World Houseware (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)
Stock code: 713

Annual Report
2008

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 *(resigned on 31 December 2008)*
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

COMPANY'S 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 29 April 2009.

An Annual General Meeting of World Houseware (Holdings) Limited (the "Company") will be held at The Jade Room, 6th Floor, The Marco Polo Hongkong Hotel, Harbour City, Kowloon, Hong Kong at 3:00 p.m. on Monday, 1 June 2009 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 2008.

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 2008, the Group recorded a consolidated turnover of HK$999,169,000 representing an increase of 0.2% from HK$997,202,000 last year. Gross profit and gross profit margin were HK$68,553,000 and 6.9% respectively. Loss for the year was HK$68,908,000.

The continued increase of the price of raw materials, appreciation of Renminbi, implementation of certain unfavourable policies by the PRC Government, the global credit drought triggered by the liquidation of the Lehman Brothers and the global financial tsunami had all contributed unfavourable operating conditions to the manufacturers who based on their production in PRC. Against this background, the Group has experienced a challenging year.

Under the existing strict accounting system, the Group has made significant provisions in respect of its machineries, inventories and trade receivables in the sum of HK$16,663,000, HK$4,237,000 and HK$3,288,000 respectively. Albeit this situation, the Group is optimistic about its prospect.

Under the striving effort of the Group, it has started to generate benefits in the self-developed recycling and reborn business. The Group will not only continue to make improvements on production technologies and the quality of the products, it will also persist to enhance the deployment of machineries so as to increase the profitability of the business.

During the year under review, the turnover of property investment amounted to HK$1,082,000, representing a decrease of 96.14% from HK$28,020,000 of the same period last year. Loss from fair value changes of investment properties was HK$620,000.

PROSPECTS

From the year 2009 onwards, there envisages a steadiness in the price of raw materials and Renminbi currency and the business of household products and PVC pipes and fittings are improving. If there is no further unexpected unfavourable factors in 2009, given the Group's strong reputation and sound management, it is anticipated that there will be significant improvements in these two sectors. The Group will continue to strengthen its internal control and implement various measures to control the cost and consolidate its management so as to achieve the objectives of standardized and process management.

Environmental reborn resources business is a trade which has received encouraging recognition worldwide in 2008. In 2009, the Group will focus its efforts in accelerating the development of this business. We look forward to gradual progress of the business so as to make contribution to the global environmental protection and at the same time to generate significant profits to the operation of the Group.

Management Discussion and Analysis

RESULTS

- The Group recorded a turnover of HK$999,169,000 for the year ended 31 December 2008, representing an increase of 0.2% as compared to the same period last year.
- Gross profit and gross profit margin of the Group recorded were HK$68,553,000 and 6.9%, representing a decrease of HK$10,493,000 and a decrease of 1% respectively as compared to the same period last year.
- Loss for the year was HK$68,908,000, as compared to a loss of HK$45,762,000 for the same period last year.
- Basic loss per share was 10.2 HK cents, as compared to basic loss per share of 6.8 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 2008, the Group had bank balances and cash and pledged bank deposits of approximately HK$69,863,000 (31.12.2007: HK$65,641,000) and had interest-bearing bank borrowings of approximately HK$198,313,000 (31.12.2007: HK$270,022,000). 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 2008 amounted to HK$494,104,000; of which HK$198,313,000 of the banking facilities was utilised (utilisation rate was at 40.1%).

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 2008, the Group had current assets of approximately HK$454,000,000 (31.12.2007: HK$525,584,000). The Group's current ratio was approximately 1.1 as at 31 December 2008 as compared with approximately 1.1 as at 31 December 2007. Total shareholders' funds of the Group as at 31 December 2008 increase by 0.5% to HK$853,963,000 (31.12.2007: HK$850,090,000). The gearing ratio (measured as total liabilities/total shareholders' funds) of the Group as at 31 December 2008 was 0.51 (31.12.2007: 0.61).

CHARGES ON ASSETS

Certain leasehold land and buildings, investment properties, prepaid lease payments, bank deposits and financial asset at fair value through profit or loss with an aggregate net book value of HK$271,014,000 were pledged to banks for general banking facilities granted to the Group.

STAFF AND EMPLOYMENT

At 31 December 2008, the Group employed a total workforce of about 3,110 (31.12.2007: 3,306) including 756 permanent staff and 2,302 contracted staff in our factories located in the PRC. The total staff remuneration incurred during the period was HK$99,672,000 (31.12.2007: HK$96,025,000). 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 71, is the Chairman of the Group. Mr. Lee has over 40 years' experience in the trading and manufacture of household products and is responsible for the strategic planning and business development of the Group.

FUNG Mei Po, aged 53, 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 48, 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 51, 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. She resigned as an executive director on 31 December 2008 and remains as a consultant of the Group.

LEE Pak Tung, aged 62, 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 53, 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 business development of the Group.

CHAN Lai Kuen Anita, aged 57, 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 56, 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 53, 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 52, 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 52, 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 42, is the Financial Controller and Qualified Accountant of the Group, He joined the Group in 2007. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a member of the Hong Kong Institution of Certified Public Accountants. He has gained extensive experience in auditing, accounting, taxation and financial management by working in certified public accountants firm and publicly listed companies in Hong Kong. He is responsible for the overall financial management and planning of the Group.

TSUI Chi Yuen, aged 44, 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.

LEE Fung Mei Belinda, aged 43, 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.

LEE Hon Sing Alan, aged 45, 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 46, 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 66, 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.

WANG Wen Bi, aged 43, 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 51, 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 49, is the chief artist and has been with the group since 1985. He holds a certificate in art and design from the Department of Extramural Studies of the Chinese University of Hong Kong. In 1985, he was invited by the Urban Council to participate in the Contemporary Hong Kong Art Biennial Exhibition.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

The Board of the Company currently comprises:

Executive Directors:
Lee Tat Hing *(Chairman)*
Fung Mei Po *(Vice Chairperson and Chief Executive Officer)*
Lee Chun Sing *(Vice Chairman)*
Lee Pak Tung
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, six 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 2008**	**Attendance rate**
Lee Tat Hing	6/6	100%
Fung Mei Po	6/6	100%
Lee Chun Sing	6/6	100%
Lai Lai Wah (resigned on 31.12.2008)	6/6	100%
Lee Pak Tung	6/6	100%
Kwong Bau To	6/6	100%
Chan Lai Kuen Anita	6/6	100%
Cheung Tze Man Edward	4/6	66.7%
Tsui Chi Him Steve	4/6	66.7%
Ho Tak Kay	4/6	66.7%
Hui Chi Kuen Thomas	4/6	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 2008. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2008	Attendance rate
Lee Tat Hing *(Chairman of remuneration committee)*	1/1	100%
Cheung Tze Man Edward	1/1	100%
Tsui Chi Him Steve	1/1	100%
Ho Tak Kay	1/1	100%
Hui Chi Kuen Thomas	1/1	100%

The emoluments payable to directors will depend on their respective contractual terms under employment contracts, if any, and as recommended by the Remuneration Committee. Details of the directors' remuneration are set out in note 10 (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 of the Company comprises the Chairman, one Executive director and three Independent Non-executive Directors, The Nomination Committee was formed in September 2007 and meetings shall be held at least once a year. One meeting was held in 2008. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2008	Attendance rate
Lee Tat Hing *(Chairman of remuneration committee)*	1/1	100%
Fung Mei Po	1/1	100%
Tsui Chi Him Steve	1/1	100%
Ho Tak Kay	1/1	100%
Hui Chi Kuen Thomas	1/1	100%

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

a. to review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;

b. to identify suitable individuals qualified to become Board members and make recommendations to the Board on suitable candidates to be nominated for directorships;

c. to establish a mechanism for formal assessment and to perform periodic assessment on the effectiveness of the Board;

d. to assess the independence of independent non-executive directors on its appointment or when their independence is called into question;

e. to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors.

