World Houseware (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 713

ANNUAL REPORT 2007

Contents

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)*
Madam Lai Lai Wah
Mr. Lee Pak Tung
Mr. Kwong Bau To
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 309GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

PRINCIPAL BANKERS

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

AUDITORS

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 Company Limited
P.O. Box 1787
Midland Bank Building
One Regis Place
George Town
Grand Cayman
Cayman Islands
British West Indies

STOCK CODE

713

WEBSITE

http://www.worldhse.com.hk

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 28 April 2008.

An Annual General Meeting of World Houseware (Holdings) Limited (the "Company") will be held at the Beijing Suite I, 3/F, Prince Hotel, Harbour City, 23 Canton Road, Tsimshatsui, Kowloon, Hong Kong at 3:00 p.m. on Tuesday, 20 May 2008 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 2007.

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. 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 4B to the mandate granted to the Directors under resolution 4A.

Chairman's Statement

BUSINESS REVIEW

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

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

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

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

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

PROSPECTS

Looking into 2008, the subprime loan crisis in the United States may lead to an economic recession, whereas the increase in production costs such as RMB appreciation, raw materials and salaries would continue for some time with no indication of decrease in the near future. In view of these, the Group would adopt a prudent and proactive approach to consolidate its resources and deployment. On the one hand, we will accelerate the discontinuation for business which can generate only minimal gross profit margin. On the other hand, we will focus our resources on the environmental reborn business by expanding the Group's market share in PRC so as to relieve the reliance on export trading so that the effort of the diversification of business of the Group can be achieved.

Management Discussion and Analysis

RESULTS

- The Group recorded a turnover of HK$997,202,000 for the year ended 31 December 2007, representing an increase of 12.4% as compared to the same period last year.
- Gross profit and gross profit margin of the Group recorded were HK$79,046,000 and 7.9%, representing a decrease of HK$16,844,000 and a decrease of 17.6% respectively as compared to the same period last year.
- Loss for the year was HK$45,762,000, as compared to a loss of HK$42,695,000 for the same period last year.
- Basic loss per share was 6.8 HK cents, as compared to loss per share of 6.3 HK cents for the same period last year.
- The Board of Directors do not propose any payment of dividend for the year.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group finances its operations from internally generated cash flows, term loans and trade finance facilities provided by banks in Hong Kong and the PRC. At 31 December 2007, the Group had bank balances and cash and pledged bank deposits of approximately HK$65,641,000 (31.12.2006: HK$59,961,000) and had interest-bearing bank borrowings of approximately HK$270,022,000 (31.12.2006: HK$293,502,000). The Group's interest-bearing bank borrowings was mainly computed at Hong Kong Inter-Bank Offering Rate plus a margin. The Group's total banking facilities available as at 31 December 2007 amounted to HK$669,945,000; of which HK$283,488,000 of the banking facilities was utilised (utilisation rate was at 42.3%).

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

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

CHARGES ON ASSETS

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

STAFF AND EMPLOYMENT

At 31 December 2007, the Group employed a total workforce of about 3,306 (31.12.2006: 3,650) including 1,016 permanent staff and 2,290 contracted staff in our factories located in the PRC. The total staff remuneration incurred during the period was HK$89,989,000 (31.12.2006: HK$86,993,000). It is the Group's policy to review its employee's pay levels and performance bonus system regularly to ensure that the remuneration policy is competitive within the relevant industries. It is the Group's policy to encourage its subsidiaries to send the management and staff to attend training classes or seminars that related to the Group's business. Tailor made internal training program was also provided to staff in our PRC factories.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

LEE Tat Hing, aged 70, is the Chairman of the Group. Mr. Lee has over 30 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 52, 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 47, 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.

LAI Lai Wah, aged 50, is the wife of Mr. Lee Chun Sing and the general manager of the PRC factory. Madam Lai has been with the Group for over 20 years.

LEE Pak Tung, aged 61, 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.

KWONG Bau To, aged 52, being a member of the Institution of Engineering Designers, has gained extensive experience in engineering and marketing field by working with sizable corporations in Hong Kong in the past. He joined the Group in 1994. He is responsible for the management and marketing development of PVC pipes and fittings division of the Company in Hong Kong.

CHAN Lai Kuen Anita, aged 56, 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 55, 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.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

TSUI Chi Him Steve, aged 52, 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 51, is a fellow member of the Chartered Association of 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.

HUI Chi Kuen Thomas, aged 51, 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 41, 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 Institute 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 43, 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' experience in auditing, accounting and financial management, he is also responsible for the internal audit of the Group.

LEE Fung Mei Belinda, aged 42, is the daughter of Mr. Lee Tat Hing and senior sales manager of the Group. Madam Lee has been with the Group since 1989 and 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.

NGAN Ping Chi, aged 55, is a senior sales manager and is in charge of the European markets. He joined the Group in 1988 and has over 20 years' marketing experience.

LEE Hon Sing Alan, aged 44, 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 45, 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.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT *(Continued)*

CHEN Hsin Hsiung, aged 65, 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 46, is a technical engineer of PVC sheeting production. Mr. Huang is responsible for the engineering and production of the Group. Before joining the Group in 1993, Mr. Huang worked in a leading PVC manufacturer in Taiwan. He has over 20 years' experience in production and administration.

WANG Wen Bi, aged 42, is 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 50, 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 48, 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.

LEE Wai Chun, aged 45, is the shipping manager of the Group. She joined the Group in 1985 and is responsible for the supervision of the shipping, import and export operations.

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)*
Lai Lai Wah	
Lee Pak Tung	
Kwong Bau To	
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.

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. Also, Madam Lai Lai Wah, is the wife of Mr. Lee Chun Sing, the Vice Chairman.

Corporate Governance Report

BOARD OF DIRECTORS *(Continued)*

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 2007	Attendance rate
Lee Tat Hing	9/9	100%
Fung Mei Po	9/9	100%
Lee Chun Sing	8/9	88.8%
Lai Lai Wah	8/9	88.8%
Lee Pak Tung	9/9	100%
Kwong Bau To	9/9	100%
Choi Kwok Keung Sanvic (resigned on 13 August 2007)	4/5	80%
Chan Lai Kuen Anita	9/9	100%
Cheung Tze Man Edward	8/9	88.8%
Tang King Hung (resigned on 19 September 2007)	7/7	100%
Tsui Chi Him Steve (appointed on 17 November 2007)	1/2	50%
Ho Tak Kay	7/9	77.8%
Hui Chi Kuen Thomas	6/9	66.7%

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.

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

Corporate Governance Report

BOARD OF DIRECTORS *(Continued)*

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.

REMUNERATION COMMITTEE

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

Corporate Governance Report

REMUNERATION COMMITTEE *(Continued)*

The Remuneration Committee was formed in September 2005 and meetings shall be held at least once a year. One meeting was held in 2007. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2007	Attendance rate
Lee Tat Hing *(Chairman of remuneration committee)*	1/1	100%
Cheung Tze Man Edward	1/1	100%
Tang King Hung (resigned on 19 September 2007)	0/0	—
Tsui Chi Him Steve (appointed on 17 November 2007)	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 12 (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.

