



World Houseware (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 713

2010 | ANNUAL
REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lee Tat Hing (Chairman)
Madam Fung Mei Po (Vice Chairperson and
Chief Executive Officer)
Mr. Lee Chun Sing (Vice Chairman)
Mr. Lee Pak Tung
Madam Chan Lai Kuen Anita

Non-executive Director

Mr. Cheung Tze Man Edward

Independent Non-executive Directors

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

QUALIFIED ACCOUNTANT

Mr. Leung Cho Wai, FCCA, CPA

COMPANY SECRETARY

Mr. Tsui Chi Yuen, CPA

PRINCIPAL OFFICE

Flat C, 18th Floor
Bold Win Industrial Building
16-18 Wah Sing Street
Kwai Chung
New Territories
Hong Kong

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

PRINCIPAL BANKERS

Standard Chartered Bank
Hang Seng Bank
DBS Hong Kong
Bank of China
HSBC

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICES

In Hong Kong

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

In the Cayman Islands

The Harbour Trust Co. Ltd.
P.O. Box 897
Windard 1
Regatta Office Park
Grand Cayman KY1-1103
Cayman Islands

STOCK CODE

713

COMPANY'S WEBSITE

<http://www.worldhse.com>

Summary of Notice of Annual General Meeting

Set out below is a summary of the notice of annual general meeting, the full version of which is set out in the circular to shareholders dispatched at 19 April 2011.

An Annual General Meeting of World Houseware (Holdings) Limited (the “Company”) will be held at The Jade Room, 6th Floor, The Marco Polo Hongkong Hotels, Harbour City, Kowloon, Hong Kong at 3:00 p.m. on Friday, 10 June 2011 for the following purposes:

1. To receive and adopt the audited Financial Statements of the Company and its subsidiaries and the Reports of the Directors and Auditors for the year ended 31 December 2010.
2. To re-elect Directors and to authorise the Board to fix the Directors’ remuneration.
3. To re-appoint Auditors and authorise the Board to fix their remuneration.
4. To declare a final dividend of HK0.5 cent per share for the year.
5.
 - A. To grant a general mandate to the Directors to allot shares.
 - B. To grant a general mandate to the Directors to repurchase the Company’s own shares.
 - C. To add the nominal amount of the shares repurchased under resolution 5B to the mandate granted to the Directors under resolution 5A.

Chairman's Statement

BUSINESS REVIEW

For the year ended 31 December 2010, the Group recorded a consolidated turnover of HK\$1,010,712,000, representing an increase of 9.6% from HK\$922,576,000 last year. Gross profit and gross profit margin were HK\$118,659,000 and 11.7% respectively. Profit for the year was HK\$2,644,000.

The business of PVC pipes and fitting was steady in 2010. As the sales market of the finished products was mainly in the PRC in which the sale price of the finished products could be reasonably increased due to the corresponding increase of the market price of other consumer products in the PRC, it did set off the pressure of the rising production cost caused by the inflation in the PRC and the business did bring profit to the Group.

The business of household products was still challenging in 2010. Like most of the other products manufacturers in China, the inflation in the PRC had caused the increase of the production cost in particular there was a sharp increase in the price of raw materials and labour cost. In addition, as the market of the finished products was mainly in the United States of America and the exchange rate of Renminbi to US Dollar had appreciated continuously, it caused the decrease of the gross profit of household products which rendered severe pressure to the business.

During the year under review, the turnover of property investment amounted to HK\$1,041,000, representing a decrease of 18.5% from HK\$1,277,000 of the same period last year. Gain arising from fair value changes of investment properties was HK\$2,550,000.

PROSPECTS

The Group is still optimistic to the future. Facing the ever changing business environment, the Group will continue to make periodical review, better its business strategy, strengthen its human resources management and fully utilise the available resources. It is hoped that the business will be improving steadily.

For the announcement made on 27 October 2010 and 14 February 2011 respectively regarding the industrial land of 69,000 square meters owned by the Group's subsidiary in Ping Shan, Shenzhen which is currently used for the production of household products, as it is in the distance of about 2,500-3,000 meters from the developing Xiamen-Shenzhen high-speed Railway East Station and falls within the criteria for urban redevelopment of the land from industrial into commercial and residential purposes, the Group has entered into a framework agreement with a renowned PRC land development company to examine the feasibility of applying to relevant government departments for the land use change from industrial purposes to business and residential purposes. It is expected that once the approval is granted by the relevant government departments it will be redeveloped into commercial, residential and communal complex and both parties will discuss about the sharing of their respective rights and interests of the project.

For the environmental recycling and reborn resources business, the Group had obtained certain technology and invention patents granted by the PRC and considered how to utilise the patent skills to maximize the cost benefit and also continue to explore new environmental projects and speed up the development of environmental business and it is hoped to generate return for the Group.

Management Discussion and Analysis

RESULTS

- The Group recorded a turnover of HK\$1,010,712,000 for the year ended 31 December 2010, representing an increase of 9.6% as compared to the same period last year.
- Gross profit and gross profit margin of the Group recorded were HK\$118,659,000 and 11.7%, representing a decrease of HK\$39,662,000 and a decrease of 5.5% respectively as compared to the same period last year.
- Profit for the year was HK\$2,644,000, as compared to a profit of HK\$29,405,000 for the same period last year.
- Basic earnings per share was HK0.4 cent, as compared to profit per share of HK4.3 cents for the same period last year.
- The Board of Directors recommends the payment of a final dividend of HK0.5 cent per share for the year.

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 2010, the Group had bank balances and cash and pledged bank deposits of approximately HK\$106,566,000 (31.12.2009: HK\$113,991,000) and had interest-bearing bank borrowings of approximately HK\$191,201,000 (31.12.2009: HK\$205,613,000). 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 2010 amounted to HK\$440,178,000; of which HK\$191,201,000 of the banking facilities was utilised (utilisation rate was at 43.4%).

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 2010, the Group had current assets of approximately HK\$569,455,000 (31.12.2009: HK\$514,364,000). The Group's current ratio was approximately 1.3 as at 31 December 2010 as compared with approximately 1.3 as at 31 December 2009. Total shareholders' funds of the Group as at 31 December 2010 increased by 4.6% to HK\$930,156,000 (31.12.2009: HK\$889,486,000). The gearing ratio (measured as total liabilities/total shareholders' funds) of the Group as at 31 December 2010 was 0.48 (31.12.2009: 0.49).

Management Discussion and Analysis

CHARGES ON ASSETS

Certain leasehold land and buildings, investment properties, prepaid lease payments, bank deposits and financial asset at fair value through profit or loss with an aggregate net book value of HK\$272,748,000 were pledged to banks for general banking facilities granted to the Group.

STAFF AND EMPLOYMENT

At 31 December 2010, the Group employed a total workforce of about 2,791 (31.12.2009: 2,952) including 2,745 staff in our factories located in the PRC. The total staff remuneration incurred during the period was HK\$112,908,000 (31.12.2009: HK\$98,711,000). 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.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

LEE Tat Hing, aged 73, is the Chairman of the Group. Mr. Lee has over 40 years' experience in the trading and manufacture of household products and is responsible for the strategic planning and business development of the Group.

FUNG Mei Po, aged 55, is the wife of Mr. Lee Tat Hing and the Vice Chairperson and Chief Executive Officer of the Group. She has over 20 years' experience in marketing, production planning and factory management and has been with the Group for over 20 years. Madam Fung is in charge of sales of the Group's North American markets and the Group's Hong Kong operations and administration.

LEE Chun Sing, aged 50, is the son of Mr. Lee Tat Hing and the Vice Chairman of the Group. He is responsible for the planning and production management of the Group's PRC operations and has been with the Group since 1985.

LEE Pak Tung, aged 64, joined the Group in 1976. He has over 30 years' experience in trading and is responsible for the Group's sales to the Asia and Latin American markets.

CHAN Lai Kuen Anita, aged 59, is the chief accounting officer and treasurer of the Group and is responsible for the overall accounting, treasury and human resources of the Group. She has gained extensive experience in accounting, taxation, financial and personnel management by working in various sizable corporations in Hong Kong before she joined the Group in 1986.

NON-EXECUTIVE DIRECTOR

CHEUNG Tze Man Edward, aged 58, is a practising solicitor in Hong Kong. He obtained his Bachelor of Laws degree from the University of London and Master of Laws in Chinese Law from University of Hong Kong and is a member of the Law Society in Hong Kong and in England and Wales. He is also a member of the Institute of Chartered Secretaries and Administrators.

INDEPENDENT NON-EXECUTIVE DIRECTORS

TSUI Chi Him Steve, aged 55, had engaged in managerial positions in major British and Chinese banks in Hong Kong in the past with more than 20 years' experience in credit, credit audit and credit risk management, involving many medium size and some large corporations listed in China or in Hong Kong. Mr. Tsui joined the Group in 2007.

HO Tak Kay, aged 54, is a fellow member of the Association of Chartered Certified Accountants as well as the Hong Kong Institute of Certified Public Accountants. He has developed his career over the past 30 years' in the accounting profession with strong audit and financial experience in a spectrum of sectors. He gained extensive exposure from working with international accounting firms for 18 years from 1973 to 1991. Mr. Ho joined the Group in 2004.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS – *continued*

HUI Chi Kuen Thomas, aged 54, is a professional accountant. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in Australia and CPA Australia. He has over 20 years' experience in accounting, taxation and financial management gained from multinational corporations and publicly listed companies in Hong Kong and Australia. Mr. Hui joined the Group in 2004.

SENIOR MANAGEMENT

LEUNG Cho Wai, aged 44, is the Financial Controller and Qualified Accountant of the Group. He joined the Group in 2007. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a member of the Hong Kong Institution of Certified Public Accountants. He has gained extensive experience in auditing, accounting, taxation and financial management by working in certified public accountants firm and publicly listed companies in Hong Kong. He is responsible for the overall financial management and planning of the Group.

TSUI Chi Yuen, aged 46, is the secretary of the Company and joined the Group in 2007. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Tsui has over 20 years of experience in auditing, accounting and financial management.

LEE Fung Mei Belinda, aged 45, is the daughter of Mr. Lee Tat Hing and senior sales manager of the Group. Madam Lee graduated from York University in Canada with a Bachelor's degree in Economics. Madam Lee assists Madam Fung Mei Po in the marketing of the Group's products in the United States of America and Canada and she has been with the Group since 1989.

LEE Hon Sing Alan, aged 47, is the son of Mr. Lee Tat Hing. Mr. Lee is responsible for the administration, management and production of one of the major production plant in Shenzhen, the PRC. He joined the Group in 1989 and has over 15 years' experience in factory management.

LEE Kwok Sing Stanley, aged 48, is the son of Mr. Lee Tat Hing. Mr. Lee is responsible for the administration, management and production of the production plant in Zhongshan, the PRC. He joined the Group in 1989 and has over 15 years' experience in factory management.

CHEN Hsin Hsiung, aged 68, is the engineering and production manager of the printing roller division. Before joining the Group in 1992, Mr. Chen had over 30 years' experience in PVC printing roller technology.