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

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 2008, 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 2008	Attendance rate
Tsui Chi Him Steve *(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 2008, the Audit Committee had performed the following work:

(i) reviewed the financial reports for the year ended 31 December 2007 and for the six months ended 30 June 2008;

(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 2007.

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 Touche Tohmatsu, is set out as follows:

Services rendered	Fees paid/payable
	HK$'000
Audit services	2,200
Review on interim financial statements	487
Non-audit services i.e. taxation and internal control assessment and recommendation	529
	3,216

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

A key element of effective communication with shareholders and investors is the prompt and timely dissemination of information in relation to the Company. The Company has announced its annual and interim results in a timely manner as laid down in the Listing Rules after the end of the relevant periods in 2008.

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 internals 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 and second years' Internal Controls Assessment Reports have been issued, the board has decided to carry out all the appropriate recommended controls issued in these two years' Report.

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 2008.

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 2008 are set out in note 36 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 22.

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 2008, resulting in a net decrease in fair value of HK$620,000, which has been debited directly to the consolidated income statement.

Details of these and other movements of investment properties of the Group are set out in note 12 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred expenditure of approximately HK$52,912,000 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 13 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$309,724,000 (2007: HK$312,686,000). Under the Companies Law in the Cayman Islands and the provisions of the Memorandum and Articles of Association of the Company, all reserves of the Company are available for distribution to shareholders, either by way of dividend or bonus issue of shares, provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid.

DIRECTORS

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

Executive directors:

Lee Tat Hing	*(Chairman)*
Fung Mei Po	*(Vice Chairperson and Chief Executive Officer)*
Lee Chun Sing	*(Vice Chairman)*
Lai Lai Wah	*(resigned on 31 December 2008)*
Lee Pak Tung	
Kwong Bau To	
Chan Lai Kuen Anita	

Directors' Report

DIRECTORS *(Continued)*

Non-executive director:
Cheung Tze Man Edward

Independent non-executive directors:
Tsui Chi Him Steve
Hui Chi Kuen Thomas
Ho Tak Kay

In accordance with Article 116 of the Company's Articles of Association, Madam Chan Lai Kuen Anita, Mr. Hui Chi Kuen Thomas and Mr. Kwong Bau To retire by rotation and, being eligible, offer themselves for re-election.

Each of the non-executive directors has entered into a service agreement with the Company for a term of three years from 6 September 2008 except Mr. Tsui Chi Him Steve who has entered into a service agreement with the Company for a term of three years from 17 November 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' INTERESTS IN SHARES

At 31 December 2008, the interests of the directors, chief executive and their respective associates in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have taken under such provisions of the SFO); or (b) to be recorded in the register to be kept pursuant to Section 352 of the SFO; or (c) pursuant to Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

	Number of issued ordinary shares held					Percentage of the issued
Name of director	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**	**share capital of the Company**
Lee Tat Hing	1,756,072	38,479,087 *(a)*	28,712,551 *(c)*	280,895,630 *(d)*	349,843,340	51.72%
Fung Mei Po	38,479,087	30,468,623 *(b)*	—	280,895,630 *(d)*	349,843,340	51.72%
Lee Chun Sing	21,815,830	—	—	280,895,630 *(d)*	302,711,460	44.75%
Lee Pak Tung	2,766,448	—	—	—	2,766,448	0.41%
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	—

Directors' Report

DIRECTORS' INTERESTS IN SHARES *(Continued)*

Notes:

(a) Mr. Lee Tat Hing is the husband of Madam Fung Mei Po whose personal interests are therefore also the family interests of Mr. Lee Tat Hing.

(b) Madam Fung Mei Po is the wife of Mr. Lee Tat Hing whose personal and corporate interests are therefore also the family interests of Madam Fung Mei Po.

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

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

At 31 December 2008, 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 2008, 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 2008, 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 2008.

Directors' Report

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Particulars of the Company's share option scheme are set out in note 26 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 2008, 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' 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 12.9% and 37.4%, 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 20.6% and 36.1%, 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 2008.

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.

Directors' Report

EMOLUMENT POLICY

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

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

The Company had adopted a share option scheme as an incentive to directors and eligible employees, details of which are set out in note 26 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.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK$123,000.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2008.

POST BALANCE SHEET EVENT

Details of the significant event occurring after the balance sheet date are set out in note 35 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 2009

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 22 to 75, which comprise the consolidated balance sheet as at 31 December 2008, 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 control 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, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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 2008 and of the Group's 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 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	**2008 HK$'000**	2007 HK$'000
Turnover	6	**999,169**	997,202
Cost of sales		**(930,616)**	(918,156)
Gross profit		**68,553**	79,046
Other income		**6,668**	14,797
Selling and distribution costs		**(15,796)**	(12,811)
Administrative expenses		**(104,699)**	(98,303)
Other expenses		**(16,148)**	(22,375)
Allowance for bad and doubtful debts		**(3,288)**	(5,548)
Gain on disposal of a subsidiary	28	**14,639**	—
Gain arising from fair value changes of other non-current assets classified as held for sale		**—**	9,730
(Loss) gain arising from fair value changes of investment properties		**(620)**	4,230
Gain on disposal of investment properties		**3,628**	600
Gain arising from derivative financial instruments classified as held for trading		**2,039**	5,136
Loss arising from fair value change of financial asset at fair value through profit or loss		**(753)**	—
Impairment loss recognised in respect of property, plant and equipment		**(16,663)**	—
Finance costs	7	**(11,853)**	(13,835)
Loss before taxation		**(74,293)**	(39,333)
Taxation	8	**5,385**	(6,429)
Loss for the year	9	**(68,908)**	(45,762)
Loss per share – basic	11	**(10.2) HK cents**	(6.8) HK cents

