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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKAS") and Interpretations (hereinafter collectively referred to as the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting years are prepared and presented.

Share-based payment

In the current year, the Group has applied HKFRS 2 "Share-based payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. Since the share options of the Company were granted before 7 November 2002, the Group has not applied HKFRS 2 to those share options in accordance with the relevant transitional provisions.

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial instruments: Disclosure and Presentation" and HKAS 39 "Financial instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of financial instruments in the Group's financial statements. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Financial instruments *(Continued)*

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 December 2004, the Group classified and measured its equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice 24 "Accounting for Investments in Securities" ("SSAP 24"). Under SSAP 24, investments in equity securities are classified as "trading securities" and are measured at fair value. Unrealised gains or losses of "trading securities" are reported in the profit or loss for the year in which gains or losses arise. From 1 January 2005 onwards, the Group classifies and measures its equity securities in accordance with HKAS 39. Under HKAS 39, these financial assets are classified as investments held for trading under "financial assets at fair value through profit or loss" and are carried at fair value, with changes in fair values recognised in profit or loss. The adoption of HKAS 39 does not have any significant impact on the profit of the prior year and no prior year adjustment is necessary.

Financial assets and financial liabilities other than equity securities

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. There was no material impact resulted from the classification and measurement.

Derivatives

From 1 January 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the year in which they arise. On 1 January 2005, the Group recognised the fair value of the derivatives as financial liabilities that are deemed as held for trading on that day amounting to HK$1,038,000 with a corresponding decrease in the Group's retained profits.

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively for transfers of financial assets on or after 1 January 2005. As a result, the Group's bill receivables with full recourse which were derecognised prior to 1 January 2005 have not been restated. As at 31 December 2005, the Group's bills receivables with full recourse have not been derecognised. Instead, the related borrowings of HK$9,853,000 have been recognised on the balance sheet date. This change has had no material effect on the results for the current year.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight line basis. This change in accounting policy has been applied retrospectively. The application of HKAS 17 has resulted in the reclassification of an amount of HK$117,185,000 from land and buildings to prepaid lease payments on 31 December 2004.

Investment properties

In the current year, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the year in which they arise. In previous years, investment properties under the predecessor accounting standard were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the consolidated income statement. Where a decrease had previously been charged to the consolidated income statement and revaluation increase subsequently arose, that increase was credited to the consolidated income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 January 2005 onwards. However, these changes have no material impact to the Group as the gain arising from changes in fair value in the current year relates to a write back which previously recognised as revaluation deficit charged to profit or loss.

Deferred taxation related to investment properties

In previous years, deferred taxation consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation. In the current year, the Group has applied HK(SIC) Interpretation 21 "Income taxes — recovery of revalued non-depreciable assets" which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred taxation consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) Interpretation 21, this change in accounting policy has been applied retrospectively. These changes have no material impact on the Group.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current year are as follows:

	2005 *HK$'000*
Gain arising from fair value changes of investment properties	**338**
Gain arising from fair value changes of derivative financial instruments	**3,367**
Increase in profit for the year	**3,705**

The application of the new HKFRSs has no effect on 1 January 2004. The cumulative effects of the application of the new HKFRSs as at 31 December 2004 and 1 January 2005 are summarised below:

	31.12.2004 *HK$'000* (originally stated)	**Retrospective adjustments** *HK$'000*	**31.12.2004** *HK$'000* (restated)	**Opening adjustments** *HK$'000*	**1.1.2005** ***HK$'000*** **(restated)**
Balance sheet items					
Property, plant and equipment	701,594	(117,185)	584,409	—	**584,409**
Prepaid lease payments	—	117,185	117,185	—	**117,185**
Derivative financial instruments	—	—	—	(1,038)	**(1,038)**
Total effects on assets and liabilities		—		(1,038)	
Retained profits	159,670	—	159,670	(1,038)	**158,632**

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate the application of these new standards, amendments and interpretations will have no material impact on the Group's financial statements.