HUANG Liang Kuei, aged 49, is a technical engineer of PVC sheeting production. Mr. Huang is responsible for the engineering and production of the Group. Before joining the Group, Mr. Huang worked in a leading PVC manufacturer in Taiwan. He has over 20 years' experience in production and administration.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT – *continued*

WANG Wen Bi, aged 45, graduated from the Taiwan Culture University. He is the engineering and technology manager of PVC pipes and fittings segment. He joined the Group in 1995 and has over 14 years' experience in technological management, production and administration.

CHAN Lan Ying Shirley, aged 53, is the production planning manager of the Group and is responsible for production planning, purchasing and materials control functions. She has been with the Group for over 20 years.

WONG Sung Kong, aged 51, is the chief artist and has been with the group since 1985. He holds a certificate in art and design from the Department of Extramural Studies of the Chinese University of Hong Kong. In 1985, he was invited by the Urban Council to participate in the Contemporary Hong Kong Art Biennial Exhibition.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the “Board”) of World Houseware (Holdings) Limited (the “Company”) believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. The Board regularly reviews the Company’s corporate governance guidelines and developments. The Company has applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the “Code”) of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors’ securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) of the Listing Rules. All the Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The Board of the Company currently comprises:

Executive Directors:

Lee Tat Hing *(Chairman)*
Fung Mei Po *(Vice Chairperson and Chief Executive Officer)*
Lee Chun Sing *(Vice Chairman)*
Lee Pak Tung
Chan Lai Kuen Anita

Non-executive Director:

Cheung Tze Man Edward

Independent Non-executive Directors:

Tsui Chi Him Steve
Ho Tak Kay
Hui Chi Kuen Thomas

The three Independent Non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of accounting and business management. With their experience gained from senior positions held in other companies, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each Independent Non-executive Director has given an annual confirmation of his independence to the Company, and the Company considers these directors to be independent under Rule 3.13 of the Listing Rules.

Corporate Governance Report

BOARD OF DIRECTORS – *continued*

Madam Fung Mei Po, the Vice Chairperson and Chief Executive Officer, is the wife of Mr. Lee Tat Hing, the Chairman whereas Mr. Lee Chun Sing, the Vice Chairman, is the son of Mr. Lee Tat Hing, the Chairman.

During the year, nine full board meetings were held and the attendance of each director is set out as follows:

Name of director	Number of board meetings attended in 2010	Attendance rate
Lee Tat Hing	9/9	100%
Fung Mei Po	9/9	100%
Lee Chun Sing	9/9	100%
Kwong Bau To (resigned on 9 May 2010)	3/3	100%
Lee Pak Tung	9/9	100%
Chan Lai Kuen Anita	9/9	100%
Cheung Tze Man Edward	7/9	78%
Tsui Chi Him Steve	7/9	78%
Ho Tak Kay	7/9	78%
Hui Chi Kuen Thomas	6/9	67%

The Board formulates overall strategy of the Company, monitors its financial performance and maintains effective oversight over the management. The Board members are fully committed to their roles and have acted in good faith to maximise the shareholders' value in the long run, and have aligned the Company's goals and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

The regular Board meeting schedule for any year is planned in the preceding year. At least 14 days notice of all board meetings is given to all directors and they can include matters for discussion in the agenda if the need arises. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all relevant rules and regulations are followed. The agenda and the accompanying board papers are sent to all directors at least 3 days before the date of every board meeting so that the directors have the time to review the documents. Minutes of every board meeting are circulated to all directors for their perusal prior to confirmation of the minutes at the following board meeting.

Every board member is entitled to have access to board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required. The Company Secretary continuously updates all directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practice.

Corporate Governance Report

BOARD OF DIRECTORS – *continued*

The Board has a defined schedule of matters reserved for the Board decision in various major categories and events.

When the Board considers any material proposal or transaction in which a substantial shareholder or a Director has a conflict of interest, a board meeting is held and Independent Non-executive Directors who have no material interest in the transaction present at such board meeting. At the meeting, the Director who has interests declares his interest and is required to abstain from voting.

The Company has arranged appropriate insurance cover in respect of legal actions against its Directors and officers. The Board reviews the extent of this insurance annually.

Composition of the Board, by category of Directors, including names of Chairman, Executive Directors, Independent Non-executive Directors and Non-executive Director is disclosed in all corporate communications.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and the Chief Executive Officer of the Company are Mr. Lee Tat Hing and Madam Fung Mei Po respectively. The roles of the Chairman and the Chief Executive Officer are segregated and assumed by two separate individuals to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Chairman of the Board is responsible for the leadership and effective running of the Board, while the Chief Executive Officer is delegated with the authorities to manage the business of the Company in all aspects effectively. The division of responsibilities between the Chairman and the Chief Executive Officer have been clearly established and set out in writing.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company has fixed a term of 3 years' appointment for Non-executive Director and subject to re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

All directors appointed to fill casual vacancy be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, be subject to retirement by rotation at least once every three years.

Corporate Governance Report

REMUNERATION COMMITTEE

The Remuneration Committee of the Company comprises the Chairman, a Non-executive Director and three Independent Non-executive Directors.

The Remuneration Committee was formed in September 2005 and meetings shall be held at least once a year. One meeting was held in 2010. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2010	Attendance rate
Lee Tat Hing (<i>Chairman of remuneration committee</i>)	1/1	100%
Cheung Tze Man Edward	1/1	100%
Tsui Chi Him Steve	1/1	100%
Ho Tak Kay	1/1	100%
Hui Chi Kuen Thomas	1/1	100%

The emoluments payable to directors will depend on their respective contractual terms under employment contracts, if any, and as recommended by the Remuneration Committee. Details of the directors' remuneration are set out in note 11 (i) to the financial statements.

The major roles and functions of the Remuneration Committee are as follows:

1. To review annually and recommend to the Board the overall remuneration policy for the directors, the Chief Executive Officer and key senior management officers.
2. To review annually the performance of the Executive Directors, the Chief Executive Officer and key senior management officers and recommend to the Board specific adjustments in remuneration and/or reward payments.
3. To ensure that the level of remuneration for Non-executive Director and Independent Non-executive Directors are linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board of Company.
4. To review and approve the compensation payable to Executive Directors, the Chief Executive Officer and key senior management officers in connection with any loss or termination of their office or appointment.
5. To review and approve compensation arrangements relating to dismissal or removal of directors for misconduct.
6. To ensure that no director is involved in deciding his own remuneration.

Corporate Governance Report

REMUNERATION COMMITTEE – *continued*

The terms of reference of the Remuneration Committee are available from the Company Secretary on request.

NOMINATION COMMITTEE

The Nomination Committee of the Company comprises the Chairman, one Executive director and three independent Non-executive Directors. The Nomination Committee was formed in September 2007 and meetings shall be held at least once a year. One meeting was held in 2010. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2010	Attendance rate
Lee Tat Hing (<i>Chairman of nomination committee</i>)	1/1	100%
Fung Mei Po	1/1	100%
Tsui Chi Him Steve	1/1	100%
Ho Tak Kay	1/1	100%
Hui Chi Kuen Thomas	1/1	100%

The Nomination Committee which has written term of reference, is responsible for making recommendations to the Board on all board appointments and re-appointments. The Nomination Committee responsibilities are as follows:

- a. to review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- b. to identify suitable individuals qualified to become Board members and make recommendations to the Board on suitable candidates to be nominated for directorships;
- c. to establish a mechanism for formal assessment and to perform periodic assessment on the effectiveness of the Board;
- d. to assess the independence of independent non-executive directors on its appointment or when their independence is called into question;
- e. to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors.

The terms of reference of the Nomination Committee are available from the Company Secretary on request.

Corporate Governance Report

ACCOUNTABILITY AND AUDIT

The directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Company and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2010, the directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKASs”) which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

AUDIT COMMITTEE

The Audit Committee of the Company comprises one Non-executive Director and three Independent Non-executive Directors.

The Audit Committee shall meet at least three times a year. Three meetings were held during the year. The minutes of the Audit Committee meetings were tabled to the Board for noting and for action by the Board where appropriate. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2010	Attendance rate
Tsui Chi Him Steve (<i>Chairman of audit committee</i>)	3/3	100%
Cheung Tze Man Edward	3/3	100%
Hui Chi Kuen Thomas	3/3	100%
Ho Tak Kay	3/3	100%

During the meetings held in 2010 the Audit Committee had performed the following work:

- (i) reviewed the financial reports for the year ended 31 December 2009 and for the six months ended 30 June 2010;
- (ii) reviewed the effectiveness of internal control system;
- (iii) discussed with the external auditors the audit fee in respect of the financial statements for the year ended 31 December 2009.

Corporate Governance Report

AUDIT COMMITTEE – *continued*

The major roles and functions of the Audit Committee are as follows:

1. To consider the appointment of the external auditors, the audit fees, and any questions of resignation or dismissal of the external auditors of the Company.
2. To discuss with the external auditors the nature and scope of the audit.
3. To review the interim and annual financial statements before submission to the Board.
4. To discuss problems and reservations arising from the interim review and final audit, and any matters the auditors may wish to discuss.

The terms of reference of the Audit Committee are available from the Company Secretary on request.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the Company's auditors, Messrs Deloitte Touche Tohmastu, is set out as follows:

Services rendered	Fees paid/payable
	HK\$'000
Audit services	2,500
Review on interim financial statements	520
Non-audit services – taxation	110
	<hr/>
	3,130
	<hr/> <hr/>

Corporate Governance Report

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognises the importance of good communications with all shareholders. The Company's annual general meeting is a valuable forum for the Board to communicate directly with the shareholders. The Chairman of the Board as well as Chairmen of the Audit, Remuneration and Nomination Committees together with the external auditors are present to answer shareholders' questions. An annual general meeting circular is distributed to all shareholders at least 21 days before the annual general meeting. It sets out the procedures for demanding and conducting a poll and other relevant information of the proposed resolutions. The Chairman explains the procedures for demanding and conducting a poll again at the beginning of the annual general meeting and (except where a poll is demanded) reveals how many proxies for and against have been filed in respect of each resolution. The results of the poll, if any, will be published in our investor relations website.

A key element of effective communication with shareholders and investors is the prompt and timely dissemination of information in relation to the Company. The Company has announced its annual and interim results in a timely manner as laid down in the Listing Rules after the end of the relevant periods in 2010.

INTERNAL CONTROL

The Company maintains a comprehensive and effective internal control system. The Company's internal control cover a number of procedures and policies which covers all material controls, including financial, operational, compliance controls and risk management functions.

The management of the Company had reviewed the Company's internal control system for the year ended 31 December 2010 and had submitted the results of the review and its recommendations and opinions for consideration by the Audit Committee and the Board.

Directors' Report

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on page 26.

The directors now recommend the payment of a final dividend of HK0.5 cent per share to the shareholders on the register of members on 10 June 2011, amounting to approximately HK\$3,382,000.

INVESTMENT PROPERTIES

The investment properties held by the Group were revalued at 31 December 2010, resulting in a net increase in fair value of HK\$2,550,000, which has been credited directly to profit or loss.