Consolidated Balance Sheet

At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Investment properties	12	**16,550**	39,020
Property, plant and equipment	13	**674,116**	669,400
Prepaid lease payments	14	**132,338**	126,064
Deposits paid for acquisition of property, plant and equipment		**2,622**	7,662
Intangible assets	15	**2,869**	3,069
Financial asset at fair value through profit or loss	16	**6,267**	—
		834,762	845,215
Current assets			
Inventories	17	**167,419**	196,413
Trade and other receivables	18	**209,227**	255,364
Prepaid lease payments	14	**3,454**	3,211
Taxation recoverable		**4,037**	3,927
Derivative financial instruments	19	**—**	1,028
Pledged bank deposits	20	**22,946**	26,773
Bank balances and cash	20	**46,917**	38,868
		454,000	525,584
Current liabilities			
Trade and other payables	21	**196,148**	220,332
Amounts due to directors	22	**27,798**	13,000
Taxation payable		**1,301**	158
Bank borrowings — amount due within one year	23	**176,481**	245,479
Derivative financial instruments	19	**—**	980
		401,728	479,949
Net current assets		**52,272**	45,635
Total assets less current liabilities		**887,034**	890,850

Consolidated Balance Sheet

At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current liabilities			
Bank borrowings — amount due after one year	23	**21,832**	24,543
Deferred taxation liabilities	24	**11,239**	16,217
		33,071	40,760
		853,963	850,090
Capital and reserves			
Share capital	25	**67,642**	67,642
Reserves		**786,321**	782,448
		853,963	850,090

The consolidated financial statements on pages 22 to 75 were approved and authorised for issue by the Board of Directors on 22 April 2009 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 2008

	Share capital HK$'000	Share premium HK$'000	Non-distributable reserve HK$'000 (Note a)	Translation reserve HK$'000	PRC statutory reserve HK$'000 (Note b)	Retained profits HK$'000	Total HK$'000
At 1 January 2007	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 (expense) for the year	—	—	—	78,433	—	(45,762)	32,671
Capitalisation of accumulated profits by a subsidiary	—	—	10,000	—	—	(10,000)	—
At 31 December 2007 and 1 January 2008	67,642	313,127	251,393	137,765	—	80,163	850,090
Exchange differences arising on translation of foreign operations recognised directly in equity	—	—	—	72,781	—	—	72,781
Loss for the year	—	—	—	—	—	(68,908)	(68,908)
Total recognised income (expense) for the year	—	—	—	72,781	—	(68,908)	3,873
Transfers	—	—	—	—	9,203	(9,203)	—
At 31 December 2008	67,642	313,127	251,393	210,546	9,203	2,052	853,963

Notes:

(a) The non-distributable reserve of the Group arose as a result of capitalisation of retained profits by subsidiaries.

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

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Loss before taxation		**(74,293)**	(39,333)
Adjustments for:			
Allowance for bad and doubtful debts		**3,288**	5,548
Allowance for inventories obsolescence, net		**4,237**	8,754
Amortisation of intangible assets		**372**	351
Amortisation of prepaid lease payments		**3,829**	3,178
Depreciation		**53,353**	50,075
Effect of foreign exchange rate changes on inter-company balances		**17,906**	20,009
Gain on disposal of a subsidiary	28	**(14,639)**	—
Gain arising from fair value changes of other non-current assets classified as held for sale		**—**	(9,730)
Impairment loss recognised in respect of property, plant and equipment		**16,663**	—
Interest expense		**11,853**	13,835
Interest income		**(997)**	(778)
Loss (gain) arising from fair value changes of investment properties		**620**	(4,230)
Gain on disposal of investment properties		**(3,628)**	(600)
Loss (gain) on disposal of property, plant and equipment		**1,566**	(6,480)
Loss arising from fair value change of financial asset at fair value through profit or loss		**753**	—
Write off of intangible assets		**—**	192
Write off of other payables		**—**	5,955
Write off of trade receivables		**112**	—
Write off of other receivables		**—**	4,527
Operating cash flows before movements in working capital		**20,995**	51,273
Decrease (increase) in inventories		**37,831**	(14,749)
Decrease (increase) in trade and other receivables		**52,619**	(49,025)
Decrease in properties held for sale		**—**	10,038
Decrease (increase) in derivative financial instruments classified as held for trading		**89**	(1,743)
(Decrease) increase in trade and other payables		**(36,154)**	20,740
Net cash generated from operations		**75,380**	16,534
Hong Kong Profits tax paid		**(710)**	(96)
Hong Kong Profits tax refunded		**164**	550
Profits tax paid outside Hong Kong		**(197)**	(3,819)
Profits tax refunded outside Hong Kong		**1,389**	—
Net cash generated from operating activities		**76,026**	13,169

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	**2008** ***HK$'000***	2007 *HK$'000*
Cash flows from investing activities			
Interest received		**997**	778
Purchase of property, plant and equipment		**(41,839)**	(43,713)
Purchase of financial asset at fair value through profit or loss		**(7,020)**	—
Prepaid lease payments paid		**(4,742)**	—
Deposits paid for acquisition of property, plant and equipment		**(5,547)**	(7,662)
Disposal of a subsidiary	*28*	**26,168**	—
Proceeds from disposal of property, plant and equipment		**6,177**	10,591
Proceeds from disposal of investment properties		**25,128**	2,070
Proceeds from disposal of non-current assets classified as held for sale		**—**	58,312
Decrease (increase) in pledged bank deposits		**4,365**	(16,715)
Net cash generated from investing activities		**3,687**	3,661
Cash flows from financing activities			
Bank loans raised during the year		**126,892**	213,507
Repayment of bank loans		**(186,527)**	(241,098)
Advances from directors		**14,790**	7,000
Interest paid		**(11,853)**	(13,835)
Decrease in bank overdrafts		**(8,087)**	(1,478)
Net (decrease) increase in trust receipts and import loans		**(8,800)**	5,589
Net cash used in financing activities		**(73,585)**	(30,315)
Net increase (decrease) in cash and cash equivalents		**6,128**	(13,485)
Cash and cash equivalents at the beginning of the year		**38,868**	49,903
Effect of foreign exchange rate changes		**1,921**	2,450
Cash and cash equivalents at the end of the year		**46,917**	38,868
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**46,917**	38,868

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

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 36.

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 the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) – INT 11	HKFRS 2: Group and treasury share transactions
HK(IFRIC) – INT 12	Service concession arrangements
HK(IFRIC) – INT 14	HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction

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 not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of financial statements[2]
HKAS 23 (Revised)	Borrowing costs[2]
HKAS 27 (Revised)	Consolidated and separate financial statements[3]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate[2]

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

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

HKFRS 2 (Amendment)	Vesting conditions and cancellations[2]
HKFRS 3 (Revised)	Business combinations[3]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments[2]
HKFRS 8	Operating segments[2]
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives[4]
HK(IFRIC) – INT 13	Customer loyalty programmes[5]
HK(IFRIC) – INT 15	Agreements for the construction of real estate[2]
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation[6]
HK(IFRIC) – INT 17	Distribution of non-cash assets to owners[3]
HK(IFRIC) – INT 18	Transfers of assets from customers[7]

1 Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.