HKAS 1 (Amendment)	Capital disclosures [1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures [2]
HKAS 21 (Amendment)	Net investment in a foreign operation [2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions [2]
HKAS 39 (Amendment)	The fair value option [2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts [2]
HKFRS 6	Exploration for and evaluation of mineral resources [2]
HKFRS 7	Financial instruments: Disclosures [1]
HK(IFRIC) — INT 4	Determining whether an arrangement contains a lease [2]
HK(IFRIC) — INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds [2]
HK(IFRIC) — INT 6	Liabilities arising from participating in a specific market — waste electrical and electronic equipment [3]
HK(IFRIC) — INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [4]

1 Effective for annual periods beginning on or after 1 January 2007.
2 Effective for annual periods beginning on or after 1 January 2006.
3 Effective for annual periods beginning on or after 1 December 2005.
4 Effective for annual periods beginning on or after 1 March 2006.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs. In additions, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies as set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

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

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

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

Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value, at the balance sheet date. 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.

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

Property, plant and equipment

Property, plant and equipment other than buildings under construction are stated at cost less accumulated depreciation and impairment losses.

The cost of leasehold land and buildings situated in the People's Republic of China (the "PRC"), including Hong Kong, is depreciated over twenty to fifty years on a straight line basis.

Buildings under construction, comprising all direct costs incurred in construction, are stated at cost. No depreciation is provided until construction is completed and the buildings are ready for their intended use.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Properties held for sale

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

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Inventories

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

Taxation

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

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

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the 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 taxation liabilities are generally recognised for all taxable temporary differences, and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred taxation 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.

The carrying amount of deferred taxation assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred taxation is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Sales of goods is recognised when goods are delivered and title has passed.

Income from properties held for sale is recognised on the execution of a legally binding, unconditional and irrecoverable sales contracts.

Rental income, including rental invoiced in advance from properties under operating leases, is recognised on a straight line basis over the duration of the leases.

Dividends from investments held for trading are recognised when the shareholders' right to receive payment is established.

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of these assets. Capitalisation of borrowing costs ceases when the assets are substantially ready for their intended use or sale.

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

Retirement benefit costs

The Group's contributions to the Mandatory Provident Fund Scheme in Hong Kong and retirement benefit schemes in the PRC are charged to the income statement as they fall due.

Operating leases

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

All other leases are classified as operating leases and the annual rental receipts or payments are credited or charged to the income statement on a straight line basis over the term of the relevant leases.

Foreign currencies

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are mainly classified as loans and receivables and financial assets at fair value through profit or loss. The accounting policies adopted is set out below.

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) are carried at amortised cost using the effective interest method, less any identified impairment losses. 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. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

Investments held for trading

Investments held for trading are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits which are subject to an insignificant risk of changes in value.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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 other than financial liabilities at fair value through profit or loss. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see above).

Trade and other payables

Trade and other payables 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.

Derivative financial instruments

Derivative financial instruments are deemed as held for trading financial assets or financial liabilities. Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

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.

For financial liabilities, they are removed from the Group's balance sheet (i.e. 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 is recognised in profit or loss.

Share-based payments

The Group issues share options to certain directors and employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of number of options that will eventually vest and adjusted for the effect of non market-based vesting conditions.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, investments held for trading, bank balances and cash, derivative financial instruments, trade and other payables and bank borrowings. 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.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and certain trade receivables of the Group are denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. In order to mitigate the foreign currency risk, management closely monitors such risks and will consider the application of hedging should significant foreign currency exposure arises.

(ii) Interest rate risk

The Group's interest rate risk primarily relates to bank balances and variable-rate bank loans (see note 23). It is the Group's policy to convert a proportion of its variable-rate debt to fixed-rate debt. In the current year, the Group has been using interest rate swaps in order to mitigate its exposure associated with fluctuations relating to interest cash flows.

