

CHAIRMAN'S STATEMENT

RESULTS

For the year ended 31 December 2005, the Group achieved satisfactory growth. Turnover increased by 51.2% to HK\$445.3 million. The Group's revenue mainly came from two of our core businesses, comprising approximately 62.0% from packaging products and 38.0% from luggage products. Profits attributable to shareholders, including contributions from businesses acquired in the year decreased by 2.2% to HK\$41.2 million, while earnings per share decreased by 1.9% to HK\$ 1.05 cents. The substantial increase in turnover was due to the contribution of the newly-acquired luggage products business in the year. Treasury investments, another core business, achieved a profit of HK\$4.9 million (31 December 2004: HK\$50.7 million) representing securities trading losses of HK\$4.0 million, dividend income of HK\$1.4 million, provision for devaluation in fair value of the convertible note receivable of HK\$0.9 million, bank interest income of HK\$4.4 million and unrealized holding gain on investments of HK\$4.0 million respectively. The substantial fall in profits from treasury investments was nearly offset by the increase in operating profits from the Group's other core businesses.

FINAL DIVIDEND

The Directors are pleased to recommend a final dividend of HK\$0.006 per share to our shareholders whose names appear on the Register of Members of the Company on 29 May 2006. Subject to approval at the forthcoming Annual General Meeting, dividend warrants will be sent to shareholders on or about 12 June 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 24 May 2006 to Monday, 29 May 2006 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the Annual General Meeting of the Company to be held on Monday, 29 May 2006 and to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with Secretaries Limited, the branch share registrars of the Company in Hong Kong at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 23 May 2006.

BUSINESS REVIEW

The Group's packaging business achieved satisfactory results in the year despite the challenging operating environment resulting from rising raw material costs and the overall increase in labour costs. Fluctuations in raw material prices and increased labour costs weakened the Group's gross margin. The moderate increase in the average selling price could only partially offset the general increase in these costs. Turnover of the packaging business rose by 9.0% to HK\$277.4 million. Packaging business and treasury investment, including HK\$5.0 million non-recurring income arising from writing back provision for doubtful debts, contributed to the Group profits, amounting to HK\$33.3 million and 80.7% in the fiscal year 2005.

Sales volume in terms of quantity decreased by 2.1% against last year's as a result of the change in sales mix in the year. Sales to Europe recorded encouraging growth, increasing by 29.5% with Europe becoming the Group's major market segment in 2005, accounting for 38.1% of the total turnover. Sales to North and South America reduced by 4.4% to 27.7%. Sales in the Hong Kong and Asia Pacific market segments contributed a total of 34.0% to the packaging business revenue.

CHAIRMAN'S STATEMENT

We acquired in July 2005 a 60% interest in Hoi Tin Universal Limited, an OEM of luggage products. A comprehensive improvement programme was put in place to streamline operations and tighten cost control. Substantial efforts by management was undertaken to develop and raise productivity. Following the smooth operations of the new production plant in Suzhou, turnover increased substantially during the last quarter of the year. More specifically, overheads were reduced to bring them in line with the level of sales. The business was able to achieve a higher profit margin than before.

Revenue by Product Line (6 months to December 2005)

	<i>HK\$ Million</i>	<i>%</i>
Soft Luggages	141.3	83.1
Travel Bags	28.7	16.9
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Total	170.0	100.0

North and South America continued to be the largest market for the Hoi Tin Group. Revenue from this market accounted for 76.9% of Hoi Tin Group revenue for the six months to 31 December 2005. Europe and Asia Pacific accounted for 13.2% and 9.9% respectively.

Revenue by Region (6 months to December 2005)

	<i>HK\$ Million</i>	<i>%</i>
North & South America	130.8	76.9
Europe	22.5	13.2
Asia Pacific	16.7	9.9
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Total	170.0	100.0

The luggage business contributed HK\$2.7 million and 6.6% to the Group's profits for the year.

Following the acquisition in June 2005 of a 30% interest in Technical International Holdings Limited, the share of profit from this associate amounted to HK\$5.2 million as at 31 December 2005.

PROSPECTS

We remain optimistic about the outlook of the financial year 2006. Both the American and European economies appear to be on a reasonably firm footing. We expect the strong momentum of the packaging business to continue in the financial year 2006. However, there are challenges in the coming year. Rising short term interest rates and high oil prices may restrain consumer spending. Fluctuation in raw material prices and upward revaluation of the RMB would increase the cost of manufacturing for products. We will strive to improve production efficiency to soften part of the impact of these fluctuations. The Group will also take advantage of its stable customer base and efficient operations to expand its product range to provide grounds for future growth. Well known brand names around the world continue to be attracted to our company by our reputation as the leader in the packaging industry.

CHAIRMAN'S STATEMENT

The luggage industry continues to benefit from a bounce-back in consumer spending on travel-related purchases and is expected to deliver further growth in the financial year 2006. Hoi Tin Group is in a good position to take advantage of this favourable situation, given its efficient operations and its relationships with major international brands. There has been an encouraging flow of orders in recent months. Following the improvement and cost control measures, we expect the profitability of the luggage business to improve in the coming year. It is expected that the contribution from the luggage business will account for a growing proportion of the Group's profits in a longer term.