2 Effective for annual periods beginning on or after 1 January 2009.

3 Effective for annual periods beginning on or after 1 July 2009.

4 Effective for annual periods ending on or after 30 June 2009.

5 Effective for annual periods beginning on or after 1 July 2008.

6 Effective for annual periods beginning on or after 1 October 2008.

7 Effective for transfers on or after 1 July 2009.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or 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 on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date 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 transferred to property, plant and equipment when it is evidenced by the commencement of owner-occupation. The fair value, at the date of transfer, which is the deemed cost of the property for subsequent accounting in accordance with HKAS 16 Property, plant and equipment. The property interest held under an operating lease which was previously classified as investment property under the fair value model is continued to account for as a finance lease after the transfer.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on 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.

Land use rights

Payment for obtaining land use rights is considered as operating lease and charged to the consolidated income statement over the period of the right using the straight line method.

Intangible assets

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).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

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

All borrowing costs were recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Impairment losses on tangible and intangible assets

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. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. 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 tax.

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 items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The carrying amount of deferred tax 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 tax 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 tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Revenue recognition

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

Revenue from sale of properties in the ordinary course of business was recognised when sale and purchase agreements had been signed during the year and legal completion took place.

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

Interest income from a financial asset including 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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in 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, 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 and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases except for those that are classified and accounted for as investment properties under the fair value model.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value, are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the 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 or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (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 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.

Interest 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 (see accounting policy on impairment loss on financial assets below).

Financial assets at fair value through profit or loss

Financial assets at FVTPL of the Group comprise investments held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets

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

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.

For certain categories of financial assets, such as trade receivables, assets 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Effective interest method

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

Interest expense is recognised on an effective interest basis other than those financial liability 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.

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 amounts 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derivative financial instruments and hedging

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

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 paid and payable is recognised in profit or loss.

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 application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions 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 obsolescence based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgment and estimates on the conditions and usefulness of the inventories.

The carrying amount of inventories at 31 December 2008 is HK$167,419,000 (net of allowance for inventories obsolescence of HK$14,331,000) (2007: HK$196,413,000 (net of allowance for inventories obsolescence of HK$14,300,000)).

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated provision for impairment of trade receivables *(Continued)*

The carrying amount of trade debtors at 31 December 2008 is HK$191,701,000 (net of allowance for bad and doubtful debts of HK$18,922,000) (2007: HK$227,021,000 (net of allowance for bad and doubtful debts of HK$27,213,000)).

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

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

The carrying amount of property, plant and equipment at 31 December 2008 is HK$674,116,000 (net of impairment loss recognised in respect of property, plant and equipment of HK$16,663,000) (2007: HK$669,400,000 (net of impairment loss recognised in respect of property, plant and equipment of HK$nil)).

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.

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

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 and fittings
Property investment	—	investments in properties

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

6. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Business segment *(Continued)*

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

Year ended 31 December 2008

	Household products HK$'000	PVC pipes and fittings HK$'000	Property investment HK$'000	Eliminations HK$'000	Consolidated HK$'000
Turnover					
Sales of goods					
External sales	471,126	526,961	—	—	998,087
Inter-segment sales	673	1,043	—	(1,716)	—
Rental income	—	—	1,082	—	1,082
Total	471,799	528,004	1,082	(1,716)	999,169
Segment result	(32,001)	(29,551)	3,920	—	(57,632)
Gain on disposal of a subsidiary	—	—	14,639	—	14,639
Gain arising from derivative financial instruments classified as held for trading					2,039
Loss arising from fair value changes of financial asset at fair value through profit or loss					(753)
Unallocated corporate income					997
Unallocated corporate expenses					(21,730)
Finance costs					(11,853)
Loss before taxation					(74,293)
Taxation					5,385
Loss for the year					(68,908)

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

6. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Business segment *(Continued)*

Year ended 31 December 2008

	Household products HK$'000	PVC pipes and fittings HK$'000	Property investment HK$'000	Corporate HK$'000	Consolidated HK$'000
Other information					
Capital additions	20,295	32,359	—	258	52,912
Depreciation	25,521	26,786	—	1,046	53,353
Amortisation of intangible assets	372	—	—	—	372
Amortisation of prepaid lease payments	2,084	869	—	876	3,829
Allowance for bad and doubtful debts	(417)	3,705	—	—	3,288
Allowance for inventories obsolescence, net	3,808	429	—	—	4,237
Exchange loss (gain), net	16,876	(728)	—	—	16,148
Loss (gain) on disposal of property, plant and equipment	1,687	(121)	—	—	1,566
Gain on disposal of investment properties	—	—	(3,628)	—	(3,628)
Loss arising from fair value changes of investment properties	—	—	620	—	620
Write off of trade receivables	5	107	—	—	112
Write off of other payables	5,955	—	—	—	5,955
Gain arising from derivative financial instruments classified as held for trading	—	—	—	(2,039)	(2,039)
Impairment loss recognised in respect of property, plant and equipment	2,663	14,000	—	—	16,663

At 31 December 2008

	Household products HK$'000	PVC pipes and fittings HK$'000	Property investment HK$'000	Consolidated HK$'000
Assets				
Segment assets	524,055	585,368	16,550	1,125,973
Unallocated corporate assets				162,789
Consolidated total assets				1,288,762
Liabilities				
Segment liabilities	79,638	114,897	75	194,610
Unallocated corporate liabilities				240,189
Consolidated total liabilities				434,799

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

6. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Business segment *(Continued)*

Year ended 31 December 2007

	Household products HK$'000	PVC pipes and fittings HK$'000	Property investment HK$'000	Eliminations HK$'000	Consolidated 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	—	—	1,741	—	1,741
Total	448,765	522,850	28,020	(2,433)	997,202
Segment result	(26,849)	5,965	14,515	—	(6,369)
Gain arising from derivative financial instruments classified as held for trading					5,136
Unallocated corporate income					778
Unallocated corporate expenses					(25,043)
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 2008

6. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Business segment *(Continued)*

Year ended 31 December 2007

	Household products HK$'000	PVC pipes and fittings HK$'000	Property investment HK$'000	Corporate HK$'000	Consolidated 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
Write off of intangible assets	192	—	—	—	192
Write off of other receivables	4,527	—	—	—	4,527
Allowance for inventories obsolescence	8,754	—	—	—	8,754
Exchange loss (gain), net	23,722	(1,347)	—	—	22,375
(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 on disposal of investment properties	—	—	(600)	—	(600)
Gain arising from fair values changes of other non-current assets classified as held for sale	(9,730)	—	—	—	(9,730)
Gain arising from derivative financial instruments classified as held for trading	—	—	—	(5,136)	(5,136)

At 31 December 2007

	Household products HK$'000	PVC pipes and fittings HK$'000	Property investment HK$'000	Consolidated HK$'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 2008

6. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Geographical segment

More than 90% of the sales of the Group's PVC pipes and fittings and rental income of the Group's property investment made to customers and received from tenants were 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	
	2008	2007
	HK$'000	*HK$'000*
United States of America	**403,130**	353,706
Asia	**31,845**	46,105
Europe	**17,054**	17,063
Canada	**12,783**	23,923
Latin America	**5,004**	4,381
Australia	**1,079**	1,214
Other areas	**231**	720
Total sales of household products	**471,126**	447,112

