

# Chairman's Statement

## BUSINESS REVIEW

Year 2005 continued to be a very challenging time of the Group.

For the year ended 31 December 2005, the turnover of the Group amounted to HK\$883,083,000 which represented an increase of 1.4% or HK\$12,147,000 as compared with that of HK\$870,936,000 for the same period last year. The turnover of household products was HK\$479,307,000 representing a decrease of 2.8% or HK\$13,704,000 as compared with HK\$493,011,000 for the same period last year. The turnover of PVC pipes and fittings amounted to HK\$403,052,000, representing an increase of 6.9% or HK\$26,018,000 as compared with HK\$377,034,000 for the same period last year. During the year under review, the Group's gross profit amounted to HK\$116,103,000, representing an increase of 4.5% or HK\$5,030,000 as compared with HK\$111,073,000 for the same period last year; and the gross profit margin was 13.1%, representing an increase of 0.3%, as compared with 12.8% for the same period last year.

### Household products

During the year under review, fabric and PVC household products were under pressure from record-hitting high oil prices and continued increase in the prices of related PVC raw materials. Coupled with escalating interest rates, appreciation of Renminbi and rising labour costs in the PRC, the Group experienced a significant increase in its production cost. The reintroduction of quota for certain textile products by the United States and a number of European countries has led to intense competition in the industry, causing our competitors to cut their prices in order to seize non-quota products orders. The Group faced a very stringent business environment for fabric household products, and its original development roadmap was impeded. Despite flexible strategies and policies adopted by the Board, our business still underperformed beyond our expectations.

### PVC pipes and fittings

In view of the abovementioned factors on the production cost, the operating results of PVC pipes and fittings had declined although the turnover soared.

### Property investment

During the year, two properties were disposed of and recorded a gain of HK\$3,907,000. Also, a property was reclassified from properties held for sale to investment properties and recorded a gain on revaluation of HK\$2,434,000 whereas gain arising from fair value changes of investment properties of HK\$2,506,000 was made. The Group's property investment segment collectively recorded the gain on fair value changes, revaluation and disposal amounting to HK\$8,847,000 during the year under review.

## PROSPECTS

Looking ahead, the Group will uphold its prime principle of meticulous operation approach. The Board is optimistic despite various market uncertainties and stress on operations and turnover. Focused control of resources, closure of underperforming section, aggressive implementation of cost reduction measure and enhancement of productivity and technological abilities represent the major exertions in boosting our production efficiency and thereby lowering the strain on production cost.

We look forward to strengthening our business strategies through investing in the high technologies, high potential and high economic efficiency business. With the contribution and efforts of the management and staff, the Board is confident in achieving better returns in the future.

The Group's new investment, environmental protection and reborn resources business operated by one of the wholly-owned subsidiaries, namely South China Reborn Resources (Zhongshan) Company Limited, has completed the phase I construction of the production plants as scheduled. Interior furnishing, installation of machineries and staff training are currently underway and it is planned that trial production and operation will commence in the first half year of 2006. Upon the commencement of the new business segment, it is anticipated that the Group's household products segment will be gradually relieved from the cost pressure. Meanwhile, the Group will continue its research and development to explore and develop new technologies which relate to environmental protection and reborn resources business so as to broaden its business base of the Group and to improve its operating profits.