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

Corporate Governance Report

NOMINATION COMMITTEE

The Nomination Committee was formed in September 2007 and meetings shall be held at least once a year, two Independent Non-Executive Directors namely Mr. Ho Tak Kay and Mr. Hui Chi Kuen Thomas and one Executive Director Mr. Lee Tat Hing were appointed as members on 19 September 2007.

On 17 November 2007, one Independent Non-Executive Director Mr. Tsui Chi Him Steve and one Executive Director Madam Fung Mei Po were appointed, also at this date, Mr. Lee Tat Hing was appointed as chairman of the Nomination Committee.

No nomination Committee meeting was held in 2007. 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's 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.

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 2007, 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.

Corporate Governance Report

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 2007	Attendance rate
Tsui Chi Him Steve *(Chairman of audit committee)*	0/0	—
Tang King Hung *(Former Chairman of audit committee)*	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 2007, the Audit Committee had performed the following work:

(i) reviewed the financial reports for the year ended 31 December 2006 and for the six months ended 30 June 2007;

(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 2006.

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.

Corporate Governance Report

AUDITORS' REMUNERATION

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

Services rendered	Fees paid/payable
	HK$'000
Audit services	2,200
Review on interim financial statements	270
Non-audit services i.e. taxation and internal control assessment and recommendation	1,311
	3,781

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 and Remuneration 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 2007.

INTERNAL CONTROL

The Board has overall responsibility for reviewing the effectiveness of its internal control. The Company has engaged an internal controls assessment services company to perform internal controls design assessment of certain systems, conduct an entity-level risk assessment and develop a high-level three years internal audit plan, and to prepare an assessment report (the "Internal Controls Assessment Report"). The first year's Internal Controls Assessment Report has been issued, the board has decided to carry out all the appropriate recommended controls issued in the first year's Report. The second year's assessment will be performed around May to June in 2008.

Directors' Report

The directors have pleasure in presenting their report and the audited consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its principal subsidiaries are engaged in the design, manufacture and marketing of PVC and fabric household products, PVC pipes and fittings and property investment.

The details of the Company's principal subsidiaries at 31 December 2007 are set out in note 37 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated income statement on page 23.

The directors do not recommend the payment of a dividend for the year.

INVESTMENT PROPERTIES

The investment properties held by the Group were revalued at 31 December 2007, resulting in a net increase in fair value of HK$4,230,000, which has been credited directly to the consolidated income statement.

Details of these and other movements 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$61,480,000 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 represent the aggregate of the share premium and the special reserve less deficit which amounted to approximately HK$312,686,000 (2006: HK$317,822,000). 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' Report

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)*
Lai Lai Wah	
Lee Pak Tung	
Kwong Bau To	
Choi Kwok Keung Sanvic	(resigned on 13 August 2007)
Chan Lai Kuen Anita	

Non-executive director:

Cheung Tze Man Edward

Independent non-executive directors:

Hui Chi Kuen Thomas	
Ho Tak Kay	
Tsui Chi Him Steve	(appointed on 17 November 2007)
Tang King Hung	(resigned on 19 September 2007)

In accordance with Article 116 of the Company's Articles of Association, Madam Fung Mei Po, Messrs Lee Chun Sing and Cheung Tze Man Edward retire by rotation and, being eligible, offer themselves for re-election. In accordance with Articles 99 and 117 of the Company's Articles of Association, Mr. Tsui Chi Him, Steve shall retire from office and being eligible, offers himself 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 2005 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 2007 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 2007, the interests of the directors 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:

	Number of issued ordinary shares held					
Name of director	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**	**Percentage of the issue share capital of the Company**
Lee Tat Hing	1,756,072	38,479,087*(a)*	28,712,551*(e)*	280,895,630*(f)*	349,843,340	51.72%
Fung Mei Po	38,479,087	30,468,623*(b)*	—	280,895,630*(f)*	349,843,340	51.72%
Lee Chun Sing	21,815,830	240,000*(c)*	—	280,895,630*(f)*	302,951,460	44.79%
Lai Lai Wah	240,000	302,711,460*(d)*	—	—	302,951,460	44.79%
Lee Pak Tung	2,766,448	—	—	—	2,766,448	0.41%
Kwong Bau To	3,103	—	—	—	3,103	—
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) Mr. Lee Chun Sing is the husband of Madam Lai Lai Wah whose personal interests are therefore also the family interests of Mr. Lee Chun Sing.

(d) Madam Lai Lai Wah is the wife of Mr. Lee Chun Sing whose personal and other interests are therefore also the family interests of Madam Lai Lai Wah.

(e) The shares are held by Lees International Investments Limited, a company wholly owned by Mr. Lee Tat Hing.

(f) The shares are held by Goldhill Profits Limited which is wholly owned by a discretionary trust of which Messrs. Lee Tat Hing, Lee Chun Sing and Madam Fung Mei Po are discretionary objects.

Directors' Report

DIRECTORS' INTERESTS IN SHARES *(Continued)*

At 31 December 2007, 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 2007, 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 2007, 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 2007.

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Particulars of the Company's share option scheme are set out in note 28 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 2007, 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' INTEREST 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 13.5% and 33.1%, 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 11.9% and 33.5%, 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 2007.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights in the Company's Articles of Association, or in the laws in the 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 emolument 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 28 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 Listing Rules of the Stock Exchange. The Company considers all of the independent non-executive directors are independent.

Directors' Report

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK$61,000.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2007.

POST BALANCE SHEET EVENT

Details of the significant event occurring after the balance sheet date are set out in note 36 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
22 April 2008

Independent Auditor's Report

Deloitte.
德勤

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 23 to 75, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements 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. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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, 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 as to 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 controls relevant to the Group's preparation and true and fair presentation of the consolidated financial statements 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 Group's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the consolidated financial statements.

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 2007 and of its loss 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
22 April 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Notes	**2007** **HK$'000**	2006 HK$'000
Turnover	6	**997,202**	887,153
Cost of sales		**(918,156)**	(791,263)
Gross profit		**79,046**	95,890
Other income		**14,797**	3,944
Selling and distribution costs		**(12,811)**	(10,924)
Administrative expenses		**(120,678)**	(93,251)
Loss arising from misappropriation of funds	7	**—**	(28,708)
Allowance for bad and doubtful debts		**(5,548)**	(4,226)
Compensation for future economic loss related to resumption of land	8	**—**	9,666
Gain on disposal of investment properties		**600**	—
Gain on disposal of other non-current assets classified as held for sale		**9,730**	—
Gain on revaluation of properties held for sale		**—**	122
Gain arising from fair value changes of investment properties		**4,230**	2,618
Gain arising from fair value changes of investment properties included under non-current assets classified as held for sale		**—**	1,500
Gain (loss) arising from derivative financial instruments classified as held for trading		**5,136**	(2,451)
Finance costs	9	**(13,835)**	(12,207)
Loss before taxation		**(39,333)**	(38,027)
Taxation	10	**(6,429)**	(4,668)
Loss for the year	11	**(45,762)**	(42,695)
Loss per share	13		
Basic		**(6.8) HK cents**	(6.3) HK cents