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. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on bank borrowings:		
— wholly repayable within five years	**10,223**	12,410
— not wholly repayable within five years	**1,630**	1,375
	11,853	13,785
Net interest paid on derivative financial instruments	**—**	50
	11,853	13,835

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

8. TAXATION

	2008 **HK$'000**	2007 *HK$'000*
Hong Kong		
— charge for the year	**(1,195)**	(36)
— overprovision in prior years	**31**	—
	(1,164)	(36)
Other regions in the PRC		
— charge for the year	**—**	(848)
— overprovision in prior years	**523**	—
	523	(848)
	(641)	(884)
Deferred taxation charge *(note 24)*		
— credit for the year	**6,020**	1,202
— attributable to a change in tax rate	**6**	(6,747)
	6,026	(5,545)
Taxation credit (charge)	**5,385**	(6,429)

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No.63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the PRC Enterprise Income Tax rate of the Group's subsidiaries in the PRC will unify to 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, five (2007: one) of the Group's PRC subsidiaries are exempted from PRC Enterprise Income Tax for two years commencing from their deemed first profit making year of operation in 2008 (2007: first profit making year of operation in 2003), and thereafter, these PRC subsidiaries will be entitled to a 50% relief on applicable domestic tax rate from PRC Enterprise Income Tax for the following three years up to 31 December 2012 under the New Law. The applicable PRC Enterprise Income Tax rate for the particular PRC subsidiary exempted in 2007 is unified to 25% (2007: 24%). For certain of the Group's subsidiaries that have not yet entitled to tax exemption and reduction due to no profitability from commencement of operation, under the application of the Guofa [2007] No. 39 promulgated by the State Council ("Guofa"), the deemed first profit making year would be in 2008 and therefore, the PRC Enterprise Income Tax rate on these Group's subsidiaries would be 0% this year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

8. TAXATION *(Continued)*

Certain of the Group's subsidiaries were entitled to applicable PRC Enterprise Income Tax rate at 15% in 2007 as these subsidiaries were operated in the Shenzhen Special Economic Zone. Under the application of the Guofa as mentioned above, the PRC Enterprise Income Tax rate of those companies that enjoyed such tax benefits would be increased progressively to 25% in five years commencing from 1 January 2008. (The applicable PRC Enterprise Income Tax rate is 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012).

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

	2008	2007
	HK$'000	*HK$'000*
Loss before taxation	**(74,293)**	(39,333)
Tax at the domestic income tax rate of 18% (2007: 15%)	**13,373**	5,900
Tax effect of expense not deductible for tax purpose	**(3,725)**	(6,833)
Tax effect of income not taxable for tax purpose	**2,551**	1,005
Overprovision in prior years	**554**	—
Tax effect of tax losses not recognised as deferred tax asset	**(2,330)**	(1,342)
Tax effect of change in tax rate for deferred taxation	**6**	(6,747)
Utilisation of tax losses previously not recognised as deferred tax asset	**2,540**	2,415
Income taxed under tax exemption and at concessionary rate	**(7,173)**	(923)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(411)**	96
Tax credit (charge) for the year	**5,385**	(6,429)

The PRC Enterprise Income Tax rate of 18% (2007: 15%) is the transitional domestic tax rate in the jurisdiction where the operation of the Group is substantially based. The domestic tax rate will be increased progressively and unified at 25% by 2012.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

9. LOSS FOR THE YEAR

	2008	2007
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Directors' emoluments *(note 10)*	**16,757**	16,966
Other staff's retirement benefit scheme contributions	**3,352**	3,333
Other staff costs	**96,320**	92,692
Total staff costs	**116,429**	112,991
Allowance for bad and doubtful debts	**3,288**	5,548
Allowance for inventories obsolescence	**5,300**	8,754
Amortisation of intangible assets (included in administrative expenses)	**372**	351
Amortisation of prepaid lease payments	**3,829**	3,178
Auditors' remuneration	**2,394**	2,553
Cost of inventories recognised as an expense	**926,379**	899,364
Cost of properties held for sale recognised as an expense	**—**	10,038
Depreciation	**53,353**	50,075
Exchange loss (included in other expenses)	**23,349**	24,018
Loss on disposal of property, plant and equipment	**1,566**	—
Operating lease rentals in respect of rented premises	**154**	581
Shipping and handling expenses (included in selling and distribution costs)	**11,246**	6,677
Write off of intangible assets	**—**	192
Write off of trade receivables	**112**	—
Write off of other receivables	**—**	4,527
and after crediting:		
Exchange gain (included in other expenses)	**7,201**	1,643
Gross rental income from investment properties	**1,082**	1,741
Less: Direct operating expenses that generated rental income	**(55)**	(174)
	1,027	(1,567)
Gain on disposal of property, plant and equipment (included in other income)	**—**	6,480
Interest income	**997**	778
Write off of other payables (included in other income)	**—**	5,955
Reversal of allowance for inventories obsolescence *(note)*	**1,063**	—

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

10. 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 2008

	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*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 (resigned on 31 December 2008)	–	900	12	912
Lee Pak Tung	–	508	12	520
Kwong Bau To	–	930	12	942
Chan Lai Kuen Anita	–	877	12	889
Non-executive director:				
Cheung Tze Man Edward	180	–	–	180
Independent non-executive directors:				
Tsui Chi Him Steve	180	–	–	180
Hui Chi Kuen Thomas	180	–	–	180
Ho Tak Kay	180	–	–	180
	720	15,965	72	16,757

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

10. 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 2007

	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*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

In addition to the amount disclosed above, during the year, the Group also provided one of its leasehold properties in Hong Kong as residential accommodation for Mr. Lee Tat Hing and Madam Fung Mei Po. The estimated monetary value of such accommodation, using the ratable value as an approximation, amounted to HK$3,223,000 (2007: HK$3,351,000) for the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

10. 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:

	2008	2007
	HK$'000	*HK$'000*
Salaries	**3,300**	3,300
Retirement benefit scheme contributions	**24**	24
	3,324	3,324

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

	Number of employees	
	2008	2007
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.

11. LOSS PER SHARE

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

	2008	2007
	HK$'000	*HK$'000*
Loss for the purpose of calculating basic loss per share	**(68,908)**	(45,762)

	Number of shares
	2008 & 2007
Number of shares for the purpose of calculating basic loss per share	**676,417,401**

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

12. INVESTMENT PROPERTIES

	2008	2007
	HK$'000	*HK$'000*
FAIR VALUE		
At 1 January	**39,020**	36,260
Transfer to property, plant and equipment	**(350)**	—
Disposals	**(21,500)**	(1,470)
(Decrease) increase in fair value	**(620)**	4,230
At 31 December	**16,550**	39,020

The carrying amount of investment properties shown above comprises:

	2008	2007
	HK$'000	*HK$'000*
Properties situated in Hong Kong	**8,250**	31,010
Properties situated in the PRC, other than Hong Kong	**8,300**	8,010
	16,550	39,020