Details of these and other movement of investment properties of the Group are set out in note 14 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred expenditure of approximately HK\$36,226,000 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 15 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2010 represent the aggregate of share premium and special reserve less deficit which amounted to approximately HK\$301,692,000 (2009: HK\$304,906,000). 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

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Lee Tat Hing (*Chairman*)
Fung Mei Po (*Vice Chairperson and Chief Executive Officer*)
Lee Chun Sing (*Vice Chairman*)
Lee Pak Tung
Kwong Bau To (Resigned on 9 May 2010)
Chan Lai Kuen Anita

Non-executive director:

Cheung Tze Man Edward

Independent non-executive directors:

Tsui Chi Him Steve
Hui Chi Kuen Thomas
Ho Tak Kay

In accordance with Article 116 of the Company's Articles of Association, Madam Fung Mei Po, Mr. Lee Chun Sing, Mr. Cheung Tze Man Edward and Mr. Tsui Chi Him Steve retire by rotation 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 2008 except Mr. Tsui Chi Him Steve who has entered into a service agreement with the Company for a term of three years from 17 November 2010 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' Report

DIRECTORS' INTERESTS IN SHARES

At 31 December 2010, the interests of the directors, chief executive 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 issued ordinary shares held				Total	Percentage of the issued share capital of the Company
	Personal interests	Family interests	Corporate interests	Other interests		
Lee Tat Hing	1,756,072	38,947,087 (a)	28,712,551 (c)	280,895,630 (d)	350,311,340	51.79%
Fung Mei Po	38,947,087	30,468,623 (b)	–	280,895,630 (d)	350,311,340	51.79%
Lee Chun Sing	21,815,830	–	–	280,895,630 (d)	302,711,460	44.75%
Lee Pak Tung	2,766,448	–	–	–	2,766,448	0.41%
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) The shares are held by Lees International Investments Limited, a company wholly owned by Mr. Lee Tat Hing.
- (d) The shares are held by Goldhill Profits Limited which is wholly owned by a discretionary trust of which Mr. Lee Tat Hing, Mr. Lee Chun Sing and Madam Fung Mei Po are discretionary objects.

DIRECTORS' INTERESTS IN SHARES – *continued*

At 31 December 2010, 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 2010, 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.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2010, 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 2010.

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Particulars of the Company's share option scheme are set out in note 29 to the consolidated financial statements.

During the year, no share options were granted under the share option scheme by the Company. In addition, as of 31 December 2010, no share options were outstanding.

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 debentures of, the Company or any other body corporate.

Directors' Report

DIRECTORS' INTERESTS 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 9.7% and 35.9%, respectively of the Group's turnover for the year.

The largest supplier of the Group by itself and together with the next four largest suppliers accounted for 9.2% and 26.6%, 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 2010.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company had adopted a share option scheme as an incentive to directors and eligible employees, details of which are set out in note 29 to the consolidated financial statements.

INDEPENDENCY OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of the independency pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange. The Company considers all of the independent non-executive directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2010.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK\$436,000.

EVENT AFTER THE REPORTING PERIOD

Details of significant event occurring after the reporting period are set out in note 38 to the consolidated financial statements.

AUDITOR

A resolution will be submitted at the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

Lee Tat Hing

CHAIRMAN

Hong Kong

23 March 2011



TO THE SHAREHOLDERS OF WORLD HOUSEWARE (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of World Houseware (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 97, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

Independent Auditor's Report

Auditor's Responsibility – *continued*

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

23 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 HK\$'000	2009 HK\$'000
Turnover	6	1,010,712	922,576
Cost of sales		(892,053)	(764,255)
Gross profit		118,659	158,321
Other income		5,446	8,019
Other gains and losses	7	(4,576)	(1,940)
Selling and distribution costs		(12,820)	(14,186)
Administrative expenses		(90,284)	(91,291)
Impairment losses recognised on trade and other receivables		(1,565)	(15,389)
Finance costs	8	(8,371)	(8,253)
Profit before taxation		6,489	35,281
Taxation	9	(3,845)	(5,876)
Profit for the year, attributable to owners of the Company	10	2,644	29,405
Other comprehensive income			
Exchange differences arising from translation of foreign operations		38,026	6,118
Total comprehensive income for the year, attributable to owners of the Company		40,670	35,523
Earnings per share – basic	13	0.4 HK cent	4.3 HK cents

Consolidated Statement of Financial Position

At 31 December 2010

	Notes	31.12.2010 HK\$'000	31.12.2009 HK\$'000 (Restated)	1.1.2009 HK\$'000 (Restated)
Non-current assets				
Investment properties	14	21,720	19,170	16,550
Property, plant and equipment	15	683,305	680,847	707,623
Prepaid lease payments	16	85,130	97,734	99,707
Deposits paid for acquisition of property, plant and equipment		150	1,221	2,622
Intangible assets	17	2,177	2,496	2,869
Financial asset at fair value through profit or loss	18	–	6,859	6,267
		792,482	808,327	835,638
Current assets				
Inventories	19	223,174	192,776	167,419
Trade and other receivables	20	225,093	201,525	209,227
Prepaid lease payments	16	2,367	2,594	2,578
Taxation recoverable		72	3,478	4,037
Derivative financial instrument	21	403	–	–
Financial assets at fair value through profit or loss	18	11,780	–	–
Pledged bank deposits	22	35,328	46,595	22,946
Bank balances and cash	22	71,238	67,396	46,917
		569,455	514,364	453,124
Non-current asset classified as held for sale	23	13,388	–	–
		582,843	514,364	453,124
Current liabilities				
Trade and other payables	24	213,901	180,894	196,148
Amounts due to directors	25	27,174	30,125	27,798
Taxation payable		5,066	8,097	1,301
Bank borrowings – amount due within one year	26	180,025	188,341	198,222
		426,166	407,457	423,469
Net current assets		156,677	106,907	29,655
Total assets less current liabilities		949,159	915,234	865,293

Consolidated Statement of Financial Position

At 31 December 2010

	Notes	31.12.2010 HK\$'000	31.12.2009 HK\$'000 (Restated)	1.1.2009 HK\$'000 (Restated)
Non-current liabilities				
Bank borrowings – amount due after one year	26	11,176	17,272	91
Deferred taxation liabilities	27	7,647	8,476	11,239
Derivative financial instrument	21	180	–	–
		19,003	25,748	11,330
		930,156	889,486	853,963
Capital and reserves				
Share capital	28	67,642	67,642	67,642
Reserves		862,514	821,844	786,321
		930,156	889,486	853,963

The consolidated financial statements on pages 26 to 97 were approved and authorised for issue by the Board of Directors on 23 March 2011 and are signed on its behalf by:

Lee Tat Hing
Chairman

Fung Mei Po
Vice Chairperson
and
Chief Executive Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Share capital	Share distributable premium	Non- reserve	Translation reserve	PRC statutory surplus reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000	HK\$'000 (Note b)	HK\$'000	HK\$'000
At 1 January 2009	67,642	313,127	251,393	210,546	9,203	2,052	853,963
Profit for the year	-	-	-	-	-	29,405	29,405
Other comprehensive income for the year	-	-	-	6,118	-	-	6,118
Total comprehensive income for the year	-	-	-	6,118	-	29,405	35,523
Transfers	-	-	-	-	1,818	(1,818)	-
At 31 December 2009	67,642	313,127	251,393	216,664	11,021	29,639	889,486
Profit for the year	-	-	-	-	-	2,644	2,644
Other comprehensive income for the year	-	-	-	38,026	-	-	38,026
Total comprehensive income for the year	-	-	-	38,026	-	2,644	40,670
Transfers	-	-	-	-	2,322	(2,322)	-
At 31 December 2010	<u>67,642</u>	<u>313,127</u>	<u>251,393</u>	<u>254,690</u>	<u>13,343</u>	<u>29,961</u>	<u>930,156</u>

Notes:

- (a) The non-distributable reserve of the Group arose as a result of capitalisation of retained profits by subsidiaries.
- (b) As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China ("PRC"), the PRC subsidiaries are required to maintain a statutory surplus reserve fund. Statutory surplus reserve fund is non-distributable. Appropriations to such reserves are made out of net profit after taxation of the PRC subsidiaries at the discretion of its board of directors. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied to convert into capital by means of capitalisation issue.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	2010	2009
	HK\$'000	HK\$'000
Cash flows from operating activities		
Profit before taxation	6,489	35,281
Adjustments for:		
Amortisation of intangible assets	401	393
Amortisation of prepaid lease payments	2,639	2,593
Depreciation of property, plant and equipment	52,875	51,698
Foreign exchange difference on inter-company balances	9,591	1,448
Gain arising from changes in fair value of derivative financial instruments	(1,308)	–
Gain arising from changes in fair value of financial assets at fair value through profit or loss	(97)	(592)
Gain arising from changes in fair value of investment properties	(2,550)	(2,620)
Impairment loss (reversed) recognised on trade receivables	(360)	15,389
Impairment loss recognised on other receivables	1,925	–
Impairment loss recognised in respect of property, plant and equipment	–	1,841
Interest expense	8,371	8,253
Interest income	(897)	(769)
Loss on disposal of property, plant and equipment	305	884
(Reversal of) allowance for inventories obsolescence	(4,046)	303
Write off of other payables	–	2,210
Write off of other receivables	146	1,527
	<hr/>	<hr/>
Operating cash flows before movements in working capital	73,484	117,839
Increase in inventories	(19,811)	(24,529)
Increase in trade and other receivables	(20,099)	(8,244)
Increase (decrease) in trade and other payables	28,344	(10,977)
	<hr/>	<hr/>
Net cash generated from operations	61,918	74,089
Hong Kong Profits tax paid	(1,722)	(4,737)
Hong Kong Profits tax refunded	3,478	–
Profits tax paid outside Hong Kong	(6,533)	–
Profits tax refunded outside Hong Kong	–	3,404
	<hr/>	<hr/>
Net cash generated from operating activities	57,141	72,756
	<hr/>	<hr/>

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	2010	2009
	HK\$'000	HK\$'000
Cash flows from investing activities		
Release of pledged bank deposits	312,819	249,546
Proceeds from disposal of property, plant and equipment	1,390	6,544
Proceeds from settlement of derivative financial instruments	1,085	–
Interest received	897	769
Pledged bank deposits placed	(300,939)	(273,195)
Purchase of property, plant and equipment	(35,576)	(36,741)
Purchase of financial asset at fair value through profit or loss	(4,824)	–
Deposits paid for acquisition of property, plant and equipment	(70)	(163)
	<hr/>	<hr/>
Net cash used in investing activities	(25,218)	(53,240)
	<hr/>	<hr/>
Cash flows from financing activities		
Bank loans raised	157,491	220,536
Net increase (decrease) in trust receipts and import loans	5,720	(9,957)
Advances from directors	100	6,000
Repayment of bank loans	(180,006)	(204,207)
Interest paid	(8,371)	(8,253)
Repayment to directors	(3,097)	(3,688)
Net (decrease) increase in bank overdrafts	(1,953)	241
	<hr/>	<hr/>
Net cash (used in) generated from financing activities	(30,116)	672
	<hr/>	<hr/>
Net increase in cash and cash equivalents	1,807	20,188
Cash and cash equivalents at 1 January	67,396	46,917
Effect of foreign exchange rate changes	2,035	291
	<hr/>	<hr/>
Cash and cash equivalents at 31 December, represented by bank balances and cash	71,238	67,396
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

1. GENERAL

The Company was incorporated in the Cayman Islands with limited liability under the Companies Law and registered thereunder as an exempted company. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 37.

The financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised Standards and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (as revised in 2008)	Business combinations
HKAS 27 (as revised in 2008)	Consolidated and separate financial statements
HKAS 39 (Amendments)	Eligible hedged items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK (IFRIC*) – INT 17	Distributions of non-cash assets to owners
HK – INT 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

* IFRIC represents the IFRS Interpretations Committee.

Except as described below, the adoption of the new and revised HKFRSs in the current year has had no material effect on the consolidated financial statements and/or disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

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

Amendments to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 “Leases” has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on the information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payment to property, plant and equipment retrospectively. This resulted in prepaid lease payments with the carrying amounts of HK\$33,507,000 and HK\$32,631,000 as at 1 January 2009 and 31 December 2009 respectively being reclassified to property, plant and equipment.

As at 31 December 2010, leasehold land that qualifies for finance leases classification with the carrying amount of HK\$31,755,000 has been included in property, plant and equipment. The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

Hong Kong Interpretation 5 “Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause”

Hong Kong Interpretation 5 “Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause” (“HK INT 5”) clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time (“repayment on demand clause”) should be classified by the borrower as current liabilities. The Group has applied HK INT 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK INT 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK INT 5, term loans with a repayment on demand clause are classified as current liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”) – *continued*

Hong Kong Interpretation 5 “Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause” – *continued*

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK\$17,327,000 and HK\$21,741,000 have been reclassified from non-current liabilities to current liabilities as at 31 December 2009 and 1 January 2009 respectively. As at 31 December 2010, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK\$11,875,000 have been classified as current liabilities. The application of HK INT 5 has had no impact on the reported profit or loss for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities (see note 30 for details).

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 ¹
HKFRS 1 (Amendments)	Limited exemptions from comparative HKFRS 7 disclosures for first-time adopters ²
HKFRS 1 (Amendments)	Severe hyperinflation and removal of fixed dates for first-time adopters ³
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets ³
HKFRS 9	Financial instruments ⁴
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets ⁵
HKAS 24 (as revised in 2009)	Related party disclosures ⁶
HKAS 32 (Amendments)	Classification of right issues ⁷
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirement ⁶
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments ²

¹ Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.

² Effective for annual periods beginning on or after 1 July 2010.

³ Effective for annual periods beginning on or after 1 July 2011.

⁴ Effective for annual periods beginning on or after 1 January 2013.

⁵ Effective for annual periods beginning on or after 1 January 2012.

⁶ Effective for annual periods beginning on or after 1 January 2011.

⁷ Effective for annual periods beginning on or after 1 February 2010.

HKFRS 9 “Financial Instruments” (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 “Financial Instruments” (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”) – *continued*

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group’s consolidated financial statements for financial year ending 31 December 2013 and that the application of the new Standard may have a impact on amounts reported in respect of the Groups’ financial assets.

The amendments to HKAS 12 titled “Deferred tax: Recovery of underlying assets” mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 “Investment property”. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to HKAS 12 will not have a significant impact on deferred tax recognised for investment properties that are measured using the fair value model.

The directors of the Company anticipate that the application of the other new and revised HKFRSSs will have no material impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Investment properties – *continued*

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual value, over their estimated useful lives, using the reducing balance method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Leasing

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan received on or after 1 January 2009 at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan on initial recognition.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme in Hong Kong and retirement benefit schemes in the PRC are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for the current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation – *continued*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Intangible assets

Expenditure on research activities is recognised as an expense on the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Intangible assets – *continued*

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Impairment

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired (see the accounting policies in respect of impairment losses for tangible and intangible assets below).

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are mainly classified as loans and receivables and financial assets at fair value through profit or loss ("FVTPL"). All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Financial assets at fair value through profit or loss

Financial assets at FVTPL of the Group has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment as a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period granted, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis other than those financial liability classified as at FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities including trade and other payables, bank borrowings and amounts due to directors are subsequently measured at amortised cost, using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial liabilities and equity instruments – *continued*

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment loss of inventory

The Group makes allowance for inventories obsolescence based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgment and estimates on the conditions and usefulness of the inventories. The amount of allowance would be changed as a result of the changes in current market conditions subsequently.

The carrying amount of inventories at 31 December 2010 is HK\$223,174,000 (net of allowance for inventories obsolescence of HK\$11,135,000) (2009: HK\$192,776,000 (net of allowance for inventories obsolescence of HK\$14,729,000)).

Estimated impairment loss recognised on trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2010, the carrying amount of trade receivables is HK\$189,205,000 (net of allowance for bad and doubtful debts of HK\$35,206,000) (2009: HK\$176,222,000 (net of allowance for bad and doubtful debts of HK\$34,435,000)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

Estimated impairment loss recognised in respect of property, plant and equipment

Determining whether property, plant and equipment is impaired requires an estimation of the value in use of the cash-generating units to which the property, plant and equipment has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of property, plant and equipment at 31 December 2010 is HK\$683,305,000 (net of accumulated impairment loss recognised in respect of property, plant and equipment of HK\$18,504,000) (2009: 680,847,000 (net of accumulated impairment loss recognised in respect of property, plant and equipment of HK\$18,504,000)).

Income taxes

As at 31 December 2010, a deferred taxation asset of HK\$2,167,000 (2009: HK\$1,912,000) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of HK\$135,150,000 (2009: HK\$130,064,000) due to the unpredictability of future profit streams. The realisability of the deferred taxation asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than or more than expected, a material reversal or recognition of deferred taxation assets may arise, which would be recognised in profit or loss for the period in which such a reversal or recognition takes place.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes bank borrowings, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and the issue of new debt.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

6. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of goods delivered. This is also the basis upon which the Group is arranged and organised.

Specifically, the Group's operating and reportable segments under HKFRS 8 are as follows:

Household products	–	manufacture and distribution of household products
PVC pipes and fittings	–	manufacture and distribution of PVC pipes and fittings
Others	–	investment in properties

Segment turnover and results

The following is an analysis of the Group's turnover and results by reportable segments.

For the year ended 31 December 2010

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover					
Sales of goods					
External sales	409,665	600,006	–	–	1,009,671
Inter-segment sales	681	179	–	(860)	–
Rental income	–	–	1,041	–	1,041
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>410,346</u>	<u>600,185</u>	<u>1,041</u>	<u>(860)</u>	<u>1,010,712</u>
Segment (loss) profit	(3,933)	34,509	3,471	–	34,047
Gain arising from changes in fair value of derivative financial instruments					1,308
Gain arising from changes in fair value of financial assets at fair value through profit or loss					97
Interest income					897
Unallocated corporate expenses					(21,489)
Finance costs					(8,371)
					<u> </u>
Profit before taxation					<u>6,489</u>

Inter-segment sales are charged at cost plus certain mark-up.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

6. SEGMENT INFORMATION – continued

Segment turnover and results – continued

For the year ended 31 December 2009

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover					
Sales of goods					
External sales	389,905	531,394	–	–	921,299
Inter-segment sales	890	1,350	–	(2,240)	–
Rental income	–	–	1,277	–	1,277
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>390,795</u>	<u>532,744</u>	<u>1,277</u>	<u>(2,240)</u>	<u>922,576</u>
Segment profit	24,418	36,834	3,778	–	65,030
Gain arising from change in fair value of financial asset at fair value through profit or loss					592
Interest income					769
Unallocated corporate expenses					(22,857)
Finance costs					(8,253)
					<u> </u>
Profit before taxation					<u>35,281</u>

Inter-segment sales are charged at cost plus certain mark-up.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs, interest income, gain arising from changes in fair value of derivative financial instruments, gain arising from changes in fair value of financial assets at fair value through profit or loss and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

6. SEGMENT INFORMATION – *continued*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

At 31 December 2010

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Others HK\$'000	Consolidated HK\$'000
Assets				
Segment assets	480,235	675,853	21,720	1,177,808
Unallocated assets				197,517
Consolidated total assets				<u>1,375,325</u>
Liabilities				
Segment liabilities	81,709	129,734	–	211,443
Unallocated liabilities				233,726
Consolidated total liabilities				<u>445,169</u>

At 31 December 2009

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Others HK\$'000	Consolidated HK\$'000
Assets				
Segment assets	500,289	598,122	19,170	1,117,581
Unallocated assets				205,110
Consolidated total assets				<u>1,322,691</u>
Liabilities				
Segment liabilities	59,163	117,945	–	177,108
Unallocated liabilities				256,097
Consolidated total liabilities				<u>433,205</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

6. SEGMENT INFORMATION – *continued*

Segment assets and liabilities – *continued*

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than financial assets at fair value through profit or loss, derivative financial instruments, taxation recoverable, pledged bank deposits, bank balances and cash and leasehold buildings and prepaid lease payments provided to group directors as residential accommodation.
- all liabilities are allocated to reportable segments other than amounts due to directors, taxation payable, derivative financial instruments, bank borrowings, deferred taxation liabilities, bonus payable and accruals of administrative expenses in head office.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

6. SEGMENT INFORMATION – continued

Other segment information

For the year ended 31 December 2010

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Others HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit or segment assets:						
Addition to non-current assets	16,505	19,721	–	36,226	–	36,226
Depreciation	22,205	28,731	–	50,936	1,939	52,875
Amortisation of intangible assets	401	–	–	401	–	401
Amortisation of prepaid lease payments	1,339	1,300	–	2,639	–	2,639
Impairment loss reversed on trade receivables	(269)	(91)	–	(360)	–	(360)
Impairment loss recognised on other receivables	1,803	122	–	1,925	–	1,925
Reversal of inventories obsolescence	(3,304)	(742)	–	(4,046)	–	(4,046)
Net foreign exchange loss (gain)	8,165	(85)	–	8,080	–	(8,080)
Loss (gain) on disposal of property, plant and equipment	463	(158)	–	305	–	305
Gain arising from changes in fair value of investment properties	–	–	(2,550)	(2,550)	–	(2,550)
Write off of other receivables	146	–	–	146	–	146

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets:

Interest income	(63)	(834)	–	(897)	–	(897)
Interest expenses	5,500	2,871	–	8,371	–	8,371
Income tax expenses	(340)	4,185	–	3,845	–	3,845

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

6. SEGMENT INFORMATION – continued

Other segment information – continued

For the year ended 31 December 2009

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Others HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit or segment assets:						
Addition to non-current assets (note)	16,056	13,839	–	29,895	814	30,709
Depreciation	24,387	25,372	–	49,759	1,939	51,698
Amortisation of intangible assets	393	–	–	393	–	393
Amortisation of prepaid lease payments	1,714	879	–	2,593	–	2,593
Allowance for bad and doubtful debts on trade receivables	4	15,385	–	15,389	–	15,389
Allowance for inventories obsolescence	1,023	864	–	1,887	–	1,887
Reversal of allowance for inventories obsolescence	(1,155)	(429)	–	(1,584)	–	(1,584)
Net foreign exchange loss (gain)	1,177	(277)	–	900	–	900
Loss (gain) on disposal of property, plant and equipment	1,090	(206)	–	884	–	884
Gain arising from changes in fair value of investment properties	–	–	(2,620)	(2,620)	–	(2,620)
Write off of other receivables	1,527	–	–	1,527	–	1,527
Impairment loss recognised in respect of property, plant and equipment	1,841	–	–	1,841	–	1,841

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets:

Interest income	(261)	(508)	–	(769)	–	(769)
Interest expenses	4,788	3,465	–	8,253	–	8,253
Income tax expenses	4,289	1,587	–	5,876	–	5,876

Note: Non-current assets excluded financial asset at fair value through profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

6. SEGMENT INFORMATION – *continued*

Geographical information

More than 90% of the sales of the Group's PVC pipes and fittings made to customers were in the People's Republic of China (the "PRC"). The Group's operations of household products are principally located in United States of America, Asia and Europe.