Consolidated Balance Sheet

At 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Investment properties	14	**39,020**	36,260
Property, plant and equipment	15	**669,400**	623,981
Prepaid lease payments	16	**126,064**	124,422
Deposits paid for acquisition of property, plant and equipment		**7,662**	16,706
Intangible assets	17	**3,069**	3,396
		845,215	804,765
Current assets			
Inventories	18	**196,413**	177,320
Trade and other receivables	19	**255,364**	204,004
Properties held for sale		**—**	10,038
Prepaid lease payments	16	**3,211**	3,074
Taxation recoverable		**3,927**	2,293
Derivative financial instruments	20	**1,028**	523
Pledged bank deposits	21/33	**26,773**	10,058
Bank balances and cash	21	**38,868**	49,903
		525,584	457,213
Non-current assets classified as held for sale	22	**—**	54,263
		525,584	511,476
Current liabilities			
Trade and other payables	23	**220,332**	186,157
Amounts due to directors	24	**13,000**	6,000
Taxation payable		**158**	1,066
Bank borrowings — amount due within one year	25	**245,479**	259,232
Derivative financial instruments	20	**980**	2,235
		479,949	454,690
Liabilities directly associated with non-current assets classified as held for sale		**—**	7,050
		479,949	461,740
Net current assets		**45,635**	49,736
Total assets less current liabilities		**890,850**	854,501
Non-current liabilities			
Bank borrowings — amount due after one year	25	**24,543**	27,220
Deferred taxation liability	26	**16,217**	9,862
		40,760	37,082
		850,090	817,419

Consolidated Balance Sheet

At 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Capital and reserves			
Share capital	27	**67,642**	67,642
Reserves		**782,448**	749,777
		850,090	817,419

The consolidated financial statements on pages 23 to 75 were approved and authorised for issue by the Board of Directors on 22 April 2008 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 2007

	Share capital	Share premium	Non-distributable reserve	Translation reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	67,642	313,127	241,393	20,546	178,620	821,328
Exchange differences arising on translation of foreign operations recognised directly in equity	—	—	—	38,786	—	38,786
Loss for the year	—	—	—	—	(42,695)	(42,695)
Total recognised income (loss) for the year	—	—	—	38,786	(42,695)	(3,909)
At 31 December 2006	67,642	313,127	241,393	59,332	135,925	817,419
Exchange differences arising on translation of foreign operations recognised directly in equity	—	—	—	78,433	—	78,433
Loss for the year	—	—	—	—	(45,762)	(45,762)
Total recognised income (loss) for the year	—	—	—	78,433	(45,762)	32,671
Capitalisation of accumulated profits by a subsidiary	—	—	10,000	—	(10,000)	—
At 31 December 2007	67,642	313,127	251,393	137,765	80,163	850,090

The non-distributable reserve represents the non-distributable reserve of the Company arose as a result of capitalisation of retained profits by subsidiaries.

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	2007	2006
	HK$'000	*HK$'000*
Cash flows from operating activities		
Loss before taxation	**(39,333)**	(38,027)
Adjustments for:		
Depreciation	**50,075**	49,832
Amortisation of prepaid lease payments	**3,178**	3,282
Amortisation of intangible assets	**351**	—
Interest expense	**13,835**	12,207
Gain on disposal of other non-current assets classified as held for sale	**(9,730)**	—
(Gain) loss on disposal of property, plant and equipment	**(6,480)**	385
Gain on disposal of investment properties	**(600)**	—
Written off of intangible assets	**192**	—
Allowance for bad and doubtful debts	**5,548**	4,226
Written off of other receivables	**4,527**	—
Allowance for inventories	**8,754**	1,589
Gain arising from fair value changes of investment properties	**(4,230)**	(2,618)
Gain arising from fair value changes of investment properties included under non-current assets classified as held for sale	**—**	(1,500)
Gain on revaluation of properties held for sale	**—**	(122)
Interest income	**(778)**	(338)
Dividend income from investments held for trading	**—**	(78)
Effect of foreign exchange rate changes on inter-company balances	**20,009**	9,422
Operating cash flows before movements in working capital	**45,318**	38,260
Increase in inventories	**(14,749)**	(2,278)
(Increase) decrease in trade and other receivables	**(49,025)**	25,352
Decrease in properties held for sale	**10,038**	44,159
Decrease in investments held for trading	**—**	5,078
(Increase) decrease in derivative financial instruments classified as held for trading	**(1,743)**	4,041
Increase in trade and other payables	**26,695**	3,145
Net cash generated from operations	**16,534**	117,757
Profits tax paid outside Hong Kong	**(3,819)**	(4,368)
Profits tax paid in Hong Kong	**(96)**	—
Profits tax refunded in Hong Kong	**550**	—
Net cash generated from operating activities	**13,169**	113,389

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	2007 HK$'000	2006 HK$'000
Cash flows from investing activities		
Interest received	**778**	338
Purchase of property, plant and equipment	**(43,713)**	(67,527)
Payments for intangible asset	**—**	(3,396)
Deposits paid for acquisition of property, plant and equipment	**(7,662)**	(14,107)
Proceeds from disposal of property, plant and equipment	**10,591**	2,427
Proceeds from disposal of prepaid lease payments	**—**	453
Proceeds from disposal of investment properties	**2,070**	—
Proceed from disposal of non-current assets classified as held for sale	**58,312**	—
Dividends received on investments held for trading	**—**	78
Increase in pledged bank deposits	**(16,715)**	(10,058)
Net cash generated from (used in) investing activities	**3,661**	(91,792)
Cash flows from financing activities		
Bank loans raised during the year	**213,507**	85,826
Repayment of bank loans	**(241,098)**	(141,340)
Advances from directors	**7,000**	6,000
Interest paid	**(13,835)**	(15,666)
(Decrease) increase in bank overdrafts	**(1,478)**	2,862
Net increase in trust receipts and import loans	**5,589**	7,553
Net cash used in financing activities	**(30,315)**	(54,765)
Net decrease in cash and cash equivalents	**(13,485)**	(33,168)
Cash and cash equivalents at the beginning of the year	**49,903**	81,454
Effect of foreign exchange rate changes	**2,450**	1,617
Cash and cash equivalents at the end of the year	**38,868**	49,903
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**38,868**	49,903

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

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 the same as 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, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for accounting periods beginning 1 January 2007.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

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

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

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

1 Effective for annual periods beginning on or after 1 January 2009.
2 Effective for annual periods beginning on or after 1 July 2009.
3 Effective for annual periods beginning on or after 1 March 2008.
4 Effective for annual periods beginning on or after 1 January 2008.
5 Effective for annual periods beginning on or after 1 July 2008.

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

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

3. 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 disclosure 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 under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies as set out below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and 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 activitles.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or 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 into line with those used by other members of the Group.

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are 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.

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 disposal. 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 consolidated income statement in the year 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.

Construction in progress represents 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 assets, commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost of property, plant and equipment other than construction in progress over their estimated useful lives, using the reducing balance method.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Research and development expenditure

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

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

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. 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 reported at cost less accumulated amortisation and accumulated impairment losses, 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).

Non-current assets classified as 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 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 the assets' previous carrying amount and fair value less costs to sell, except for non-current assets that are measured in accordance with the fair value model under HKAS 40 "Investment property".

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost comprises direct purchase cost and other direct expenses that have been incurred in bringing such properties to their present location and condition. Net realisable value represents the estimated selling price less all related marketing and selling expenses.