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 2008 have been arrived at on the basis of a valuation at that date carried out 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 value of HK$16,550,000 was arrived at by reference to the basis of capitalisation of the relevant net income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 January 2007	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
Currency realignment	23,999	5,325	4,028	753	42,152	647	76,904
Additions	10,209	520	4,988	146	29,811	7,238	52,912
Reclassifications	2,951	52	1,259	—	7,969	(12,231)	—
Disposals	—	(2,076)	(48,297)	(2,087)	(4,416)	—	(56,876)
Transferred from investment properties	350	—	—	—	—	—	350
Disposal of a subsidiary	(12,490)	—	—	—	—	—	(12,490)
At 31 December 2008	455,002	90,218	33,311	20,946	742,647	5,703	1,347,827
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2007	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	—	617,267
Currency realignment	6,144	4,416	3,262	472	21,868	—	36,162
Provided for the year	17,560	2,588	2,159	1,511	29,535	—	53,353
Impairment loss recognised in the income statement	—	—	—	—	16,663	—	16,663
Eliminated on disposals	—	(1,882)	(43,672)	(1,787)	(1,792)	—	(49,133)
Eliminated on disposal of a subsidiary	(961)	—	—	—	—	—	(961)
At 31 December 2008	121,742	77,985	20,993	16,447	436,544	—	673,711
CARRYING VALUES							
At 31 December 2008	333,260	12,233	12,318	4,499	306,103	5,703	674,116
At 31 December 2007	330,984	13,534	12,089	5,883	296,861	10,049	669,400

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

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

The cost of leasehold land and buildings is depreciated over twenty-five 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%

During the year, the directors conducted a review of the Group's manufacturing assets and determined that a number of those assets were impaired, due to physical damage and technical obsolescence. For the purposes of impairment testing, plant and machinery have been allocated to two individual cash generating units (CGUs), including household products segment and PVC pipes and fittings segment. Accordingly, impairment losses of HK$16,663,000 have been recognised in respect of plant and machinery, which impairment losses of HK$2,663,000 and HK$14,000,000 are in the Group's household products and PVC pipes and fittings segments respectively. The recoverable amounts of the above CGUs have been determined on the basis of their value in use. The discount rates in measuring the amounts of value in use in the Group's household products and PVC pipes and fittings segments were 7.84% and 3.53% respectively.

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

	2008	2007
	HK$'000	*HK$'000*
Leasehold land and buildings in Hong Kong under medium-term leases	**50,305**	51,023
Buildings in the PRC (other than Hong Kong) on medium-term land use rights	**282,955**	279,961
	333,260	330,984

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

The Group has pledged land and buildings having a net book value of approximately HK$191,013,000 (2007: HK$215,717,000) to secure general banking facilities granted to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

14. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2008	2007
	HK$'000	*HK$'000*
Leasehold land in Hong Kong:		
Medium-term lease	**33,507**	34,383
Leasehold land in the PRC:		
Medium-term lease	**102,285**	94,892
	135,792	129,275

Analysed for reporting purposes as:

	2008	2007
	HK$'000	*HK$'000*
Current	**3,454**	3,211
Non-current	**132,338**	126,064
	135,792	129,275

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

15. INTANGIBLE ASSETS

	Capitalised development costs
	HK$'000
COST	
At 1 January 2007	3,396
Currency realignment	216
Write off	(192)
At 31 December 2007	3,420
Currency realignment	197
At 31 December 2008	3,617
AMORTISATION	
At 1 January 2007	—
Charge for the year	351
At 31 December 2007	351
Currency realignment	25
Charge for the year	372
At 31 December 2008	748
CARRYING VALUES	
At 31 December 2008	2,869
At 31 December 2007	3,069

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

The intangible assets are amortised over its estimated economic life of 10 years using the straight line method. The amortisation 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 2008

16. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial asset at fair value through profit or loss comprise:

	2008	2007
	HK$'000	*HK$'000*
Equity-linked note	**6,267**	—

The equity-linked note is denominated in United States Dollar ("USD") with principal amount of USD900,000 and the obligation of interest accrual on a daily basis is at a fixed rate for the first month and at a predetermined equation at subsequent payment dates. The equity-linked note is subject to mandatory redemption at various intervals until maturity date. The duration and the manner in which it is settled at mandatorily termination are linked to the performance of a basket of Taiwan listed equity securities by comparing the market prices with the pre-determined prices of these equity securities. Accrued interest is payable on monthly basis. The notes may be redeemed at maturity in full amount of the principal amount for cash. The equity-linked note is designated as financial asset at fair value through profit or loss upon initial recognition as it contains embedded derivatives, and HKAS 39 permits the entire combined contract to be designated as at fair value through profit or loss.

The maturity date of the equity-linked note outstanding as at 31 December 2008 is May 2011, subject to mandatorily termination, and was therefore classified as non-current. The note was stated at fair value on each balance sheet date based on valuation amount provided by the relevant counterparty financial institution.

17. INVENTORIES

	2008	2007
	HK$'000	*HK$'000*
Raw materials	**85,222**	109,688
Work in progress	**28,122**	31,255
Finished goods	**54,075**	55,470
	167,419	196,413

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18. TRADE AND OTHER RECEIVABLES

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

	2008	2007
	HK$'000	*HK$'000*
0 — 30 days	**73,878**	106,478
31 — 60 days	**46,004**	50,709
61 — 90 days	**25,768**	31,899
91 — 180 days	**23,599**	30,865
Over 180 days	**22,452**	7,070
Net trade receivables	**191,701**	227,021
Other receivables	**17,526**	28,343
Total trade and other receivables	**209,227**	255,364

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:

	2008	2007
	HK$'000	*HK$'000*
United States dollars ("USD")	**55,473**	90,182

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

18. TRADE AND OTHER RECEIVABLES *(Continued)*

Included in the Group's trade receivable balances are debtors with carrying amount of HK$58,912,000 (2007: HK$63,497,000) which are past due at the reporting date for which the Group had not provided for impairment loss. The Group does not hold any collateral over these balances.

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

	2008	2007
	HK$'000	*HK$'000*
31 — 60 days	**9,880**	1,057
61 — 90 days	**4,028**	26,516
91 — 180 days	**22,552**	28,854
Over 180 days	**22,452**	7,070
	58,912	63,497

Movement in the allowance for doubtful debts:

	2008	2007
	HK$'000	*HK$'000*
Balance at beginning of the year	**27,213**	21,018
Currency realignment	**1,036**	647
Impairment losses recognised on receivables	**3,288**	5,548
Amounts written off as uncollectible	**(12,615)**	—
Balance at end of the year	**18,922**	27,213

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 2007 and 2008 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 the carrying amount of trade and other receivables approximates its fair value.

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19. DERIVATIVE FINANCIAL INSTRUMENTS

	2008		2007	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Forward foreign exchange contracts	—	—	1,028	980

At the balance sheet date, the Group did not hold any outstanding foreign currency forward contracts. The major terms of the outstanding foreign currency forward contracts at 31 December 2007 are as follows:

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

The above derivatives were measured at fair value at the balance sheet date. Their fair values were determined based on the valuation amount provided by the relevant counterparty financial institutions at the balance sheet date. The fair values of forward foreign exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

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20. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits represent deposits pledged to banks to secure short term bank borrowings granted to the Group and are therefore classified as current asset. The pledged bank deposits carry interest at market rates which range from 0.45% to 3.87% (2007: 2.94% to 3.87%) 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 0.01% to 3.15% (2007: 1% to 3.23%) 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:.