The Group's revenue from household products from external customers by geographical location of the customers are detailed below:

	Revenue from external customers	
	2010 HK\$'000	2009 HK\$'000
United States of America	360,532	345,195
Asia	9,306	8,538
Europe	11,447	14,675
Other areas	28,380	21,497
	<hr/>	<hr/>
Total sales of household products	409,665	389,905
	<hr/> <hr/>	<hr/> <hr/>

More than 90% of the Group's non-current assets, excluding financial asset at fair value through profit or loss are located in the PRC. Accordingly, no non-current assets by geographical location is presented.

Information about major customers

No revenue from customers of the corresponding years contributing over 10% of the total sales of the Group is noted for both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

7. OTHER GAINS AND LOSSES

	2010 HK\$'000	2009 HK\$'000
Gain arising from changes in fair value of investment properties	2,550	2,620
Gain arising from changes in fair value of derivative financial instruments	1,308	–
Gain arising from changes in fair value of financial assets at fair value through profit or loss	97	592
Impairment loss recognised in respect of property, plant and equipment	–	(1,841)
Loss on disposal of property, plant and equipment	(305)	(884)
Net foreign exchange loss	(8,080)	(900)
Write off of other receivables	(146)	(1,527)
	<u>(4,576)</u>	<u>(1,940)</u>

8. FINANCE COSTS

	2010 HK\$'000	2009 HK\$'000
Interest on bank borrowings wholly repayable within five years	<u>8,371</u>	<u>8,253</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

9. TAXATION

	2010	2009
	HK\$'000	HK\$'000
Hong Kong Profits Tax		
– charge for the year	(135)	(148)
– underprovision in prior years	(700)	(1,344)
	(835)	(1,492)
Income tax in other regions in the PRC		
– charge for the year	(6,138)	(7,220)
– overprovision in prior years	2,040	–
	(4,098)	(7,220)
	(4,933)	(8,712)
Deferred tax (note 27)		
– credit for the year	1,088	2,836
Tax charge	(3,845)	(5,876)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, four (2009: five) of the Company’s PRC subsidiaries are entitled to a 50% relief on applicable domestic tax rate from PRC Enterprise Income Tax for current year up to 31 December 2012 under the EIT Law. For certain of the Company’s subsidiaries that have not yet entitled to tax exemption and reduction because no profit is generated since commencement of operation, under the application of the Guofa 2007 No. 39 promulgated by the State Council (“Guofa”), the deemed first profit making year would be in 2008 and therefore, the PRC Enterprise Income Tax rate on these Company’s subsidiaries would be 12.5% for three years from 2010.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

9. TAXATION – *continued*

Certain of the Company's subsidiaries were entitled to enjoy preferential PRC Enterprise Income Tax rate prior to 2008. Under the application of the Guofa as mentioned above, the PRC Enterprise income Tax rate of those companies that enjoyed such tax benefits would be increased progressively to 25% in five years commencing from 1 January 2008. The applicable PRC Enterprise Income Tax rate for these subsidiaries is 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012.

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

	2010	2009
	HK\$'000	HK\$'000
Profit before taxation	6,489	35,281
Tax at the domestic income tax rate of 22% (2009: 20%)	(1,428)	(7,056)
Tax effect of expenses not deductible for tax purpose	(3,832)	(4,203)
Tax effect of income not taxable for tax purpose	952	693
Over(under)provision in prior years	1,340	(1,344)
Tax effect of tax losses not recognised as deferred tax asset	(1,309)	(1,052)
Utilisation of tax losses previously not recognised as deferred tax asset	190	3,662
Effect of tax exemption granted to PRC subsidiaries	–	2,500
Income tax on concessionary rate	385	1,087
Effect of different tax rates of subsidiaries operating in other jurisdictions	(143)	(163)
Tax charge for the year	(3,845)	(5,876)

The PRC Enterprise Income Tax rate of 22% (2009: 20%) is the transitional domestic tax rate in the jurisdiction where the operation of the Group is substantially based. The domestic tax rate will be increased progressively and unified at 25% by 2012.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

10. PROFIT FOR THE YEAR

	2010 HK\$'000	2009 HK\$'000
Profit for the year has been arrived at after charging:		
Directors' emoluments (note 11)	16,280	17,847
Other staff's retirement benefit scheme contributions	4,641	4,023
Other staff's salaries and wages	108,267	94,688
	<hr/>	<hr/>
Total staff costs	129,188	116,558
	<hr/>	<hr/>
Impairment loss recognised on trade receivables	–	15,389
Impairment loss recognised on other receivables	1,925	–
Allowance for inventories obsolescence	–	1,887
Amortisation of intangible assets (included in cost of sales)	401	393
Amortisation of prepaid lease payments	2,639	2,593
Auditors' remuneration	2,362	2,292
Cost of inventories recognised as an expense	896,099	763,952
Depreciation of property, plant and equipment	52,875	51,698
Foreign exchange loss (included in other gains and losses)	11,104	2,094
Loss on disposal of property, plant and equipment	305	884
Operating lease rentals in respect of rented premises	100	160
Shipping and handling expenses (included in selling and distribution costs)	10,007	12,096
	<hr/>	<hr/>
and after crediting:		
Foreign exchange gain (included in other gains and losses)	3,024	1,194
Gross rental income from investment properties	1,041	1,277
Less: Direct operating expenses that generated rental income	(120)	(119)
	<hr/>	<hr/>
	921	1,158
	<hr/>	<hr/>
Impairment loss reversed on trade receivable	360	–
Interest income	897	769
Reversal of allowance for inventories obsolescence (note)	4,046	1,584
Write off of other payables (included in other income)	–	2,210
	<hr/> <hr/>	<hr/> <hr/>

Note: Reversal of allowance for inventories obsolescence has been recognised in both years due to realisation and subsequent usage of the relevant inventories and such amount has been included in cost of sales in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(i) Details of emoluments paid by the Group to each of the directors are as follows:

	Fees HK\$'000	Salaries and other benefits HK\$'000	Bonus HK\$'000 (note)	Retirement benefit scheme contributions HK\$'000	Total emoluments HK\$'000
2010					
Executive directors:					
Lee Tat Hing	–	7,581	324	–	7,905
Fung Mei Po	–	2,850	–	12	2,862
Lee Chun Sing	–	2,850	–	12	2,862
Lee Pak Tung	–	590	–	12	602
Kwong Bau To*	–	368	–	4	372
Chan Lai Kuen Anita	–	945	–	12	957
Non-executive director:					
Cheung Tze Man Edward	180	–	–	–	180
Independent non-executive directors:					
Tsui Chi Him Steve	180	–	–	–	180
Hui Chi Kuen Thomas	180	–	–	–	180
Ho Tak Kay	180	–	–	–	180
	<u>720</u>	<u>15,184</u>	<u>324</u>	<u>52</u>	<u>16,280</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – *continued*

(i) Details of emoluments paid by the Group to each of the directors are as follows: – *continued*

2009

	Fees HK\$'000	Salaries and other benefits HK\$'000	Bonus HK\$'000 (note)	Retirement benefit scheme contributions HK\$'000	Total emoluments HK\$'000
Executive directors:					
Lee Tat Hing	–	7,535	1,764	–	9,299
Fung Mei Po	–	2,701	–	12	2,713
Lee Chun Sing	–	2,700	–	12	2,712
Lee Pak Tung	–	560	–	12	572
Kwong Bau To*	–	930	–	12	942
Chan Lai Kuen, Anita	–	877	–	12	889
Non-executive director:					
Cheung Tze Man, Edward	180	–	–	–	180
Independent non-executive directors:					
Tsui Chi Him Steve	180	–	–	–	180
Hui Chi Kuen, Thomas	180	–	–	–	180
Ho Tak Kay	180	–	–	–	180
	720	15,303	1,764	60	17,847
	720	15,303	1,764	60	17,847

Note: The bonus is calculated at 5% of the Group's consolidated profit before taxation.

* The director is resigned on 9 May 2010.

In addition to the amount disclosed above, during the year, the Group also provided one of its leasehold properties in Hong Kong as residential accommodation for Mr. Lee Tat Hing and Madam Fung Mei Po. The estimated monetary value of such accommodation, using the ratable value as an approximation, amounted to HK\$1,225,000 (2009: HK\$1,225,000) for the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – *continued*

(ii) Information regarding employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2009: three) were directors of the Company whose emoluments are included in the disclosures in (i) above. The emoluments of the remaining two (2009: two) individuals were as follows:

	2010	2009
	HK\$'000	HK\$'000
Salaries	3,700	3,300
Retirement benefit scheme contributions	24	24
	<u>3,724</u>	<u>3,324</u>

Their emoluments were within the following bands:

	Number of employees	
	2010	2009
HK\$1,500,001 to HK\$2,000,000	2	2

No emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during both years.

12. DIVIDENDS

Subsequent to the end of the reporting period, final dividend of HK0.5 cent (2009: nil) per share in respect of the year ended 31 December 2010 has been proposed by the directors and is subject to approval by the shareholders in general meeting.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

13. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2010	2009
	HK\$'000	HK\$'000
Profit for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	2,644	29,405
	Number of shares	2010 & 2009
Number of shares for the purpose of calculating basic earnings per share		676,417,401

Diluted earnings per share is not presented as there were no potential ordinary shares in existence during both years.

14. INVESTMENT PROPERTIES

	2010	2009
	HK\$'000	HK\$'000
FAIR VALUE		
At 1 January	19,170	16,550
Increase in fair value recognised in profit or loss	2,550	2,620
At 31 December	21,720	19,170

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

14. INVESTMENT PROPERTIES – *continued*

The carrying amount of investment properties shown above comprises:

	31.12.2010	31.12.2009	1.1.2009
	HK\$'000	HK\$'000	HK\$'000
Properties situated in Hong Kong	11,600	9,900	8,250
Properties situated in the PRC (other than Hong Kong)	10,120	9,270	8,300
	<u>21,720</u>	<u>19,170</u>	<u>16,550</u>

The investment properties are held under medium-term leases.