Property held for sale is transferred to investment property when it is evidenced by commencement of an operating lease to a third party at fair value. The difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in consolidated income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

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

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 capitalised as part of the cost of these assets. Capitalisation of borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Impairment

At each balance sheet date, 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 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.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement 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 balance sheet date.

Deferred taxation is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred taxation liabilities are generally recognised for all taxable temporary differences, and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises 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 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The carrying amount of deferred taxation assets is reviewed at each balance sheet date 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 taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred taxation is charged or credited to the profit or loss.

Revenue recognition

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

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

Revenue from sale of properties in the ordinary course of business is recognised when sale and purchase agreements have been signed during the year and legal completion takes place.

Interest income from a financial asset excluding financial assets at fair value through profit or loss ("FVTPL") is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Operating leases

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

The Group as lessor

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

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification. Leasehold land in which title is not expected to pass to the lessee by the end of the lease term is classified as an operating lease unless the lease payment cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

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 its 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 each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet 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 translation 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 in which they arise.

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 Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, 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 as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet 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 and 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 consolidated income statement.

Financial assets

The Group's financial assets are mainly classified as loans and receivables and financial assets at FVTPL. The accounting policies adopted is set out below. 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. The accounting policies adopted in respect of loans and receivables and financial assets at FVTPL are set out below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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 on points 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.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated 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. At each balance sheet date 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.

Financial assets at fair value through profit or loss

Financial assets at FVTPL of the Group comprise investments held for trading.

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.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value 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.

Impairment of loan and receivables

Loans and receivables are assessed for indicators of impairment at each balance sheet date. Loan and receivables 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 impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of loan and receivables (Continued)

For certain categories of financial assets, such as trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on 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 recognised 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 recognised 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.

Financial liabilities and equity

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 the 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 designated 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities at fair value through profit or loss (Continued)

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.

A financial liability other than a financial liability 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 liability 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.

At each balance sheet date subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value 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 amount due to directors are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

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, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme in Hong Kong and retirement benefit schemes in the People's Republic of China ("PRC") are charged as an expense when employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, management had made the following judgments and estimates that have the most significant effect on the amounts recognised in the financial statements.

Estimated provision for impairment of inventory

The Group makes allowance for inventories based on an assessment of the net realizable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realizable 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 carrying amount of inventories at 31 December 2007 is HK$196,413,000 (net of allowance for inventories of HK$14,300,000) (2006:HK$177,320,000 (net of allowance for inventories of HK$5,546,000)).

Estimated provision for impairment of trade receivables

The Group makes allowance for doubtful debts based on an assessment of the recoverability of debtors. Allowances are made on trade debtors whenever there is any objective evidence that the balances may not be collectible. In determining whether an allowance for bad and doubtful debts is required, the Group takes into consideration the aging status and the likelihood of collection. Following the identification of doubtful debts, the responsible sale personnel discuss with the relevant customers and report on the recoverability. Specific allowance is only made for trade receivables that are unlikely to be collected. Where the expectation on the recoverablility of the debts is different from the original estimate, such difference will impact the carrying amounts of debtors and doubtful debt expenses in the periods in which such estimate has been changed.

The carrying amount of trade debtors at 31 December 2007 is HK$227,021,000 (net of allowance for bad and doubtful debts of HK$27,213,000) (2006:HK$166,184,000 (net of allowance for bad and doubtful debts of HK$21,018,000)).

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 stakeholders 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 include bank borrowings, net of cash and cash equivalents, and equity attributable to equity holders of the Company, comprising issued share capital and reserves including retained profits.

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 and new share issues.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

6. TURNOVER AND SEGMENT INFORMATION

Business segment

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

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

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

Year ended 31 December 2007

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

6. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Business segment *(Continued)*

Year ended 31 December 2007

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

At 31 December 2007

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

6. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Business segment *(Continued)*

Year ended 31 December 2006

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

6. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Business segment *(Continued)*

Year ended 31 December 2006

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

At 31 December 2006

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

6. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Business segment *(Continued)*

Geographical segment

Substantially all of the sales of the Group's PVC pipes and fittings and rental income of the Group's property investment were made to customers and received from tenants in the PRC. All properties held for sale disposed of during the year were situated in the PRC. An analysis of the Group's sales of household products by geographical market based on location of customers is as follows:

	Turnover	
	2007	2006
	HK$'000	*HK$'000*
United States of America	**353,706**	337,200
Asia	**46,105**	42,043
Canada	**23,923**	25,592
Europe	**17,063**	12,931
Latin America	**4,381**	3,882
Australia	**1,214**	1,866
Other areas	**720**	204
Total sales of household products	**447,112**	423,718

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

7. LOSS ARISING FROM MISAPPROPRIATIONS OF FUNDS

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

7. LOSS ARISING FROM MISAPPROPRIATIONS OF FUNDS *(Continued)*

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

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

8. COMPENSATION FOR FUTURE ECONOMIC LOSS RELATED TO RESUMPTION OF LAND

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

9 FINANCE COSTS

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

10. TAXATION

	2007 HK$'000	2006 HK$'000
Hong Kong		
— charge for the year	**(36)**	—
Other regions in the PRC		
— charge for the year	**(848)**	(2,884)
— underprovision in prior years	**—**	(42)
	(884)	(2,926)
Deferred taxation charge *(note 26)*		
— credit (charge) for the year	**1,202**	(1,742)
— attributable to a change in tax rate	**(6,747)**	—
	(5,545)	(1,742)
Taxation charge	**(6,429)**	(4,668)

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

Pursuant to the relevant laws and regulations in the PRC, certain subsidiaries in the PRC are entitled to the exemption from PRC Enterprise Income Tax for two or three years commencing from their first profit-making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC Enterprise Income Tax for the following three years.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

10. TAXATION *(Continued)*

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

11. LOSS FOR THE YEAR

	2007 HK$'000	2006 HK$'000
Loss for the year has been arrived at after charging:		
Directors' emoluments *(note 12)*	**16,966**	17,192
Other staff's retirement benefit scheme contributions	**3,254**	3,570
Other staff costs	**86,735**	83,423
Total staff costs	**106,955**	104,185
Allowance for inventories	**8,754**	1,589
Written off of other receivables	**4,527**	—
Amortisation of intangible assets	**351**	—
Amortisation of prepaid lease payments	**3,178**	3,282
Auditors' remuneration	**2,553**	2,000
Cost of inventories recognised as an expense	**878,086**	737,978
Cost of properties held for sale recognised as an expense	**10,038**	44,160
Depreciation	**50,075**	49,832
Exchange loss	**24,548**	9,115
Loss on disposal of property, plant and equipment	**—**	385
Operating lease rentals in respect of rented premises	**581**	1,319
Shipping and handling expenses (included in selling and distribution costs)	**7,570**	8,402
and after crediting:		
Dividend income from investments held for trading	**—**	78
Gain on disposal of property, plant and equipment (included in other income)	**6,480**	—
Written off of other payables (included in other income)	**5,955**	—
Gain on fair value changes of investments held for trading, excluding dividend income	**—**	175
Exchange gain	**1,643**	780
Gross rental income from investment properties	**1,741**	2,001
Less: Direct operating expenses that generated rental income	**(174)**	(231)
	(1,567)	1,770
Interest income	**778**	338

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For the year ended 31 December 2007