	2008	2007
	HK$'000	*HK$'000*
USD	**1,514**	2,647
HK$	**3,257**	2,004

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

21. TRADE AND OTHER PAYABLES

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

	2008	2007
	HK$'000	*HK$'000*
0 — 30 days	**36,675**	128,490
31 — 60 days	**22,445**	23,455
61 — 90 days	**15,537**	11,936
Over 90 days	**38,678**	20,342
Total trade payables	**113,335**	184,223
Other payables	**82,813**	36,109
Total trade and other payables	**196,148**	220,332

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

21. TRADE AND OTHER PAYABLES *(Continued)*

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

	2008	2007
	HK$'000	*HK$'000*
Accrued expenses	**10,711**	10,777
Accrued sales discount	**11,137**	3,833
Receipt on advance	**30,828**	9,234
Wages payable	**5,613**	6,592
Payable on acquisition of property, plant and equipment	**8,047**	—
Others	**16,477**	5,673
	82,813	36,109

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:

	2008	2007
	HK$'000	*HK$'000*
USD	**7,845**	23,410

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

22. AMOUNTS DUE TO DIRECTORS

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

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23. BANK BORROWINGS

	2008	2007
	HK$'000	*HK$'000*
Variable rate bank loans	**172,601**	227,423
Variable rate bank overdrafts	**3,004**	11,091
Variable rate trust receipts and import loans	**22,708**	31,508
	198,313	270,022
Analysed as:		
Secured	**193,313**	258,681
Unsecured	**5,000**	11,341
	198,313	270,022
Carrying amount repayable:		
Within 1 year	**176,481**	245,479
More than 1 year, but not exceeding 2 years	**8,281**	6,786
More than 2 years, but not exceeding 5 years	**9,309**	10,889
More than 5 years	**4,242**	6,868
	198,313	270,022
Less: Amount due within 1 year shown under current liabilities	**(176,481)**	(245,479)
Amount due after 1 year	**21,832**	24,543

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23. 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:

	2008	2007
	HK$'000	*HK$'000*
USD	**29,226**	38,343
HK$	**21,056**	21,200

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

	2008	2007
Interest rate:		
Variable rate borrowing	**HIBOR + 0.88% to HIBOR + 6.5%**	HIBOR + 0.8% 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:

	2008	2007
Effective interest rate:		
Variable rate borrowing	**1.57% to 9.12%**	4.14% to 9.75%

As at 31 December 2008, the Group did not breach any of the terms of the bank loans. As at 31 December 2007, in respect of bank loans with carrying amounts of approximately HK$34,640,000, 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.

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24. 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 2007	(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)
Exchange difference	(1,273)	—	27	198	(1,048)
(Charge) credit to consolidated income statement for the year	7,183	620	(1,707)	(76)	6,020
Change in tax rate	94	45	(133)	—	6
At 31 December 2008	(15,190)	(114)	969	3,096	(11,239)

At the balance sheet date, the Group had unused tax losses of approximately HK$188,503,000 (2007: HK$199,856,000) available to offset against future assessable profits. A deferred taxation asset of HK$969,000 (2007: HK$2,782,000) has been recognised in respect of tax losses of HK$5,864,000 (2007: HK$15,895,000). No deferred taxation asset has been recognised in respect of the remaining tax losses of HK$182,639,000 (2007: HK$183,961,000) 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.

25. SHARE CAPITAL

	2008 & 2007
	HK$'000
Authorised:	
1,500,000,000 shares of HK$0.10 each	150,000

	Nominal value 2008 & 2007
	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.

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26. 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 2008. In addition, as of 31 December 2008 and 31 December 2007, no share options under the share option scheme were outstanding.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Categories of financial instruments

	2008	2007
	HK$'000	*HK$'000*
Financial assets		
Fair value through profit or loss ("FVTPL")		
Designated as at FVTPL	**6,267**	—
Derivative	**—**	1,028
Loans and receivables (including cash and cash equivalents)	**265,837**	301,426
Financial liabilities		
FVTPL		
Derivative	**—**	980
Amortised cost	**366,033**	479,250

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 2008

27. 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 45% (2007: 41%) and 28% (2007: 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 2007 and 2008 are as follows:

	Assets		**Liabilities**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
USD	**63,254**	92,829	**(37,071)**	(61,753)
HK$	**3,257**	2,004	**(21,056)**	(21,200)
	66,511	94,833	**(58,127)**	(82,953)

The Group is mainly exposed to fluctuation in exchange rate of Renminbi ("RMB") 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 currency 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

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

Market risk *(Continued)*

Currency risk *(Continued)*

	Increase (decrease) in profit	
	2008	2007
	HK$'000	*HK$'000*
Increase (decrease) in loss for the year		
— if RMB weaken against HK$	**(730)**	(816)
— if RMB strengthen against HK$	**730**	816

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.

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to variable rate bank borrowings (see note 23). The Group currently does not have policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group's sensitivity to cash flow interest rate risk has been determined based on the exposure to interest rates for the variable rate bank borrowings at the balance sheet date and the reasonably possible change taking place at the beginning of each year and held constant throughout the respective year.

The management adjusted the sensitivity rate from 50 basis points to 100 basis points for assessing interest rate risk after considering the impact of the volatile financial market conditions after the third quarter of 2008.

	2008	2007
Reasonably possible change in interest rate	**100 basis point**	50 basis point
	HK$'000	*HK$'000*
Increase (decrease) in loss for the year		
— as a result of increase in interest rate	**(1,626)**	(1,148)
— as a result of decrease in interest rate	**1,626**	1,148

Other price risk

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

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

Categories of financial instruments *(Continued)*

Other price risk (Continued)

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

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

Credit risk

The Group's credit risk is primarily attributable to trade receivables. The maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2008 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, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In additions, the Group reviews the recoverable amount of each individual trade debt at 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's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 66% (2007: 54%) of the total trade receivable as at 31 December 2008.

Liquidity risk

The Group has sufficient cash and cash equivalents and available funding through bank borrowings (note 23) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

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

Liquidity and interest risk tables

	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 31.12.2008**
	%	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
As at 31 December 2008								
Non-derivative financial liabilities								
Trade and other payables	**—**	**49,386**	**52,711**	**37,825**	**—**	**—**	**139,922**	**139,922**
Bank borrowings — variable rate	**5.30**	**57,273**	**24,893**	**98,097**	**18,442**	**4,415**	**203,120**	**198,313**
Amounts due to directors	**—**	**—**	**—**	**27,798**	**—**	**—**	**27,798**	**27,798**
		106,659	**77,604**	**163,720**	**18,442**	**4,415**	**370,840**	**366,033**

	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 31.12.2007
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*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	5.21	(63)	(73)	(180)	—	—	(316)	(310)
Derivative — gross settlement								
Foreign currency forward contracts								
— inflow	6.00	(11,701)	(31,459)	(39,678)	—	—	(82,838)	(81,720)
— outflow	6.00	11,822	31,657	39,623	—	—	83,102	81,982
		121	198	(55)	—	—	264	262

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

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

Fair value

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

— 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 from observable current market transactions.