All of the Group's property interests in land and building held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties as at 31 December 2010 and 2009 have been arrived at on the basis of a valuation carried out on that date by Knight Frank Petty Limited, independent professional valuers not connected with the Group. Knight Frank Petty Limited has appropriate qualification and recent experiences in the valuation of similar properties in the relevant locations. The fair value of the Group's investment properties of HK\$21,720,000 (2009: HK\$19,170,000) was arrived at by reference to the basis of capitalisation of the relevant net income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Construction in progress HK\$'000	Total HK\$'000
COST							
At 1 January 2009	498,802	90,218	33,311	20,946	742,647	5,703	1,391,627
Currency realignment	2,700	555	187	75	4,712	39	8,268
Additions	5,617	500	760	1,409	12,044	10,379	30,709
Reclassifications	741	-	1,594	-	6,835	(9,170)	-
Disposals	-	(665)	-	(1,092)	(25,950)	-	(27,707)
At 31 December 2009	507,860	90,608	35,852	21,338	740,288	6,951	1,402,897
Currency realignment	14,322	2,934	1,143	403	24,592	190	43,584
Additions	3,439	3,267	4,959	1,676	8,557	14,328	36,226
Reclassifications	-	-	523	-	17,396	(17,919)	-
Disposals	-	(439)	(13)	(2,430)	(7,030)	-	(9,912)
At 31 December 2010	525,621	96,370	42,464	20,987	783,803	3,550	1,472,795
DEPRECIATION AND IMPAIRMENT							
At 1 January 2009	132,035	77,985	20,993	16,447	436,544	-	684,004
Currency realignment	771	471	114	53	3,377	-	4,786
Provided for the year	18,152	2,412	1,843	977	28,314	-	51,698
Impairment loss recognised in profit or loss	-	8	-	-	1,833	-	1,841
Eliminated on disposal	-	(592)	-	(579)	(19,108)	-	(20,279)
At 31 December 2009	150,958	80,284	22,950	16,898	450,960	-	722,050
Currency realignment	4,835	2,544	683	285	14,435	-	22,782
Provided for the year	18,761	2,382	2,556	1,095	28,081	-	52,875
Eliminated on disposal	-	(396)	(10)	(2,300)	(5,511)	-	(8,217)
At 31 December 2010	174,554	84,814	26,179	15,978	487,965	-	789,490
CARRYING VALUES							
At 31 December 2010	<u>351,067</u>	<u>11,556</u>	<u>16,285</u>	<u>5,009</u>	<u>295,838</u>	<u>3,550</u>	<u>683,305</u>
At 31 December 2009	<u>356,902</u>	<u>10,324</u>	<u>12,902</u>	<u>4,440</u>	<u>289,328</u>	<u>6,951</u>	<u>680,847</u>
At 1 January 2009	<u>366,767</u>	<u>12,233</u>	<u>12,318</u>	<u>4,499</u>	<u>306,103</u>	<u>5,703</u>	<u>707,623</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

15. PROPERTY, PLANT AND EQUIPMENT – *continued*

The cost of leasehold land and buildings is depreciated over the shorter of the term of the lease and twenty-five to fifty years on a straight line basis.

The other items of property, plant and equipment, other than construction in progress, are depreciated on a reducing balance basis, at the following rates per annum:

Furniture, fixtures and equipment	18 – 20%
Leasehold improvements	Over shorter of the term of leases or 20%
Motor vehicles	20%
Plant and machinery	9 – 20%

The directors conducted a review of the Group's manufacturing assets. During the year ended 31 December 2009 the directors determined that a number of those assets were impaired, due to physical damage and technical obsolescence. For the purposes of impairment testing, plant and machinery have been allocated to two individual cash generating units (CGUs), comprising household products segment and PVC pipes and fittings segment. Accordingly, impairment losses of HK\$1,841,000 have been recognised in respect of plant and machinery which is used in the Group's household products. No impairment has been recognised in the Group's PVC pipes and fitting segments. The recoverable amounts of the relevant assets have been determined on the basis of their value in use. The discount rates in measuring the amounts of value in use in the Group's household products and PVC pipes and fittings segments were 4.24% and 1.61%.

The carrying values of the Group's leasehold land and buildings comprise:

	31.12.2010	31.12.2009	1.1.2009
	HK\$'000	HK\$'000	HK\$'000
Leasehold land and buildings in Hong Kong under medium-term leases	80,226	82,422	83,812
Buildings in the PRC (other than Hong Kong) on medium-term land use rights	270,841	274,480	282,955
	351,067	356,902	366,767

The construction in progress comprise properties located in the PRC under medium-term lease.

The Group has pledged land and buildings having a net book value of approximately HK\$203,068,000 (2009: HK\$205,206,000) to secure general banking facilities granted to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	31.12.2010	31.12.2009	1.1.2009
	HK\$'000	HK\$'000	HK\$'000
Leasehold land in other regions in the PRC under medium-term lease	87,497	100,328	102,285
	87,497	100,328	102,285
Analysed for reporting purposes as:			
	31.12.2010	31.12.2009	1.1.2009
	HK\$'000	HK\$'000	HK\$'000
Current asset	2,367	2,594	2,578
Non-current asset	85,130	97,734	99,707
	87,497	100,328	102,285

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

17. INTANGIBLE ASSETS

	Capitalised development costs HK\$'000
COST	
At 1 January 2009	3,617
Currency realignment	25
	<hr/>
At 31 December 2009	3,642
Currency realignment	129
	<hr/>
At 31 December 2010	3,771
	<hr/>
AMORTISATION	
At 1 January 2009	748
Currency realignment	5
Charge for the year	393
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At 31 December 2009	1,146
Currency realignment	47
Charge for the year	401
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At 31 December 2010	1,594
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CARRYING VALUES	
At 31 December 2010	2,177
	<hr/> <hr/>
At 31 December 2009	2,496
	<hr/> <hr/>
At 1 January 2009	2,869
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Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

17. INTANGIBLE ASSETS – *continued*

Development costs are internally generated on development activities of high value-added environmental reborn resources and recycling business.

The intangible assets are amortised over its estimated economic life of 10 years using the straight line method. The amortization expense has been included in cost of sales in the consolidated statement of comprehensive income.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial asset at fair value through profit or loss comprise:

	31.12.2010	31.12.2009	1.1.2009
	HK\$'000	HK\$'000	HK\$'000
Equity-linked note A	6,956	6,859	6,267
Equity-linked notes B	4,824	–	–
	<u>11,780</u>	<u>6,859</u>	<u>6,267</u>

Financial assets designated as fair value through profit or loss:

Analysed for reporting purpose as:

Current asset	11,780	–	–
Non-current asset	–	6,859	6,267
	<u>11,780</u>	<u>6,859</u>	<u>6,267</u>

The equity-linked note A is denominated in United States Dollar (“USD”) with principal amount of USD900,000 and the interest accrued on a daily basis is at a fixed rate for the first month and at a predetermined equation at subsequent payment dates. It is subject to mandatory redemption at various intervals until maturity date. The duration and the manner in which it is settled at mandatory termination are linked to the performance of a basket of Taiwan listed equity securities by comparing the market prices with the pre-determined prices of these equity securities. Accrued interest is payable on monthly basis. The notes may be redeemed at maturity in full amount of the principal amount for cash.

The maturity date of the equity-linked note A outstanding as at 31 December 2010 and 31 December 2009 is May 2011, subject to mandatory termination, and is therefore classified as current and non-current as at 31 December 2010 and 31 December 2009, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – *continued*

The equity-linked notes B are denominated in Renminbi (“RMB”) with total principal amount of RMB4,100,000 and the interest accrued on a daily basis. They are revolving every one or two weeks if no application for redemption in writing is noted at maturity dates. The interest rate and the principal amount to be redeemed are determined by the market interest rate and return rate of the performance of the investment in the PRC by the trustees. Accrued interest is payable every one or two weeks. The equity-linked notes B are subsequently redeemed in February 2011.

The equity-linked note A and equity-linked notes B are designated as financial asset at fair value through profit or loss upon initial recognition as it contains embedded derivatives, and HKAS 39 permits the entire combined contract to be designated as at fair value through profit or loss.

The amounts were stated at fair values at the end of the reporting period based on valuation amount provided by the relevant counterparty financial institutions.

19. INVENTORIES

	31.12.2010	31.12.2009	1.1.2009
	HK\$'000	HK\$'000	HK\$'000
Raw materials	120,236	108,404	85,222
Work in progress	37,264	31,153	28,122
Finished goods	65,674	53,219	54,075
	223,174	192,776	167,419

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

20. TRADE AND OTHER RECEIVABLES

The following is an aging analysis of the Group's trade receivables presented based on the invoice date at the end of the reporting period:

	31.12.2010	31.12.2009	1.1.2009
	HK\$'000	HK\$'000	HK\$'000
0-30 days	88,973	78,447	73,878
31-60 days	53,613	42,634	46,004
61-90 days	22,314	16,109	25,768
91-180 days	17,889	23,547	23,599
Over 180 days	6,416	15,485	22,452
	<hr/>	<hr/>	<hr/>
Net trade receivables	189,205	176,222	191,701
Other receivables	35,888	25,303	17,526
	<hr/>	<hr/>	<hr/>
Total trade and other receivables	225,093	201,525	209,227
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Group allows an average credit periods of 180 days, depending on the products 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:

	2010	2009
	HK\$'000	HK\$'000
USD	53,778	46,195
	<hr/> <hr/>	<hr/> <hr/>

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK\$44,142,000 (2009: HK\$55,113,000) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

20. TRADE AND OTHER RECEIVABLES – *continued*

Aging of trade receivable based on the invoice date which are past due but not impaired

	2010	2009
	HK\$'000	HK\$'000
31 – 60 days	9,228	15,777
61 – 90 days	15,019	11,844
91 – 180 days	13,479	12,007
Over 180 days	6,416	15,485
	<hr/> 44,142 <hr/>	<hr/> 55,113 <hr/>

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 with satisfactory settlement history. 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 debts recognised for 2009 and 2010 represent the allowance against the full amount of outstanding trade receivables which are either aged over one year because historical experience is that such 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.

Movement in the allowance for doubtful debts

	2010	2009
	HK\$'000	HK\$'000
1 January	34,435	18,922
Currency realignment	1,131	124
Impairment losses (reversed) recognised on receivables	(360)	15,389
	<hr/> 35,206 <hr/>	<hr/> 34,435 <hr/>

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

21. DERIVATIVE FINANCIAL INSTRUMENTS

	31.12.2010	31.12.2009	1.1.2009
	HK\$'000	HK\$'000	HK\$'000
Forward foreign exchange contracts			
Current asset			
– Derivative financial asset	403	–	–
Non-current asset			
– Derivative financial liability	(180)	–	–
	<u>223</u>	<u>–</u>	<u>–</u>

At the end of the reporting period, the Group had the following outstanding foreign currency forward contracts. The major terms of the outstanding foreign currency forward contracts at 31 December 2010 are as follows:

Notional amount	Maturity	Exchange rates
Non-deliverable		
Buy USD2,000,000 to USD4,000,000	26 July 2011	USD1 to RMB6.92 – 6.95
Buy USD1,500,000 to USD3,000,000	23 May 2012	USD1 to RMB6.65 – 6.86

The above derivatives were measured at fair values at the end of the reporting period. Their fair values were determined based on the valuation amount provided by the relevant counterparty financial institutions at the end of the reporting period.

22. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits represent deposits pledged to banks to secure bills payable and short term bank borrowings granted to the Group and are therefore classified as current asset. The pledged bank deposits carry interest at market rates which range from 0.15% to 3.25% (2009: 0.15% to 2.25%) per annum. The pledged deposits will be released upon the settlement of relevant borrowings.

Bank balances and cash comprise cash held by the Group and short term bank deposits with an original maturity of three months or less, which carry interest at market rates. Bank balances carry interest at market rates which range from 0.01% to 2.25% (2009: 0.01% to 1.71%) per annum.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

22. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH – *continued*

The Group's pledged bank deposits and bank balances and cash which are denominated in currencies other than the functional currencies of the relevant group companies are set out below:

	2010	2009
	HK\$'000	HK\$'000
USD	2,387	3,454
HK\$	6,960	827
	<u> </u>	<u> </u>

The directors of the Company consider that the carrying amounts of pledged bank deposits and bank balances and cash approximate their fair values.

23. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

	31.12.2010	31.12.2009	1.1.2009
	HK\$'000	HK\$'000	HK\$'000
Prepaid lease payments	13,388	–	–
	<u> </u>	<u> </u>	<u> </u>

On 8 December 2010, the Group entered into a sale and purchase agreement with an independent third party to dispose of a leasehold land in the PRC with a carrying value of approximately HK\$13,388,000 for a consideration of HK\$31,935,000. The directors of the Company anticipated the sale transaction will be completed on or before 31 March 2011. Accordingly, the carrying amount of this prepaid lease payments has been classified as non-current asset held for sale as at 31 December 2010.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

24. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payable presented based on the invoice date at the end of the reporting period:

	31.12.2010	31.12.2009	1.1.2009
	HK\$'000	HK\$'000	HK\$'000
0 – 30 days	54,705	54,230	36,675
31 – 60 days	41,773	23,451	22,445
61 – 90 days	10,161	13,449	15,537
Over 90 days	19,976	15,607	38,678
	<hr/>	<hr/>	<hr/>
Total trade payables	126,615	106,737	113,335
Other payables	87,286	74,157	82,813
	<hr/>	<hr/>	<hr/>
Total trade and other payables	213,901	180,894	196,148
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The following is an analysis of the Group's other payables at the end of the reporting period:

	31.12.2010	31.12.2009	1.1.2009
	HK\$'000	HK\$'000	HK\$'000
Accrued expenses	11,874	11,904	10,711
Accrued sales discount	9,932	3,629	11,137
Receipt in advance	47,804	40,565	30,895
Wages payable	9,440	7,893	5,613
Payable on acquisition of property, plant and equipment	517	433	8,047
Payable on acquisition of land use rights	2,633	2,543	2,577
	<hr/>	<hr/>	<hr/>
Others	5,086	7,190	13,833
	<hr/>	<hr/>	<hr/>
	87,286	74,157	82,813
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

24. TRADE AND OTHER PAYABLES – *continued*

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

	2010	2009
	HK\$'000	HK\$'000
USD	<u>31,316</u>	<u>7,531</u>

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

25. AMOUNTS DUE TO DIRECTORS

The amounts are unsecured, interest-free and repayable within one year. The directors of the Company consider the carrying amount of amounts due to directors approximates its fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

26. BANK BORROWINGS

	31.12.2010	31.12.2009	1.1.2009
	HK\$'000	HK\$'000	HK\$'000
		(Restated)	(Restated)
Variable rate bank overdrafts	1,292	3,245	3,004
Variable rate bank loans	171,438	189,617	172,601
Variable rate trust receipts and import loans	18,471	12,751	22,708
	191,201	205,613	198,313
	184,201	195,696	193,313
Secured	184,201	195,696	193,313
Unsecured	7,000	9,917	5,000
	191,201	205,613	198,313
Carrying amount repayable*:			
Within one year	168,150	171,014	176,481
More than one year, but not exceeding two years	11,176	17,272	91
	179,326	188,286	176,572
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	11,875	17,327	21,741
	191,201	205,613	198,313
Less: Amounts due within one year shown under current liabilities	(180,025)	(188,341)	(198,222)
Amounts shown under non-current liabilities	11,176	17,272	91

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

26. BANK BORROWINGS – *continued*

The bank loans of the Group, which were borrowed by subsidiaries, that are denominated in currencies other than the functional currencies of the relevant group companies are set out below:

	2010	2009
	HK\$'000	HK\$'000
USD	18,471	23,918
HK\$	–	26,260

The ranges of interest rates which is repriced every three months, on the Group's borrowings are as follows:

	2010	2009
Interest rate:		
Variable rate borrowing	Hong Kong Interbank Offered Rate (“HIBOR”) + 1.125% to Prime rate	HIBOR + 0.88% to Prime rate

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2010	2009
Effective interest rate:		
Variable rate borrowing	1.00% to 5.84%	1.00% to 5.40%

The directors of the Company consider that the carrying amount of bank borrowings approximates its fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

27. DEFERRED TAXATION

The following are the major deferred taxation assets and liabilities recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation	Fair value changes in investment properties	Tax losses	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009	(20,956)	(564)	5,442	4,839	(11,239)
Exchange differences	(135)	–	28	34	(73)
Credit (charge) to profit or loss	9,820	(433)	(3,558)	(2,993)	2,836
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2009	(11,271)	(997)	1,912	1,880	(8,476)
Exchange differences	(325)	–	–	66	(259)
Credit (charge) to profit or loss	1,289	(419)	255	(37)	1,088
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2010	<u>(10,307)</u>	<u>(1,416)</u>	<u>2,167</u>	<u>1,909</u>	<u>(7,647)</u>

At the end of the reporting period, the Group had unused tax losses of approximately HK\$148,283,000 (2009: HK\$147,101,000) available to offset against future assessable profits. A deferred taxation asset of HK\$2,167,000 (2009: HK\$1,912,000) has been recognised in respect of HK\$13,133,000 (2009: HK\$11,587,000) of such losses. No deferred taxation asset has been recognised in respect of the remaining tax losses of HK\$135,150,000 (2009: HK\$130,064,000) due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely. The Group had no other significant unprovided deferred taxation at the end of the reporting period.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK\$52,111,000 (2009: HK\$34,774,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

28. SHARE CAPITAL

HK\$'000

Authorised:

1,500,000,000 shares of HK\$0.10 each

At 31 December 2010, 31 December 2009 and 1 January 2009

150,000

Issued and fully paid:

676,417,401 shares of HK\$0.10 each

At 31 December 2010, 31 December 2009 and 1 January 2009

67,642

There were no changes in the authorised, issued and fully paid share capital in both years.

29. SHARE OPTION SCHEME

The Company has a share option scheme under which options may be granted as incentives to directors and employees of the Company and its subsidiaries to subscribe for shares in the Company at any time during the ten year period following the adoption of the scheme. The scheme was adopted at an extraordinary general meeting of the Company held on 11 March 1993. Under the scheme, the subscription price will not be less than 80% of the average of the closing prices of the Company's shares on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the offer of the option provided that in no circumstances shall the subscription price be less than the nominal value of the Company's share.

The maximum number of shares in respect of which options may be granted under this scheme may not exceed 10% of the issued share capital of the Company from time to time. An option can be exercised six months after the date of acceptance but not later than five years from the date of the offer.

Options granted must be taken up within 30 days from the date of grant, upon payment of HK\$1 as the nominal consideration.

No share options were granted to directors or employees during the two years ended 31 December 2010. In addition, as of 31 December 2010 and 31 December 2009, no share options under the share option scheme were outstanding.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Categories of financial instruments

	31.12.2010	31.12.2009	1.1.2009
	HK\$'000	HK\$'000	HK\$'000
Financial assets			
Fair value through profit or loss ("FVTPL")			
Designated as at FVTPL	11,780	6,859	6,267
Derivative financial instrument	403	–	–
Loans and receivables (including cash and cash equivalents)	297,759	293,979	264,226
Financial liabilities			
Amortised cost	362,574	357,822	366,733
Derivative financial instrument	180	–	–
	=====	=====	=====

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, derivative financial instruments, financial assets at fair value through profit or loss, pledged bank deposits, bank balances and cash, trade and other payables, bank borrowings and amounts due to directors. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk, and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 39% (2009: 41%) and 35% (2009: 41%) of the Group's sales and purchases respectively are denominated in currencies other than the functional currencies of the group entities making the sale and the purchase.

Several subsidiaries of the Company have foreign currency bank balances, trade and other receivables, trade and other payables and bank borrowings that are denominated in currencies other than the functional currencies of the relevant group entities which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Financial risk management objectives and policies – continued

Market risk – continued

Currency risk – continued

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at 31 December 2009 and 2010 are as follows:

	Assets		Liabilities	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
USD	63,524	56,508	(49,967)	(31,449)
HK\$	6,960	827	–	(26,260)
	70,484	57,335	(49,967)	(57,709)

In addition, the Group is also exposed to foreign currency risk arising from intra-group loans/trading transactions denominated in HK\$ involving PRC entities whose functional currency is RMB. The foreign currency denominated net monetary assets in relation to these intragroup balances amounted to approximately HK\$264,475,000 (2009: HK\$270,276,000). The Group has not formulated a policy to hedge the foreign currency risk.

The Group is mainly exposed to fluctuation in exchange rate of RMB against HK\$. Exposures on balances which are denominated in USD in group companies with HK\$ as functional currency, are not considered significant as HK\$ is pegged to USD. The following table details the Group's sensitivity to a reasonably possible change of 5% in exchange rate of RMB (functional currency of the relevant group companies) against HK\$ while all other variables are held constant. The sensitivity analysis includes outstanding foreign currency denominated monetary items including external loans as well as loans/trading balances with foreign operations within the Group where the denomination of the loan/balance is in a currency other than the functional currency of the lender or the borrower. It adjusts their translations at the end of the reporting period for a 5% change in RMB.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

Financial risk management objectives and policies – *continued*

Market risk – *continued*

Currency risk – *continued*

	2010 HK\$'000	2009 HK\$'000
Increase (decrease) in profit for the year		
– if RMB weaken against HK\$	10,586	9,794
– if RMB strengthen against HK\$	(10,586)	(9,794)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable rate bank borrowings (see note 26). In relation to these variable rate bank borrowings, the Group currently does not have policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group's sensitivity to cash flow interest rate risk has been determined based on the exposure to interest rates for the variable rate bank borrowings at the end of the reporting period and the management's assessment of the reasonably possible change in interest rates throughout the respective year.

	2010 HK\$'000	2009 HK\$'000
Reasonably possible change in interest rate	100 basis points	100 basis points
Increase(decrease) in profit for the year		
– as a result of increase in interest rate	(1,597)	(1,645)
– as a result of decrease in interest rate	1,597	1,645

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

Financial risk management objectives and policies – *continued*

Market risk – *continued*

Other price risk

The Group is engaged in the business activities of design, manufacture and marketing of PVC and fabric household products, PVC pipes and fittings, PVC resin is a by-product in the refinery of petroleum products from crude oil. The price of crude oil is affected by a wide range of global and domestic factors which are beyond the control of the Group. The fluctuations in such price may have favourable or unfavourable impacts to the Group. The Group historically has not used commodity derivative instruments to hedge against potential price fluctuations of crude oil and therefore the Group is exposed to general price fluctuations of crude oil.

The Group is also exposed to equity price risk mainly through its equity-linked note A in FVTPL. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange of Taiwan. The Group will monitor the price risk and consider hedging the risk exposure should the need arise.

In management's opinion, the sensitivity analysis is unrepresentative of the other price risk as the year end exposure does not reflect the exposure during the year.

