as of 31st December 2005, compared to HK\$403.03 million of the previous year. The change was mainly due to repayment of loan pending completion of the sale of investment property in January 2006 and the deconsolidation of Cheung Fung since September 2005.

The Group had no contingent liabilities as of 31st December 2005.

As of 31st December 2005, the Group had commitments for capital contribution to subsidiaries (authorised but not contracted for) of HK\$130 million and commitments for construction cost (contracted but not provided for) of HK\$1 million.

CHARGES ON ASSETS

The Group has no charges on assets as of 31st December 2005.

財政狀況

本集團的資金流動有很大改善。於二零零五年十二月三十一日，本集團之資金流動比率為4.57，於二零零四年十二月三十一日為1.01。

於二零零五年度，本集團的應收帳項周轉期為六十三天，上年度為六十七天。庫存周轉期從二零零四年的七十四天下降至二零零五年的五十六天。

於二零零五年十二月三十一日，銀行結餘及現金總額為港幣五仟零六十五萬元，比去年同期減少了港幣一億二千七百八十五萬元。

於二零零五年十二月三十一日，無銀行貸款，去年貸款為港幣四億三百零三萬元，主要由於二零零六年一月投資物業出售之後銀行還貸及從二零零五年九月之後祥豐業務的分拆。

於二零零五年十二月三十一日，本集團無或然負債。

於二零零五年十二月三十一日，注資予附屬公司之資本承擔(已批准但未簽約)為港幣一億三仟萬元及建築成本之資本承擔(已簽約但未撥備)為港幣一百萬元。

資產抵押

於二零零五年十二月三十一日，本集團概無資產抵押。

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FUTURE PROSPECTS

The core business of the Group has gradually shifted from lower margin fiercely competitive electrical home appliances to higher margin environmental, consumer and specialized innovative products. Although the Group had enjoyed double digit growth in electrical home appliances sales between 2002 and 2005, the escalating raw material costs; increasing labor and utilities costs, coupled with appreciating Renminbi, created a less favorable business condition for traditional electrical home appliance product lines. To maintain our competitiveness, the Group has streamlined production processes and material control to improve production efficiency by introducing higher degree of automation processes and strengthened our supply chain by stressing quality over low costs from our suppliers as we diversify our product line to higher quality, higher margin environmental consumer products. We believe our strategy to develop niche market, higher margin products will pay off despite heavier capital expenditure during the initial launch phase of such new innovative product lines.

In 2006, we will continue to focus on developing new environmental products in consumer market and residential/commercial market. We will explore business opportunities in other new product categories and other niche market distribution channels to sell products commanding higher premium/better selling prices and margins. We will look at new ways to form strategic partnership with our customers. We will continue to execute effective supply chain management and effective operating cost control contributing to sustained favorable profit growth. We are going to pursue aggressive expansion plan to enlarge our turnover and to maintain high utilization rates for our facilities.

Regarding the cigarette paper business, we hope to finalize our joint venture set-up with the subsidiary of TBG by end of April 2006 and so full scale commercial operations could begin in May 2006. Upon completion of the joint venture, we will restructure the paper manufacturing division by bringing in additional strategic partners. The Group will also look at other types of specialty paper products production in addition to cigarette paper.

前景

集團的主要業務正逐漸由競爭激烈但利潤較低的家電生產轉為利潤較高的優質環境／消費品的嶄新科技新產品生產。儘管本集團在二零零二年到二零零五年期間家電的銷售額錄得雙位數增長，但是，不斷上漲的原材料價格、勞動力和水電等雜費的增加、以及人民幣升值，給傳統的家電業務造成了不利的營商環境因素。為保持我們的競爭力，我們在將產品類型轉化為較高利潤的優質環境／消費品的同時，改進了生產工藝的自動化程度、強化了物料控制，從而提高了生產效率；加強來料質量控制強化了供應鏈。我們相信我們瞄准市場開發高利潤產品的策略會使集團獲益，儘管新產品開發的初期階段會需要較大的資金投入。

於二零零六年，我們將繼續致力於開發用於消費及家居、商業的新款環境系列產品。同時，我們也將開拓其它新產品的業務，瞄准其它市場銷售渠道以獲取更高的利潤及更好的銷售價格。我們將尋求新的途徑與客戶建立策略性的伙伴關係。我們將繼續實行有效的供應鏈管理體系以及有效的銷售及行政費用控制，以實現穩定的利潤增長。我們將實施積極的市場推廣策略，以提高產值，並保持競爭環境中的高產能使用率。

關於卷煙紙業務，我們希望與Trierenberg Holding AG (「TBG」)的合資項目能在二零零六年四月底完成，並於五月全面投入商業運營。我們將於合資項目完成後引入其它的策略性合作伙伴重組造紙業務。集團將會生產除卷煙紙以外的其它特種紙。

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STAFF

The Group currently employs approximately 70 Hong Kong staffs and operates a defined contribution pension scheme. Our factory in China employs about 300 staff members, and seasonal workers varied from 5,500 to 6,500 persons during the year. Remuneration is determined by reference to the qualifications, experience and performance of the staff.

On behalf of the Board, I would like to extend the Board's appreciation to all our staff for their hard work and dedication throughout the year.

PURCHASE, SALE OR REDEMPTION OF OUR SHARES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

By Order of the Board

Wong, Wilson Kin Lae
Chairman

Hong Kong, 12th April, 2006

職員

本集團現僱用香港職員約七十人，並為其提供界定供款退休計劃。我們在國內開設的廠房於年內僱用職員約三百人，季節性僱用的工人約五千五百人至六千五百人。薪酬乃根據職員之學歷、經驗及工作表現釐訂。

本人謹代表董事會對所有職員在過去一年內的勤奮及所作出之貢獻深表謝意。

購買、出售或贖回股份

本公司於期內並無贖回其股份。本公司及其任何附屬公司於期內亦無購買、出售或贖回本公司之股份。

承董事會命

主席
黃乾利

香港，二零零六年四月十二日