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

For the year ended 31 December 2007

	Fees	Salaries and other benefits	Bonus	Retirement benefit scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000* *(note)*	*HK$'000*	*HK$'000*
Executive directors:					
Lee Tat Hing	—	7,350	—	—	7,350
Fung Mei Po	—	2,700	—	12	2,712
Lee Chun Sing	—	2,700	—	12	2,712
Lai Lai Wah	—	900	—	12	912
Lee Pak Tung	—	498	—	12	510
Kwong Bau To	—	855	—	12	867
Choi Kwok Keung Sanvic (resigned on 13 August 2007)	—	355	—	7	362
Chan Lai Kuen Anita	—	824	—	12	836
Non-executive director:					
Cheung Tze Man Edward	180	—	—	—	180
Independent non-executive directors:					
Tsui Chi Him Steve (appointed on 17 November 2007)	30	—	—	—	30
Hui Chi Kuen Thomas	180	—	—	—	180
Ho Tak Kay	180	—	—	—	180
Tang King Hung (resigned on 19 September 2007)	135	—	—	—	135
	705	16,182	—	79	16,966

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

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

For the year ended 31 December 2006

	Fees	Salaries and other benefits	Bonus	Retirement benefit scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000* *(note)*	*HK$'000*	*HK$'000*
Executive directors:					
Lee Tat Hing	—	7,350	—	—	7,350
Fung Mei Po	—	2,684	—	12	2,696
Lee Chun Sing	—	2,700	—	12	2,712
Lai Lai Wah	—	900	—	12	912
Lee Pak Tung	—	495	—	12	507
Kwong Bau To	—	894	—	12	906
Choi Kwok Keung Sanvic	—	630	—	12	642
Chan Lai Kuen Anita	—	720	—	12	732
Non-executive director:					
Cheung Tze Man Edward	180	—	—	—	180
Independent non-executive directors:					
Wong Kong Chi (resigned on 19 April 2006)	60	—	—	—	60
Hui Chi Kuen Thomas	180	—	—	—	180
Ho Tak Kay	180	—	—	—	180
Tang King Hung (appointed on 19 April 2006)	135	—	—	—	135
	735	16,373	—	84	17,192

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

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, amount to HK$3,351,000 (2006: nil) for the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(ii) Information regarding employees' emoluments

The five highest paid employees of the Group in both years included three executive directors whose emoluments are included in (i) above. The emoluments of the other two highest paid employees, not being directors, are as follows:

	2007	2006
	HK$'000	*HK$'000*
Salaries	**3,300**	3,156
Retirement benefit scheme contributions	**24**	24
	3,324	3,180

The emoluments of these two employees fall within the following bands:

	Number of employees	
	2007	2006
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.

13. LOSS PER SHARE

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

	2007	2006
	HK$'000	*HK$'000*
Loss for the purpose of calculating basic loss per share	**(45,762)**	(42,695)

	Number of shares	
	2007	2006
Number of shares for the purpose of calculating basic loss per share	**676,417,401**	676,417,401

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For the year ended 31 December 2007

14. INVESTMENT PROPERTIES

	2007	2006
	HK$'000	*HK$'000*
FAIR VALUE		
At 1 January	**36,260**	48,842
Transfer from properties held for sale	**—**	13,300
Reclassified as non-current assets held for sale	**—**	(28,500)
Disposals	**(1,470)**	—
Increase in fair value	**4,230**	2,618
At 31 December	**39,020**	36,260

The carrying amount of investment properties shown above comprises:

	2007	2006
	HK$'000	*HK$'000*
Properties situated in Hong Kong	**31,010**	28,750
Properties situated in the PRC, other than Hong Kong	**8,010**	7,510
	39,020	36,260

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 2007 have been arrived at on the basis of a valuation carried out at that date by Knight Frank Hong Kong Limited, an independent firm of professional property valuers not connected with the Group. Knight Frank Hong Kong Limited has appropriate qualification and recent experiences in the valuation of similar properties in the relevant locations. The fair values of HK$21,850,000 and HK$17,170,000 were arrived at by reference to market evidence of transaction prices for similar properties and the basis of capitalisation of the relevant net income respectively.

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15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Furniture, fixtures and equipment	Leasehold improvements	Motor vehicles	Plant and machinery	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1 January 2006	314,859	77,266	66,746	19,624	636,856	32,320	1,147,671
Currency realignment	8,678	2,399	2,099	299	21,321	1,026	35,822
Additions	2,240	2,098	—	618	24,085	45,445	74,486
Reclassifications	—	—	—	—	134	(134)	—
Disposals	(603)	(576)	—	(577)	(13,265)	—	(15,021)
Reclassified as non-current assets classified as held for sale	(11,427)	—	—	—	(69,958)	—	(81,385)
At 31 December 2006	313,747	81,187	68,845	19,964	599,173	78,657	1,161,573
Currency realignment	15,430	3,891	3,423	559	33,819	4,437	61,559
Additions	10,901	3,024	—	1,868	24,128	21,559	61,480
Reclassifications	92,444	—	1,649	—	318	(94,411)	—
Disposals	(2,539)	(1,705)	(2,584)	(257)	(8,399)	(193)	(15,677)
Transferred from non-current assets classified as held for sale	—	—	—	—	18,092	—	18,092
At 31 December 2007	429,983	86,397	71,333	22,134	667,131	10,049	1,287,027
ACCUMULATED DEPRECIATION							
At 1 January 2006	69,923	61,448	50,380	13,954	343,703	—	539,408
Currency realignment	2,554	2,190	1,644	206	11,089	—	17,683
Provided for the year	11,499	3,121	2,250	1,270	31,692	—	49,832
Eliminated on disposals	(174)	(500)	—	(448)	(11,087)	—	(12,209)
Eliminated on transfer to non-current assets classified as held for sale	—	—	—	—	(57,122)	—	(57,122)
At 31 December 2006	83,802	66,259	54,274	14,982	318,275	—	537,592
Currency realignment	4,784	3,361	3,250	395	18,140	—	29,930
Provided for the year	12,723	3,842	2,366	1,098	30,046	—	50,075
Eliminated on disposals	(2,310)	(599)	(646)	(224)	(7,787)	—	(11,566)
Recognised on transfer from non-current assets classified as held for sale	—	—	—	—	11,596	—	11,596
At 31 December 2007	98,999	72,863	59,244	16,251	370,270	—	617,627
CARRYING VALUES							
At 31 December 2007	330,984	13,534	12,089	5,883	296,861	10,049	669,400
At 31 December 2006	229,945	14,928	14,571	4,982	280,898	78,657	623,981

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The cost of leasehold land and buildings is depreciated over twenty to fifty years on a straight line basis.

Depreciation is provided to write off the cost of other property, plant and equipment other than construction in progress over their estimated useful lives, using the reducing balance method, 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%

Borrowing cost of HK$3,459,000 had been capitalised in construction in progress for the year ended 31 December 2006.

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

	2007	2006
	HK$'000	*HK$'000*
Leasehold land and buildings in Hong Kong under medium-term leases	**51,023**	40,389
Buildings in the PRC (other than Hong Kong) on medium-term land use rights	**279,961**	189,556
	330,984	229,945

The construction in progress are located in Hong Kong and other parts of the PRC under medium-term lease.