(iii) Price risk

The Group's investment in held for trading are measured at fair value at each balance sheet date. Therefore, the Group is exposed to fair value change.

Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2005 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet.

In order to minimise the credit risk in relation to trade receivables, the management of 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 liquid funds is limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Credit risk is concentrated as a substantial portion of its revenue is generated from a few customers. However, the management closely monitors the recoverable amount of each individual trade debt, and there is no significant credit risk.

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.

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

Year ended 31 December 2005

	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	**479,307**	**403,052**	**—**	**—**	**882,359**
Inter-segment sales	**1,582**	**1,252**	**—**	**(2,834)**	**—**
Rental income	**—**	**—**	**757**	**(33)**	**724**
Total	**480,889**	**404,304**	**757**	**(2,867)**	**883,083**
Result					
Segment result	**9,348**	**16,940**	**8,643**		**34,931**
Unallocated corporate expenses					**(250)**
Finance costs					**(11,839)**
Profit before taxation					**22,842**
Taxation					**(2,854)**
Profit for the year					**19,988**

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

Year ended 31 December 2005

	Household products *HK$'000*	PVC pipes and fittings *HK$'000*	Property investment *HK$'000*	Corporate *HK$'000*	Consolidated *HK$'000*
Other information					
Capital additions	**24,225**	**23,638**	**4,244**	**15,685**	**67,792**
Depreciation	**22,577**	**26,363**	**—**	**1,042**	**49,982**
Amortisation of prepaid lease payments	**546**	**1,357**	**—**	**863**	**2,766**
Allowance for bad and doubtful debts	**453**	**1,077**	**—**	**—**	**1,530**
Loss on disposal of property, plant and equipment	**1,446**	**118**	**—**	**—**	**1,564**

6. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Business segment *(Continued)*

At 31 December 2005

	Household products HK$'000	PVC pipes and fittings HK$'000	Property investment HK$'000	Consolidated HK$'000
Assets				
Segment assets	**519,026**	**532,868**	**129,860**	**1,181,754**
Unallocated corporate assets				**165,099**
Consolidated total assets				**1,346,853**
Liabilities				
Segment liabilities	**51,215**	**86,057**	**387**	**137,659**
Unallocated corporate liabilities				**387,866**
Consolidated total liabilities				**525,525**

Year ended 31 December 2004

	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	493,011	377,034	—	—	870,045
Inter-segment sales	6,258	1,695	—	(7,953)	—
Rental income	—	—	891	—	891
Total	499,269	378,729	891	(7,953)	870,936
Result					
Segment result	(4,896)	21,824	4,139	—	21,067
Unallocated corporate income					7,062
Finance costs					(5,372)
Profit before taxation					22,757
Taxation					(2,899)
Profit for the year					19,858

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

6. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Business segment *(Continued)*

Year ended 31 December 2004

	Household products *HK$'000*	PVC pipes and fittings *HK$'000*	Property investment *HK$'000*	Corporate *HK$'000*	Consolidated *HK$'000*
Other information					
Capital additions	29,173	63,015	4,902	2,572	99,662
Depreciation	23,579	25,537	—	302	49,418
Amortisation of prepaid lease payments	570	1,071	—	1,515	3,156
Allowance for bad and doubtful debts	9,427	1,000	—	—	10,427
Gain on disposal of leasehold land and buildings	—	—	—	8,793	8,793
Loss on disposal of property, plant and equipment other than leasehold land and buildings	59	—	—	—	59

At 31 December 2004

	Household products *HK$'000*	PVC pipes and fittings *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
Assets				
Segment assets	468,215	554,829	114,024	1,137,068
Unallocated corporate assets				177,291
Consolidated total assets				1,314,359
Liabilities				
Segment liabilities	84,005	77,035	105	161,145
Unallocated corporate liabilities				365,862
Consolidated total liabilities				527,007

6. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Geographical segment

Substantially all of the sales of the Group's PVC pipes and fittings and rental income of the Group's property investment were made to customers in the PRC, including Hong Kong. An analysis of the Group's sales of household products by geographical market is as follows:

	Turnover	
	2005	2004
	HK$'000	*HK$'000*
United States of America	**358,418**	367,736
Asia	**68,909**	72,393
Canada	**23,908**	19,578
Europe	**20,214**	19,984
Latin America	**6,182**	9,859
Australia	**1,341**	2,100
Other areas	**335**	1,361
Total sales of household products	**479,307**	493,011

Analysis of the carrying amount of segment assets, and additions to property, plant and equipment, 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, including Hong Kong.

7. FINANCE COSTS

	2005	2004
	HK$'000	*HK$'000*
Interest on bank borrowings:		
— wholly repayable within five years	**(11,420)**	(5,024)
— not wholly repayable within five years	**(1,155)**	(348)
	(12,575)	(5,372)
Net interest received on derivative financial instruments *(Note)*	**736**	—
	(11,839)	(5,372)

Note: Fair value changes of HK$4,482,000 on the consolidated income statement excluded accrued interest income in derivative financial instruments.

8. TAXATION

	2005 **HK$'000**	2004 *HK$'000*
Hong Kong Profits Tax calculated at 17.5% (2004:17.5%) on the estimated assessable profits of the year		
— charge for the year	**—**	—
— underprovision in prior years	**—**	(79)
	—	(79)
Other regions in the PRC		
— charge for the year	**(2,452)**	(1,720)
— overprovision in prior years	**175**	—
	(2,277)	(1,720)
Deferred taxation charge *(Note 24)*	**(577)**	(1,100)
Net taxation charge	**(2,854)**	(2,899)

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements in the current year as the Group has no assessable income in Hong Kong for both years.

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

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

	2005 **HK$'000**	2004 *HK$'000*
Profit before taxation	**22,842**	22,757
Tax at the domestic income tax rate of 15% (2004: 15%)	**(3,426)**	(3,413)
Tax effect of expenses not deductible for tax purpose	**(370)**	(352)
Tax effect of income not taxable for tax purpose	**1,759**	782
Over(under)provision in respect of prior year	**175**	(68)
Tax effect of deferred taxation assets not recognised	**(2,452)**	(4,399)
Utilisation of tax losses previously not recognised	**974**	771
Income tax on concessionary rate	**447**	3,684
Effect of different tax rates of subsidiaries operating in other jurisdictions	**39**	96
Net taxation charge for the year	**(2,854)**	(2,899)

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

9. PROFIT FOR THE YEAR

	2005	2004
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Directors' emoluments *(note 10)*	**17,377**	15,813
Other staff's retirement benefit scheme contributions	**3,238**	3,187
Other staff costs	**83,457**	81,634
Total staff costs	**104,072**	100,634
Allowance for inventories	**300**	—
Amortisation of prepaid lease payments	**2,766**	3,156
Auditors' remuneration	**1,780**	1,595
Depreciation	**49,982**	49,418
Loss arising from fair value changes of investments held for trading excluding dividend income	**65**	—
Loss on disposal of property, plant and equipment other than leasehold land and buildings	**1,564**	59
Operating lease rentals in respect of rented premises	**2,627**	2,675
Shipping and handling expenses (included in selling and distribution costs)	**9,122**	9,119
Temporary quota charges	**—**	82
and after crediting:		
Dividend income from investments held for trading	**62**	—
Dividend income from trading securities	**—**	53
Gross rental income from investment properties	**724**	891
Less: Direct operating expenses that generated rental income	**(248)**	(187)
	476	704
Interest income	**403**	479
Realised gain on forward contracts	**—**	1,066
Unrealised holding gain on trading securities	**—**	694
Exchange gain	**502**	1,429