— the fair value of derivative are determined using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

— the fair value of FVTPL is determined based on the valuation amount provided by the relevant counterparty financial institution for equivalent instruments and discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

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

28. DISPOSAL OF A SUBSIDIARY

On 8 July 2008, the Group entered into a sale and purchase agreement with an independent third party to dispose of the 100% equity interest and the shareholder loan of Gold Earn (Hong Kong) Limited, a wholly-owned subsidiary of the Company for a consideration of HK$26,500,000. The wholly-owned subsidiary is mainly engaged in the property holding. The net cash generated from such disposal which was completed on 28 July 2008, after deducting the relevant selling expenses, is approximately HK$26,168,000 which will be used as general working capital of the Group.

	Net assets value at the date of disposal *HK$'000*
NET ASSETS DISPOSED OF	
Property, plant and equipment	11,529
Amount due to immediate holding company	(6,798)
	4,731
Assignment of intercompany indebtedness	6,798
Gain on disposal	14,639
Total consideration, satisfied by cash	26,168
Net cash inflow arising on disposal:	
Cash consideration	26,168

Notes to the Consolidated Financial Statements

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29. CAPITAL COMMITMENTS

	2008 HK$'000	2007 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
— plant and machinery	**1,542**	10,381
— leasehold improvement	**—**	540
	1,542	10,921

30. 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:

	2008 HK$'000	2007 HK$'000
Within one year	**151**	—
In the second to fifth year inclusive	**38**	—
	189	—

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

The Group as lessor

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

	2008 HK$'000	2007 HK$'000
Within one year	**985**	972
In the second to fifth year inclusive	**334**	571
	1,319	1,543

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 2008

31. CONTINGENT LIABILITIES

On 20 November 2006, an individual filed a claim to a PRC court against World Plastic Mat (Baoan) Company Limited ("World Baoan"), a wholly-owned subsidiary of the Company, for the repayment of alleged loans of approximately RMB4,769,000 (approximately HK$5,383,000) based on documentation believed to be forged by the senior cashier who was 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, 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.

32. PLEDGE OF ASSETS

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

	2008	2007
	HK$'000	*HK$'000*
Leasehold land and buildings	**191,013**	215,717
Investment properties	**8,250**	31,010
Prepaid lease payments	**42,538**	43,694
Bank deposits	**22,946**	26,773
Financial asset at fair value through profit or loss	**6,267**	—
	271,014	317,194

33. 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$3,424,000 (2007: HK$3,412,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

34. RELATED PARTIES TRANSACTIONS

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

Relationship of related parties	**Nature of transactions**	**2008** **HK$'000**	2007 HK$'000
Close family members of certain directors	Salaries and other benefits	**4,275**	4,208
	Retirement benefit scheme contributions	**36**	36
		4,311	4,244
Companies in which certain directors have beneficial interests	Rentals paid	**—**	334

(b) The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 10 (i).

(c) During the year ended and as at 31 December 2008, Joy Tower Limited (note) and Madam Fung Mei Po, both are related parties of the Group, provide the residential property and security deposit to secure one of the Group's banking facilities amounting to HK$21,809,000 (2007: HK$28,093,000). Approximately HK$11,292,000 (2007: HK$19,198,000) was utilised in respect of this banking facility as at 31 December 2008 and 31 December 2007 respectively.

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

35. POST BALANCE SHEET EVENTS

On 25 March 2009, the Group announced the possible arrangement of funding in the sum of approximately HK$93,000,000 in the next 3 years to the wholly owned subsidiary of the Group for the development of environmental reborn resources and recycling business. The sources of the fundings will be generated from the reallocation of internal resources of the Group and bank borrowings in three phases during the next 3 years and used for the purchase of machineries and related equipments, research and advancement of technology and material resources and building of new factory.

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For the year ended 31 December 2008

36. PRINCIPAL IN SUBSIDIARIES

The details of principal subsidiaries at 31 December 2008 and 2007, all of which are wholly-owned by the Group are as follows:

Name of subsidiary	Place and nature of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Principal activities
Action Land Limited	Hong Kong — limited liability company	HK$6,000,000	Provision of transportation services
Gold Quality Holdings Limited	Hong Kong — limited liability company	HK$2	Property holding
Greatflow Investments Limited	British Virgin Islands ("BVI") — limited liability company	US$1	Property holding
Nam Sok Building Material & Plastic Products (Changshu) Co., Ltd.	PRC — wholly owned foreign enterprise	US$10,000,000	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	Manufacturing of PVC pipes and fittings and moulds
South China Plastic Building Material Manufacturing Limited	Hong Kong — limited liability company	HK$2	Trading in building materials and supplies
South China Reborn Resources (Zhongshan) Company Limited	PRC — wholly owned foreign enterprise	*(Note a)*	Manufacture and operate recycling and reborn resources related business
Welidy Limited	Hong Kong — limited liability company	HK$10,000	Property holding
World Home Linen Manufacturing Company Limited	Hong Kong — limited liability company	HK$200 Deferred non-voting shares HK$10,000 *(Note b)*	Property holding

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

36. PRINCIPAL IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place and nature of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Principal activities
World Houseware (B.V.I.) Limited	BVI — limited liability company	HK$50,000	Investment holding
World Houseware Producing Company Limited	Hong Kong — limited liability company	HK$200 Deferred non-voting shares HK$160,500 *(Note b)*	Trading in household products
World Plastic Mat (Baoan) Company Limited	PRC — wholly owned foreign enterprise	HK$360,000,000	Manufacturing of household products
World Plastic-ware Manufacturing Limited	Hong Kong — limited liability company	HK$32,500,000	Investment holding

Notes:

(a) The registered capital of South China Reborn Resources (Zhongshan) Company Limited is US$10,000,000. As at 31 December 2008, US$9,817,590 (2007:US$9,691,250) had been contributed to this company.

(b) None of the deferred non-voting shares are held by the Group.

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

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

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

Financial Summary

RESULTS

	For the year ended 31 December				
	2004	2005	2006	2007	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
TURNOVER	870,936	895,383	887,153	997,202	**999,169**
PROFIT (LOSS) BEFORE TAXATION	22,757	22,842	(38,027)	(39,333)	**(74,293)**
TAXATION	(2,899)	(2,854)	(4,668)	(6,429)	**5,385**
PROFIT (LOSS) FOR THE YEAR	19,858	19,988	(42,695)	(45,762)	**(68,908)**

ASSETS AND LIABILITIES

	At 31 December				
	2004	2005	2006	2007	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
TOTAL ASSETS	1,314,359	1,346,853	1,316,241	1,370,799	**1,288,762**
TOTAL LIABILITIES	(527,007)	(525,525)	(498,822)	(520,709)	**(434,799)**
SHAREHOLDERS' FUNDS	787,352	821,328	817,419	850,090	**853,963**