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2007	2006
	HK$'000	*HK$'000*
Leasehold land in Hong Kong:		
Medium-term lease	**34,383**	35,259
Leasehold land in the PRC:		
Medium-term lease	**94,892**	92,237
	129,275	127,496

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

16. PREPAID LEASE PAYMENTS *(Continued)*

Analysed for reporting purposes as:

	2007	2006
	HK$'000	*HK$'000*
Current	**3,211**	3,074
Non-current	**126,064**	124,422
	129,275	127,496

17. INTANGIBLE ASSETS

	Capitalised development costs
	HK$'000
AT COST	
At 1 January 2006	—
Additions	3,396
At 31 December 2006	3,396
Currency realignment	216
Written-off	(192)
At 31 December 2007	3,420
AMORTISATION	
At 1 January 2006 and 31 December 2006	—
Charge for the year	351
At 31 December 2007	351
CARRYING VALUES	
At 31 December 2007	3,069
At 31 December 2006	3,396

Development costs are internally generated on development activities of high value-added environmental and recycling related equipment.

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 the line item cost of sales in the consolidated income statement.

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For the year ended 31 December 2007

18. INVENTORIES

	2007 HK$'000	2006 HK$'000
Raw materials	**109,688**	92,471
Work in progress	**31,255**	37,015
Finished goods	**55,470**	47,834
	196,413	177,320

19. TRADE AND OTHER RECEIVABLES

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

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

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

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

	2007 HK$'000	2006 HK$'000
United States dollars ("USD")	**90,182**	48,106

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

19. TRADE AND OTHER RECEIVABLES *(Continued)*

Aging of trade receivables which are past due but not impaired:

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

Movement in the allowance for doubtful debts:

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2007		2006	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Interest rate swaps	**—**	**—**	466	—
Forward foreign exchange contracts	**1,028**	**(980)**	57	(2,235)
	1,028	**(980)**	523	(2,235)

At the balance sheet date, major terms of the outstanding foreign currency forward contracts are as follows:

At 31 December 2007

Notional amount	**Maturity**	**Exchange rate**
Deliverable		
Buy USD0 to 2,000,000	4 April 2008	USD1 to HK$7.75
Buy USD1,000,000 to 3,000,000	17 April 2008	USD1 to HK$7.708
Non-deliverable		
Buy USD1,000,000	23 January 2008	USD1 to RMB7.4123
Buy USD1,000,000	21 February 2008	USD1 to RMB7.3849
Buy USD1,000,000	21 March 2008	USD1 to RMB7.3549
Buy USD1,000,000	23 April 2008	USD1 to RMB7.3283
Buy USD1,000,000	23 May 2008	USD1 to RMB7.2960
Buy USD250,000	25 January 2008	USD1 to RMB7.3790
Buy USD250,000	27 February 2008	USD1 to RMB7.3420
Buy USD250,000	27 March 2008	USD1 to RMB7.340
Sell USD20,000,000 to 40,000,000	16 July 2008	USD1 to RMB7.25-7.3
Sell USD1,000,000	23 January 2008	USD1 to RMB7.4715
Sell USD1,000,000	21 February 2008	USD1 to RMB7.4530
Sell USD1,000,000	21 March 2008	USD1 to RMB7.4350
Sell USD1,000,000	23 April 2008	USD1 to RMB7.4170
Sell USD1,000,000	23 May 2008	USD1 to RMB7.410
Sell USD250,000	25 January 2008	USD1 to RMB7.5465
Sell USD250,000	27 February 2008	USD1 to RMB7.5350
Sell USD250,000	27 March 2008	USD1 to RMB7.5240

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

20. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

At 31 December 2006

Notional amount	**Maturity**	**Exchange rate**
Deliverable		
Buy USD1,000,000 to USD3,000,000	17 April 2008	USD1 to HK$7.708
Non-deliverable		
Buy USD2,000,000 to USD4,000,000	26 July 2007	USD1 to HK$7.723
Buy USD1,000,000 to USD3,000,000	30 October 2007	USD1 to HK$7.720

At 31 December 2006, major items of the interest rate swaps are as follows:

Notional amount	**Maturity**	**Swaps**
HK$66,600,000	24 May 2007	From Hong Kong Inter-Bank Offer Rate ("HIBOR") to 1.88%
HK$56,780,000	13 November 2007	From HIBOR to 1.88%

The above derivatives are measured at fair value at each balance sheet date. Their fair values are determined based on the valuation provided by the relevant counterparty financial institutions at the balance sheet date.

21. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group and are therefore classified as current asset. The pledged bank deposits carry interest at market rates which range from 2.94% to 3.87% (2006: 3.4% to 3.45%) 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 at market interest rates. Bank balances carry interest at market rates which range from 1% to 3.23% (2006: 1% to 3.24%) per annum.

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:

	2007	2006
	HK$'000	*HK$'000*
USD	**2,647**	1,875
HK$	**2,004**	1,241

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

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For the year ended 31 December 2007

22. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	2007	2006
	HK$'000	*HK$'000*
Investment property	—	30,000
Leasehold land and building	—	11,427
Machinery	—	12,836
	—	54,263

The investment property included in non-current assets classified as held for sale with a carrying value of approximately HK$30,000,000 as at 31 December 2006 had been disposed of in current year, and the related mortgage loan of approximately HK$7,050,000 classified as liabilities directly associated with non-current assets classified as held for sale had also been repaid in current year.

All of leasehold land and building included in non-current assets classified as held for sale had been disposed of in current year.

On 31 December 2006, the directors of the Company resolved to dispose of the Group's certain machinery with carrying value of approximately RMB12,900,000 (approximately HK$12,836,000), out of which machinery with a carrying value of approximately RMB6,762,000 (approximately HK$7,155,000) was sold during the year for a consideration of approximately RMB10,276,000 (approximately HK$10,561,000). The net cash generated from disposal after deducting the relevant selling expenses, is approximately RMB3,314,000 (approximately HK$3,406,000) was used as general working capital of the Group. The remaining machinery with a carrying value of approximately RMB6,138,000 (approximately HK$6,496,000) was transferred back to property, plant and equipment for production as at the year end date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

23. TRADE AND OTHER PAYABLES

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

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

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

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

	2007	2006
	HK$'000	*HK$'000*
USD	**23,410**	9,356

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

24. AMOUNTS DUE TO DIRECTORS

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

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25. BANK BORROWINGS

	2007	2006
	HK$'000	*HK$'000*
Variable rate bank loans	**240,728**	261,269
Bank overdrafts	**11,091**	12,569
Trust receipts, import loans and others	**18,203**	12,614
	270,022	286,452
Analysed as:		
Secured	**258,681**	179,902
Unsecured	**11,341**	106,550
	270,022	286,452
Carrying amount repayable:		
Within 1 year	**245,479**	259,232
More than 1 year, but not exceeding 2 years	**6,786**	4,870
More than 2 years, but not exceeding 5 years	**10,889**	19,585
More than 5 years	**6,868**	2,765
	270,022	286,452
Less: Amount due within 1 year shown under current liabilities	**(245,479)**	(259,232)
Amount due after 1 year	**24,543**	27,220

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

25. 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:

	2007	2006
	HK$'000	*HK$'000*
USD	**38,343**	13,530
HK$	**21,200**	21,200

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

	2007	2006
Interest rate:		
Variable-rate borrowing	**HIBOR + 0.8% to Prime rate + 2%**	HIBOR + 0.83% to Prime rate + 2%

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

	2007	2006
Effective interest rate:		
Variable-rate borrowing	**4.14% to 9.75%**	4.74% to 10%

During the year, in respect of bank loans with carrying amounts of approximately HK$34,640,000 as at 31 December 2007, the Group breached certain of the terms of the bank loans, which are primarily related to the debt service cover and the interest coverage ratio of the Group. According to HKAS 1 "Presentation of financial statements", since the banks have not agreed to waive their rights to demand immediate repayment as at the balance sheet date, the non-current portion of the bank loans amounted to HK$19,280,000 have been classified as current liabilities in the consolidated balance sheet as at 31 December 2007. The Group has subsequently obtained written consent from the banks to waive their rights to demand immediate repayment.