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 2005

	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Bonus *HK$'000* *(note)*	Retirement benefit scheme contributions *HK$'000*	Total emoluments *HK$'000*
Executive directors:					
Lee Tat Hing	—	7,350	1,107	—	8,457
Fung Mei Po	—	2,635	—	12	2,647
Lee Chun Sing	—	2,700	—	12	2,712
Lai Lai Wah	—	900	—	12	912
Lee Pak Tung	—	468	—	12	480
Wat Kwing Cheung, Alexander	—	357	—	—	357
Kwong Bau To	—	450	—	4	454
Choi Kwok Keung, Sanvic	—	294	—	4	298
Chan Lai Kuen, Anita	—	336	—	4	340
Non-executive director:					
Cheung Tze Man, Edward	180	—	—	—	180
Independent non-executive directors:					
Wong Kong Chi	180	—	—	—	180
Hui Chi Kuen, Thomas	180	—	—	—	180
Ho Tak Kay	180	—	—	—	180
	720	15,490	1,107	60	17,377

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 2004

	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Bonus *HK$'000* *(note)*	Retirement benefit scheme contributions *HK$'000*	Total emoluments *HK$'000*
Executive directors:					
Lee Tat Hing	—	6,691	1,252	—	7,943
Fung Mei Po	—	2,659	—	12	2,671
Lee Chun Sing	—	2,674	—	12	2,686
Lai Lai Wah	—	891	—	12	903
Lee Pak Tung	—	494	—	12	506
Wat Kwing Cheung, Alexander	—	556	—	8	564
Non-executive director:					
Cheung Tze Man, Edward	180	—	—	—	180
Independent non-executive directors:					
Wong Kong Chi	180	—	—	—	180
Hui Chi Kuen, Thomas	90	—	—	—	90
Ho Tak Kay	90	—	—	—	90
	540	13,965	1,252	56	15,813

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

In addition to the amount disclosed above, during the year, the Group also provided one of its leasehold properties in Hong Kong as quarters for nil (2004: two) executive directors. The estimated monetary value of such accommodation, using the rateable value as an approximation amounted to HK$376,000 in 2004.

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

(ii) Information regarding employees' emoluments

The five highest paid employees of the Group in both years included three (2004: three) executive directors whose emoluments are included in (i) above. The emoluments of the other two (2004: two) highest paid employees, not being directors, are as follows:

	2005	2004
	HK$'000	*HK$'000*
Salaries	**2,940**	2,486
Retirement benefit scheme contributions	**24**	24
	2,964	2,510

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

	Number of employees	
	2005	2004
HK$1,000,001 to HK$1,500,000	**2**	2

11. DIVIDENDS

	2005	2004
	HK$'000	*HK$'000*
Interim paid: nil (2004: HK0.5 cent per share)	**—**	3,382
Final proposed: nil (2004: HK0.5 cent per share)	**—**	3,382
	—	6,764

The final dividend of HK0.5 cent per share in respect of year ended 31 December 2004 was approved at the annual general meeting held on 25 May 2005 and was paid in June 2005.

The directors do not recommend the payment of dividend for the year ended 31 December 2005.

12. EARNINGS PER SHARE

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

	2005	2004
	HK$'000	*HK$'000*
Earnings for the purpose of calculating basic earnings per share	**19,988**	19,858

	Number of shares	
	2005	2004
Number of shares for the purpose of calculating basic earnings per share	**676,417,401**	676,417,401

(a) No diluted earnings per share has been presented for both years because the exercise price of the Company's options was higher than the average market price of the Company's shares and the options expired on 18 February 2005.