We also expect the operation of the Technical Group to grow. The latter company is rapidly gaining reputation as the leader in the manufacturing of wine openers and related bar accessories in the world. It is also branching into the digital electronic home appliances sector.

We believe the Group is well prepared to meet the competition in both our packaging business and the new business segments. We remain focused to consolidate our existing operations and seek opportunities to diversify and add new product categories.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

The shareholders' funds as at 31 December 2005 were HK\$580 million, a 4.7% increase from HK\$554 million reported for the financial year 2004.

As at 31 December 2005, the Group had cash on hand of HK\$195.7 million (2004: HK\$309.9 million), and bank borrowings of HK\$15.4 million (2004: NIL). The Group is debt-free, except for bank borrowings by the Group's newly acquired subsidiary, Hoi Tin Universal Limited. The gearing ratio (total borrowings to shareholders' equity) was 2.6% (2004: NIL).

Working Capital

The Group's investment during the year have resulted in increase in working capital balances as at 31 December 2005 over the balance at 31 December 2004, including the following:

	2005	2004
	HK\$'000	HK\$'000
a. Inventories	86,014	43,866
Inventories balance as a percentage of Group revenue	19.3%	14.9%
Turnover days	70 days	54 days
b. Trade debtors	94,538	28,501
Trade debtors balance as a percentage of Group revenue	21.2%	9.7%
Turnover days	77 days	35 days

The increase in trade debtors turnover days was partly distorted by including only those revenues since acquisition of the luggage business to measure against accumulated debtors balances at the year end, and was mainly due to an increase in sales of the luggage business in the fourth quarter of the financial year 2005. The increase in inventories was due to the increase in stock level to cater for the increased demand, and an increase in sales of the luggage business in the fourth quarter of the financial year 2005.

CHAIRMAN'S STATEMENT

Investments

At 31 December 2005, the Group held a portfolio of listed securities with a market value of HK\$50.2 million and a convertible note of HK\$14.6 million issued by a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The dividend, interest and other income from these investments for the year was HK\$1.4 million (31 December 2004: HK\$2.6 million). The unrealized holding gain on listed securities as at 31 December 2005 amounted to HK\$4.0 million (31 December 2004: HK\$14.9 million).

Capital Expenditure

For the year ended 31 December 2005, the Group invested HK\$5.7 million in plant, machinery, equipment and other tangible assets, and HK\$81.0 million in two office premises. One of the office premises has been let to earn rental income. The Group also entered into contract of HK\$1.1 million to expand the production facility in its luggage manufacturing plant in China. All of these capital expenditure were financed from internal resources.

Pledge of Assets

At 31 December 2005, the Group has pledged the followings:

	<i>HK\$'000</i>
a. Leasehold properties as security for general banking facilities granted to the Group	6,379
b. A piece of land where a subsidiary's production facility is located as security for a revolving credit bank facility granted to the subsidiary	2,400
c. Fixed deposits as security for general banking facilities granted to a subsidiary	2,000

Employees

At 31 December 2005, the Group had approximately 5,756 employees.

The group has established an incentive bonus scheme and a share option scheme for its employees, in which the benefits are determined based on the performance of the Group and individual employees.

Exchange Risks

Sales and purchase transactions of the Group are primarily denominated in United States dollars and / or Hong Kong dollars, whereas bank deposits are maintained in Hong Kong dollars and US dollars. The exposure to foreign exchange risk is thus minimal.

Share Option Scheme

The Company adopted a new share option scheme on 29 April 2005. As at 31 December 2005, no options were granted, exercised, cancelled or lapsed under the Company's share option schemes, nor was there any outstanding option at the beginning or at the end of the year.

CHAIRMAN'S STATEMENT

Contingent Liabilities

At the balance sheet date, the Company had contingent liabilities in respect of guarantees amounting to HK\$35.3 million and HK\$6.0 million, respectively, given to banks for general banking facilities granted to subsidiaries and its associated company. At the balance sheet date, one subsidiary had utilized its banking facilities to the extent of HK\$13.0 million.

As of the financial year end date, the Group had no other material contingencies.

Post Balance Sheet Event

- a. At 31 December 2005, the Group held a convertible note with a principal amount of HK\$16.0 million which was issued by a company with its shares listed on the Stock Exchange. Subsequent to 31 December 2005, the Group's convertible note receivable with carrying amount of HK\$14.7 million at 31 December 2005 was redeemed by the issuer at cost of HK\$16.0 million on 7 March 2006.
- b. Subsequent to 31 December 2005, the Group entered into a conditional agreement on 30 March 2006 with an independent third party to dispose of the entire issued share capital of its subsidiary, Wiseteam Assets Limited, which has as its only asset of an investment property with carrying amount of HK\$44.7 million at 31 December 2005, at a consideration of HK\$49.0 million.
- c. The Company has given guarantee to the extent of HK\$6.0 million in favour of a bank in respect of banking facilities granted to its associate company.

Appreciation

On behalf of the Board, I would like to express my sincere gratitude to the Group's management and staff members for their invaluable service and contribution. I also wish to thank all our customers for their support, and our shareholders for the trust and support during the year.

Lam How Mun Peter

Chairman

Hong Kong, 7 April 2006