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 2007

26. DEFERRED TAXATION

	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 2006	(10,028)	—	2,186	—	(7,842)
Exchange difference	(278)	—	—	—	(278)
(Charge) credit to consolidated income statement for the year	(1,124)	(746)	128	—	(1,742)
At 31 December 2006	(11,430)	(746)	2,314	—	(9,862)
Exchange difference	(911)	—	21	80	(810)
(Charge) credit to consolidated income statement for the year	(1,316)	(33)	447	2,104	1,202
Change in tax rate	(7,537)	—	—	790	(6,747)
At 31 December 2007	(21,194)	(779)	2,782	2,974	(16,217)

At the balance sheet date, the Group had unused tax losses of approximately HK$199,856,000 (2006: HK$136,328,000) available to offset against future assessable profits. A deferred taxation asset has been recognised in respect of tax losses of HK$15,895,000 (2006: HK$13,223,000). No deferred taxation asset has been recognised in respect of the remaining tax losses of HK$183,961,000 (2006: HK$123,105,000) 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 balance sheet date.

27. SHARE CAPITAL

	2007 & 2006
	HK$'000
Authorised:	
1,500,000,000 shares of HK$0.10 each	150,000

	Nominal value 2007 & 2006
	HK$'000
Issued and fully paid:	
676,417,401 shares of HK$0.10 each	67,642

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

28. 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. On 19 February 2000, options to subscribe for 4,460,000 shares in the Company were granted to certain directors and employees of the Group at an exercise price of HK$0.32 per share. Consideration received by the Company for options granted during that year amounted to HK$7.

No charge is recognised in the consolidated income statement in respect of the value of options granted, in accordance with the transitional provisions of HKFRS 2 "Share based payment".

No share options were granted to directors or employees during the two years ended 31 December 2007. In addition, as of 31 December 2007 and 31 December 2006, no share options under the share option scheme were outstanding.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Categories of financial instruments

	2007	2006
	HK$'000	*HK$'000*
Financial assets		
Fair value through profit or loss	**1,028**	523
Loans and receivables (including cash and cash equivalents)	**301,426**	239,969
Financial liabilities		
Fair value through profit or loss	**980**	2,235
Amortised costs	**479,250**	460,677

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, 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 and 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 41% and 14% of the Group's sales and purchases respectively are denominated in currencies other than the functional currencies of the relevant group companies making the sale and the purchase.

Several subsidiaries of the Company have foreign currency bank balances, trade receivables, trade and other payables and bank borrowings that are denominated in currencies other than the functional currencies of the relevant group companies 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.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at 31 December 2006 and 2007 are as follows:

	Assets		**Liabilities**	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
USD	**92,829**	49,981	**(61,753)**	(22,886)
HK$	**2,004**	1,241	**(21,200)**	(21,200)
	94,833	51,222	**(82,953)**	(44,086)

The Group is mainly exposed to fluctuation in exchange rate of Renminbi against Hong Kong dollars. Exposures on balances which are denominated in United States dollars in group companies with Hong Kong dollars as functional currency, are not considered significant as Hong Kong dollars is pegged to United States dollars. The following table details the Group's sensitivity to a reasonably possible change of 5% in exchange rate of RMB (functional currencies of the relevant group companies) against HK$ while all other variables are held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translations at each balance sheet date for a 5% change in RMB.

	Increase (decrease in profit)	
	2007	2006
	HK$'000	*HK$'000*
Increase (decrease) in profit before tax for the year		
— if RMB weaken against HK$	**(960)**	(998)
— if RMB strengthen against HK$	**960**	998

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to pledged bank deposits, bank balances and cash (see note 21) and variable-rate bank borrowings (see note 25). 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 pledged bank deposits, bank balances and cash and the variable rate bank borrowings at the balance sheet date and the reasonably possible change taking place at the beginning of each year and held constant throughout the respective year.

	2007	2006
Reasonably possible change in interest rate	**50 basis point**	50 basis point
	HK$'000	*HK$'000*
Increase(decrease) in profit before tax for the year		
— as a result of increase in interest rate	**(1,022)**	(1,132)
— as a result of decrease in interest rate	**1,022**	1,132

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 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, credit limits and credit terms granted to customers have to be approved by delegated officers and follow-up action is taken to recover overdue debts. In additions, the management of the Group has reviewed the recoverable amount of each individual trade debt at each balance sheet date 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 has no significant concentration of credit risk on trade and other receivables with exposure spread over a number of counterparties and customers.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group has sufficient cash and cash equivalents and available funding through bank borrowings *(note 25)* 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.

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*	Over 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31.12.2007 *HK$'000*
As at 31 December 2007								
Non-derivative financial liabilities								
Trade and other payables	–	32,347	35,391	128,490	–	–	196,228	196,228
Bank borrowings — variable rate	5.72	113,154	65,227	71,571	20,193	7,335	277,480	270,022
Amounts due to directors	–	–	–	13,000	–	–	13,000	13,000
		145,501	100,618	213,061	20,193	7,335	486,708	479,250
Derivative net settlement								
Foreign currency forward contracts	–	269	360	362	–	–	991	980
Derivative — gross settlement								
Foreign currency forward contracts								
— inflow	–	(7,779)	(15,534)	(7,755)	–	–	(31,068)	(30,778)
— outflow	–	7,708	15,416	7,708	–	–	30,832	30,502
		(71)	(118)	(47)	–	–	(236)	(276)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

	Weighted average effective interest rate	Less than 1 month	1 – 3 months	3 months to 1 year	1-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2006
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2006								
Non-derivative financial liabilities								
Trade and other payables	—	62,950	51,727	46,498	—	—	161,175	161,175
Bank borrowings – variable rate	5.01	47,651	126,441	90,123	27,401	2,909	294,525	286,452
Amounts due to directors	—	—	—	6,000	—	—	6,000	6,000
Liabilities directly associated with non-current assets classified as held-for-sale	—	268	577	6,296	—	—	7,141	7,050
		110,869	178,745	148,917	27,401	2,909	468,841	460,677
Derivative net settlement								
Foreign currency forward contracts	—	—	—	687	—	—	687	656
Derivative — gross settlement								
Foreign currency forward contracts								
— inflow	—	(23,122)	(46,203)	(207,246)	(91,758)	—	(368,329)	(355,529)
— outflow	—	23,124	46,248	208,116	92,496	—	369,984	357,108
		2	45	870	738	—	1,655	1,579

Fair value

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

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.
- the fair value of derivative financial instruments are determined based on the valuation provided by counterparty financial institutions for equivalent instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

30. CAPITAL COMMITMENTS

	2007	2006
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
— buildings	**—**	26,860
— plant and machinery	**10,381**	9,469
— leasehold improvement	**540**	—
	10,921	36,329

31. OPERATING LEASES

The Group as lessee

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

	2007	2006
	HK$'000	*HK$'000*
Within one year	**—**	25

Leases are negotiated and rentals are fixed for an average term of one year.