Credit risk

The Group's credit risk is primarily attributable to trade receivables. The maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2010 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In additions, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on pledged bank deposits and bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 67% (2009: 71%) of the total trade receivables as at 31 December 2010.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

Financial risk management objectives and policies – *continued*

Liquidity risk

The Group has sufficient cash and cash equivalents and available funding through bank borrowings (note 26) to meet its working capital requirement. Generally, trade payables are normally required to be settled within 3 months after receipt of goods and services.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2010, the Group has available unutilised bank loan facilities of approximately HK\$248,977,000 (2009: HK\$235,780,000).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity and interest risk tables

	Weighted average effective interest rate %	Less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2010 HK\$'000
As at 31 December 2010							
Non-derivative financial liabilities							
Trade and other payables	–	71,180	51,934	21,085	–	144,199	144,199
Bank borrowings – variable rate	3.15	84,546	1,269	97,244	11,642	194,701	191,201
Amounts due to directors	–	27,174	–	–	–	27,174	27,174
		<u>182,900</u>	<u>53,203</u>	<u>118,329</u>	<u>11,642</u>	<u>366,074</u>	<u>362,574</u>
Derivative – net settlement							
Forward exchange contracts		–	–	–	180	180	180
		<u>–</u>	<u>–</u>	<u>–</u>	<u>180</u>	<u>180</u>	<u>180</u>
	Weighted average effective interest rate %	Less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2009 HK\$'000
As at 31 December 2009 (Restated)							
Non-derivative financial liabilities							
Trade and other payables	–	56,918	37,848	27,318	–	122,084	122,084
Bank borrowings – variable rate	2.46	77,283	14,833	98,794	17,992	208,902	205,613
Amounts due to directors	–	30,125	–	–	–	30,125	30,125
		<u>164,326</u>	<u>52,681</u>	<u>126,112</u>	<u>17,992</u>	<u>361,111</u>	<u>357,822</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

Financial risk management objectives and policies – *continued*

Liquidity risk – *continued*

Bank loans with a repayment on demand clause are included in the “on demand or less than 3 months” time band in the above maturity analysis. At 31 December 2010 and 31 December 2009, the aggregate undiscounted principal amounts of these bank loans amounted to HK\$11,875,000 and HK\$17,327,000 respectively. Taking into account the Group’s financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that such bank loans will be repaid two years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK\$12,515,000.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets (excluding financial assets at FVTPL and derivative financial instruments) and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.
- the fair value of financial assets at FVTPL is determined based on the valuation amount provided by the relevant counterparty financial institutions for equivalent instruments.
- the fair value of derivative financial instruments is determined using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for asset or liability that are not based on observable market data (unobservable inputs). The major inputs and assumptions include discount rates used in the valuation of the financial assets.

	31 December 2010			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at FVTPL	–	–	11,780	11,780
Derivative financial asset	–	403	–	403
	<u>–</u>	<u>403</u>	<u>11,780</u>	<u>12,183</u>
Derivative financial liability	–	(180)	–	(180)
	<u>–</u>	<u>(180)</u>	<u>–</u>	<u>(180)</u>
	31 December 2009			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at FVTPL	–	–	6,859	6,859
	<u>–</u>	<u>–</u>	<u>6,859</u>	<u>6,859</u>

There were no transfers between Level 1,2 and 3 in the current and prior year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

Fair value measurements recognised in the statement of financial position – *continued*

Reconciliation of Level 3 fair value measurements of financial asset

	Financial assets at FVTPL HK\$'000
At 1 January 2009	6,267
Total gains or losses in profit or loss	592
	<hr/>
At 31 December 2009	6,859
Purchases	4,824
Total gains or losses in profit or loss	97
	<hr/>
At 31 December 2010	<u>11,780</u>

Of the total gains or losses for the year included in profit or loss, HK\$320,000 (2009: HK\$592,000) relates to financial asset at FVTPL held at the end of the reporting period. Fair value gains are included in 'Other gain and losses'.

31. CAPITAL COMMITMENTS

	2010 HK\$'000	2009 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– plant and machinery	3,851	2,969
– leasehold improvements	86	83
	<hr/>	<hr/>
	3,937	3,052
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

32. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments for future lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	2010	2009
	HK\$'000	HK\$'000
Within one year	72	38
In the second to fifth year inclusive	18	–
	<u>90</u>	<u>38</u>

Leases are negotiated and rentals are fixed for an average term of two years.

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2010	2009
	HK\$'000	HK\$'000
Within one year	775	687
In the second to fifth year inclusive	318	30
	<u>1,093</u>	<u>717</u>

The Group's investment properties are held for rental purposes. The properties held have committed tenants for periods of up to three years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

33. PLEDGE OF ASSETS

At the end of the reporting period, the Group's secured borrowings were secured by the following assets:

	2010 HK\$'000	2009 HK\$'000
Leasehold land and buildings	203,068	205,206
Investment properties	5,600	9,900
Prepaid lease payments	21,796	51,247
Bank deposits	35,328	46,595
Financial assets at fair value through profit or loss	6,956	6,859
	<u>272,748</u>	<u>319,807</u>

34. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying Hong Kong employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. Mandatory benefits are provided under the MPF Scheme. The Group contributes the lower of 5% of the relevant payroll costs and HK\$1,000 per employee to the MPF Scheme.

Employees of subsidiaries in the PRC are members of the state-sponsored pension schemes operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the state-sponsored pension schemes is to make the required contributions.

The total contribution to the retirement benefit schemes charged to the consolidated statement of comprehensive income is HK\$4,693,000 (2009: HK\$4,083,000).

35. RELATED PARTIES TRANSACTIONS

(a) Compensation of key management personnel:

The remuneration of directors and other members of key management during the year was as follows:

	2010 HK\$'000	2009 HK\$'000
Short-term benefits	20,907	22,049
Post-employment benefits	88	96
	<u>20,995</u>	<u>22,145</u>

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

35. RELATED PARTIES TRANSACTIONS – *continued*

- (b) During the year ended and as at 31 December 2010, Joy Tower Limited (note) and Madam Fung Mei Po, both are related parties of the Group, provided the residential property and securities to secure one of the Group's banking facilities amounting to HK\$20,473,000 (2009: HK\$16,692,000). Approximately HK\$16,473,000 (2009: HK\$8,615,000) was utilised in respect of this banking facility as at 31 December 2010 and 31 December 2009 respectively.

Note: Mr. Lee Tat Hing and his spouse, Madam Fung Mei Po, are directors and shareholders of Joy Tower Limited.

36. GOVERNMENT GRANTS

	2010 HK\$'000	2009 HK\$'000
Incentive subsidies		
(i) Business encouragement subsidies	243	227
(ii) Environmental protection subsidies	222	1,150
	<hr/>	<hr/>
Amounts credited to consolidated statement of comprehensive income (included in other income)	465	1,377
	<hr/> <hr/>	<hr/> <hr/>

Incentive subsidies were granted by the relevant government of the PRC to the Group in the following basis:

- (i) The business encouragement subsidies were granted to the Group to encourage the establishment of environmental reborn resources and recycling business in Zhongshan City. The incentive subsidies granted to the Group were calculated according to certain percentage of bank borrowings with maximum cap of RMB210,000 (equivalent to HK\$243,000).
- (i) The environmental protection subsidies were granted to the Group as development funds to establish the environmental friendly manufacturing factory by making use of public electricity instead of self-generated electricity, which is produced during the process of the manufacture of PVC pipes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

37. PRINCIPAL SUBSIDIARIES

The details of principal subsidiaries at 31 December 2010 and 2009, all of which are wholly-owned by the Group are as follows:

Name of subsidiary	Place and nature of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest held by the Company		Principal activities
			Directly	Indirectly	
Action Land Limited	Hong Kong – limited liability company	HK\$6,000,000	–	100%	Provision of transportation services
Greatflow Investments Limited	British Virgin Islands (“BVI”) – limited liability company	US\$1	–	100%	Property holding
Nam Sok Building Material & Plastic Products (Changshu) Co., Ltd.	PRC – wholly owned foreign enterprise	US\$10,000,000	–	100%	Manufacturing of PVC pipes and fittings and moulds
Nam Sok Building Material & Plastic Products (Shenzhen) Co., Ltd.	PRC – wholly owned foreign enterprise	HK\$230,000,000	–	100%	Manufacturing of PVC pipes and fittings and moulds
South China Plastic Building Material Manufacturing Limited	Hong Kong – limited liability company	HK\$2	–	100%	Trading in building materials and supplies
South China Reborn Resources (Zhongshan) Company Limited	PRC – wholly owned foreign enterprise	(Note a)	–	100%	Manufacture and operate recycling and reborn resources related business
Welidy Limited	Hong Kong – limited liability company	HK\$10,000	–	100%	Property holding

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

37. PRINCIPAL SUBSIDIARIES – *continued*

Name of subsidiary	Place and nature of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest held by the Company		Principal activities
			Directly	Indirectly	
World Home Linen Manufacturing Company Limited	Hong Kong – limited liability company	HK\$200 Deferred non-voting shares HK\$10,000 (Note b)	–	100%	Property holding
World Houseware (B.V.I.) Limited	BVI – limited liability company	HK\$50,000	100%	–	Investment holding
World Houseware Producing Company Limited	Hong Kong – limited liability company	HK\$200 Deferred non-voting shares HK\$160,500 (Note b)	–	100%	Trading in household products
World Plastic Mat (Baoan) Company Limited	PRC – wholly owned foreign enterprise	HK\$360,000,000	–	100%	Manufacturing of household products
World Plastic-ware Manufacturing Limited	Hong Kong – limited liability company	HK\$32,500,000	–	100%	Investment holding

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

37. PRINCIPAL SUBSIDIARIES – *continued*

Notes:

- (a) The registered capital of South China Reborn Resources (Zhongshan) Company Limited is US\$10,610,000. As at 31 December 2010, US\$10,610,000 (2009: US\$10,150,000) had been contributed to this Company.
- (b) None of the deferred non-voting shares are held by the Group.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

All the subsidiaries operate in their respective places of incorporation/registration except Welidy Limited which holds properties in the PRC, Greatflow Investments Limited which holds properties in Hong Kong and World Houseware (BVI) Limited operates in Hong Kong.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

38. EVENT AFTER THE REPORTING PERIOD

One of the subsidiaries of the Company, Welidy Limited, has entered into a Cooperative Development Framework Agreement (“Framework Agreement”) on 14 February 2011 with an independent third party in relation to the joint development of a land which is owned by Welidy Limited. The Framework Agreement is a joint co-operation of both parties to apply for the approval of the Chinese government authorities (“the Authority”) for the change of usage of land use rights of the land with a plan to redevelop it into business, residential, communal facilities and other properties. After the development project is approved by the Authority, a removal remedy agreement or urban redevelopment agreement will be entered between both parties.

Financial Summary

RESULTS

	For the year ended 31 December				
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000
Turnover	887,153	997,202	999,169	922,576	1,010,712
(Loss) profit before taxation	(38,027)	(39,333)	(74,293)	35,281	6,489
Taxation	(4,668)	(6,429)	5,385	(5,876)	(3,845)
(Loss) profit for the year	(42,695)	(45,762)	(68,908)	29,405	2,644

ASSETS AND LIABILITIES

	At 31 December				
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000
Total assets	1,316,241	1,370,799	1,288,762	1,322,691	1,375,325
Total liabilities	(498,822)	(520,709)	(434,799)	(433,205)	(445,169)
Net assets attributable to owners of the Company	817,419	850,090	853,963	889,486	930,156