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2007	2006
	HK$'000	*HK$'000*
Within one year	**972**	1,598
After one year and not later than five years	**571**	1,081
	1,543	2,679

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 2007

32. CONTINGENT LIABILITIES

On 20 November 2006, an individual filed a claim to a PRC court against World Baoan for the repayment of alleged loans of approximately RMB4,769,000 (approximately HK$4,653,000) based on documentation believed to be forged by the senior cashier who has been arrested for the Misappropriation of Funds. On 19 December 2006, the PRC court notified World Baoan to attend the proceedings held on 25 January 2007. On 23 March 2007, the PRC court decided to suspend the legal proceedings of the case pending for the result of the criminal charge against the senior cashier. Although the PRC court has issued a final verdict on 2 July 2007 for the criminal charge against the senior cashier (see note 7), no notification has yet been received from the PRC court or the individual on whether the legal case may be proceeded any further.

Based on the advice from the PRC lawyer and available evidence, the directors of the Company believe that the claim has been made without valid ground and evidences. Accordingly, no provision for such claim has been made in the consolidated financial statements.

33. PLEDGE OF ASSETS

At the balance sheet date, the Group's secured borrowings were secured by the following assets:

	2007	2006
	HK$'000	*HK$'000*
Leasehold land and buildings	**215,717**	76,217
Investment properties	**31,010**	15,520
Prepaid lease payments	**43,694**	35,259
Non-current assets classified as held for sale	**—**	30,000
Bank deposits	**26,773**	10,058
	317,194	167,054

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 income statement is HK$3,333,000 (2006: HK$3,654,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

35. RELATED PARTIES TRANSACTIONS

(a) During the year, the Group has the following significant transactions with related parties:

Relationship of related parties	Nature of transactions	2007 HK$'000	2006 HK$'000
Close family members of certain directors	Salaries and other benefits	**4,208**	3,995
	Retirement benefit scheme contributions	**36**	36
		4,244	4,031
Companies in which certain directors have beneficial interests	Rentals paid	**334**	460

(b) The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 12 (i).

36. POST BALANCE SHEET EVENTS

(a) On 26 February 2008, the Group entered into a sale and purchase agreement with an independent third party to dispose of an investment property with carrying value of HK$4,450,000 for a consideration of HK$4,950,000. The net cash generated from such disposal which was completed on 31 March 2008, after deducting the relevant selling expenses, is approximately HK$4,900,000 which will be used as general working capital of the Group.

(b) On 6 March 2008, the Group entered into a conditional sale and purchase agreement with an independent third party to dispose of an investment property with a carrying value of HK$15,200,000 for a consideration of HK$18,180,000. The net cash generated will be used as general working capital of the Group. The date of completion of the agreement shall be on or before 23 April 2008.

(c) On 2 January 2008, the Group had obtained term loan facilities of RMB46,000,000 (approximately HK$48,677,000) from Bank of China.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

37. PRINCIPAL SUBSIDIARIES

The details of principal subsidiaries at 31 December 2006 and 2007 are as follows:

Name of subsidiary	Place and nature of incorporation/ registration	Nominal value of issued ordinary share/ registered capital*	Attributable equity interest of the Group	Principal activities
Action Land Limited	Hong Kong — limited liability company	HK$6,000,000	100%	Provision of transportation services
Asian Fabulous Enterprise (Shenzhen) Co., Ltd.	PRC — wholly owned foreign enterprise	HK$100,000,000	100%	Manufacturing of household products
Fundbor Industries Limited	Hong Kong — limited liability company	HK$7,000,000	100%	Trading of polyester fibres
Gold Earn (Hong Kong) Limited	Hong Kong — limited liability company	HK$2	100%	Property holding
Gold Quality Holdings Limited	Hong Kong — limited liability company	HK$2	100%	Property holding
Greatflow Investments Limited	British Virgin Islands ("BVI") — limited liability company	US$1	100%	Property holding
Hopemain Plastic Industrial (Shenzhen) Company Limited	PRC — wholly owned foreign enterprise	HK$10,000,000	100%	Manufacturing of PVC products
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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

37. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place and nature of incorporation/ registration	Nominal value of issued ordinary share/ registered capital*	Attributable equity interest of the Group	Principal activities
Nam Sok Houseware Producing (Changshu) Co., Ltd.	PRC — wholly owned foreign enterprise	**	100%	Manufacturing of household products
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	***	100%	Manufacture and operate recycling and reborn resources related business
Welidy Limited	Hong Kong — limited liability company	HK$10,000	100%	Property holding
World Home Linen Manufacturing Company Limited	Hong Kong — limited liability company	HK$200 Deferred non-voting shares HK$10,000	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	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

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37. PRINCIPAL SUBSIDIARIES *(Continued)*

* *All are ordinary shares/registered capital unless otherwise stated.*

** *The registered capital of Nam Sok Houseware Producing (Changshu) Co., Ltd. is US$10,000,000. As at 31 December 2007, US$5,805,553 had been contributed to this company.*

*** *The registered capital of South China Reborn Resources (Zhongshan) Company Limited is US$10,000,000. As at 31 December 2007, US$9,691,250 (2006: US$9,562,971) had been contributed to this company.*

**** *None of the deferred non-voting shares are held by the Group.*

***** *The registered capital of World Plastic Mat (Baoan) Company Limited is HK$360,000,000. As at 31 December 2007, HK$360,000,000 (2006: HK$350,000,000) had been contributed to this company.*

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.

Only World Houseware (B.V.I.) Limited is directly held by the Company.

All the subsidiaries operate in their respective places of incorporation/registration except World Houseware Producing (China) Company Limited which operates in the PRC, Gold Earn (Hong Kong) Limited, Welidy Limited which holds properties in the PRC, Greatflow Investments Limited which holds properties in Hong Kong and World Houseware (B.V.I.) 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.

Financial Summary

RESULTS

	For the year ended 31 December				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
TURNOVER	737,541	870,936	895,383	887,153	**997,202**
PROFIT (LOSS) BEFORE TAXATION	39,960	22,757	22,842	(38,027)	**(39,333)**
TAXATION	(2,932)	(2,899)	(2,854)	(4,668)	**(6,429)**
PROFIT (LOSS) FOR THE YEAR	37,028	19,858	19,988	(42,695)	**(45,762)**

ASSETS AND LIABILITIES

	At 31 December				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
TOTAL ASSETS	1,115,362	1,314,359	1,346,853	1,316,241	**1,370,799**
TOTAL LIABILITIES	(341,104)	(527,007)	(525,525)	(498,822)	**(520,709)**
SHAREHOLDERS' FUNDS	774,258	787,352	821,328	817,419	**850,090**