(b) Changes in the Group's accounting policies during the year are described in detail in notes 2 and 3. To the extent that those changes have had an impact on results reported for 2005 and 2004, they have had an impact on the amounts reported for earnings per share. The following total summarises that impact on basic earnings per share:

	2005	2004
	HK cents	*HK cents*
Figures before adjustments	**2.4**	2.9
Adjustments arising from changes in accounting policies	**0.6**	—
As reported/restated	**3.0**	2.9

13. INVESTMENT PROPERTIES

	2005	2004
	HK$'000	*HK$'000*
FAIR VALUE		
At 1 January	**23,670**	15,220
Additions	**4,244**	4,902
Transfer from properties held for sale	**26,722**	—
Disposals	**(8,300)**	—
Increase in fair value	**2,506**	—
Surplus arising on valuation	**—**	3,548
At 31 December	**48,842**	23,670

13. INVESTMENT PROPERTIES *(Continued)*

The carrying amount of investment properties shown above comprises:

	2005	2004
	HK$'000	*HK$'000*
Properties situated in Hong Kong	**41,662**	18,060
Properties situated in the PRC, other than Hong Kong	**7,180**	5,610
	48,842	23,670

The investment properties are held under medium-term leases.

All of the Group's property interests in land 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 2005 have been arrived at on the basis of a valuation carried out at that date by Knight Frank Hong Kong Limited, an independent firm of professional property valuers not connected with the Group. Knight Frank Hong Kong Limited has appropriated qualification and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to Hong Kong Institute of Surveyors Valuation Standards on Properties, was arrived at by reference to market evidence of transaction prices for similar properties.

14. 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$'000	Buildings under construction HK$'000	Total HK$'000
COST							
At 1 January 2004							
— as originally stated	327,970	71,526	61,016	18,440	557,463	84,321	1,120,736
— effect of changes in accounting policies *(notes 2 and 3)*	(107,175)	—	—	—	—	(38,106)	(145,281)
— as restated	220,795	71,526	61,016	18,440	557,463	46,215	975,455
Additions	31,486	2,211	4,743	1,229	38,744	16,347	94,760
Reclassifications	43,586	—	2,734	—	—	(46,320)	—
Disposals	(2,785)	—	(1,092)	(1,434)	—	—	(5,311)
At 1 January 2005	293,082	73,737	67,401	18,235	596,207	16,242	1,064,904
Currency realignment	5,516	1,508	1,406	197	13,220	385	22,232
Additions	12,707	1,991	—	1,192	28,235	19,423	63,548
Reclassifications	3,604	33	—	—	77	(3,714)	—
Disposals	(50)	(3)	(2,061)	—	(883)	(16)	(3,013)
At 31 December 2005	314,859	77,266	66,746	19,624	636,856	32,320	1,147,671
ACCUMULATED DEPRECIATION							
At 1 January 2004							
— as originally stated	64,063	53,207	45,142	12,113	274,095	—	448,620
— effect of changes in accounting policies *(notes 2 and 3)*	(15,416)	—	—	—	—	—	(15,416)
— as restated	48,647	53,207	45,142	12,113	274,095	—	433,204
Provided for the year	10,094	3,676	2,628	1,543	31,477	—	49,418
Eliminated on disposals	(258)	—	(712)	(1,157)	—	—	(2,127)
At 1 January 2005	58,483	56,883	47,058	12,499	305,572	—	480,495
Currency realignment	1,380	1,152	980	117	6,751	—	10,380
Provided for the year	10,061	3,416	3,137	1,338	32,030	—	49,982
Eliminated on disposals	(1)	(3)	(795)	—	(650)	—	(1,449)
At 31 December 2005	69,923	61,448	50,380	13,954	343,703	—	539,408
CARRYING VALUES							
At 31 December 2005	244,936	15,818	16,366	5,670	293,153	32,320	608,263
At 31 December 2004	234,599	16,854	20,343	5,736	290,635	16,242	584,409

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

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

Depreciation is provided to write off the cost of property, plant and equipment other than buildings under construction over their estimated useful lives, using the reducing balance method, at the following rates per annum:

Furniture, fixtures and equipment	18 — 20%
Leasehold improvements	20%
Motor vehicles	20%
Plant and machinery	9 — 20%

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

	2005 ***HK$'000***	2004 *HK$'000* (restated)
Leasehold land and buildings in Hong Kong under medium-term leases	**41,455**	42,015
Buildings in the PRC other than Hong Kong on land for which the Group has been granted land use rights and the land is under medium-term	**203,481**	192,584
	244,936	234,599

The buildings under construction are located in the PRC other than Hong Kong (2004: located in Hong Kong and other parts of the PRC) under medium-term.

15. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2005 ***HK$'000***	2004 *HK$'000*
Leasehold land in Hong Kong:		
Medium-term lease	**36,367**	37,230
Leasehold land in the PRC:		
Medium-term lease	**91,916**	79,955
	128,283	117,185

Analysed for reporting purposes as:

	2005 ***HK$'000***	2004 *HK$'000*
Current	**2,798**	3,012
Non-current	**125,485**	114,173
	128,283	117,185

15. PREPAID LEASE PAYMENTS *(Continued)*

The Group has paid substantial part of the consideration for the acquisition of a leasehold interest in land under operating lease in the PRC ("land use right"), but the PRC government authority has not yet granted formal title of the land use right to the Group. As at 31 December 2005, the net book value of the land use right for which the Group had not been granted formal title amounted to HK$11,239,000. The directors of the Company believe that formal title to this land use right will be granted to the Group in due course. The balance committed is HK$1,249,000 and will be due upon the grant of the land use right certificate from the PRC government authority.

16. INVENTORIES

	2005	2004
	HK$'000	*HK$'000*
Raw materials	**87,849**	100,522
Work in progress	**38,723**	33,346
Finished goods	**44,100**	40,560
	170,672	174,428

17. TRADE AND OTHER RECEIVABLES

The Group allows credit periods of up to 180 days, depending on the product sold, to its trade customers.

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

	2005	2004
	HK$'000	*HK$'000*
0-30 days	**82,626**	57,725
31-60 days	**33,054**	40,892
61-90 days	**20,902**	20,234
91-180 days	**23,468**	25,663
Over 180 days	**25,314**	24,978
Total trade receivables	**185,364**	169,492
Less: Allowance for bad and doubtful debts	**(16,520)**	(14,879)
Other receivables	**59,624**	45,720
Total trade and other receivables	**228,468**	200,333

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

18. PROPERTIES HELD FOR SALE

At 31 December 2005, all the properties held for sale were carried at cost, situated in Hong Kong and are held under medium-term leases.

19. INVESTMENTS HELD FOR TRADING/INVESTMENTS IN TRADING SECURITIES

As set out in note 2, from 1 January 2005 onwards, trading securities have been reclassified as investments held for trading, in accordance with the requirements of HKAS 39. At 31 December 2004, trading securities amounted to HK$5,143,000.

The investments held for both years represent investments in equity shares listed on the Stock Exchange. At the balance sheet date, the investments held for trading are stated at fair value. The fair values of these securities are based on the quoted market bid prices at the balance sheet date.

20. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets *HK$'000*	**Liabilities** *HK$'000*
Interest rate swaps	2,398	—
Forward foreign exchange contracts	85	(154)
	2,483	(154)

Major terms of the interest rate swaps are as follows:

Notional amount	**Maturity**	**Swaps**
HK$66,600,000	24 May 2007	From HIBOR to 1.88%
HK$56,780,000	13 November 2007	From HIBOR to 1.88%

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

21. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with originally maturity of three months or less, and carry interests at the prevailing market rates.

The directors of the Company consider the bank balances and cash approximates its fair value.

22. TRADE AND OTHER PAYABLES

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

	2005 ***HK$'000***	2004 *HK$'000*
0-30 days	**50,680**	60,477
31-60 days	**29,485**	27,737
61-90 days	**25,017**	22,505
Over 90 days	**30,178**	26,810
Total trade payables	**135,360**	137,529
Other payables	**42,879**	24,862
Total trade and other payables	**178,239**	162,391

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

23. BANK BORROWINGS

	2005 *HK$'000*	2004 *HK$'000*
Bank loans	**323,833**	347,674
Bank overdrafts	**9,707**	2,638
Trust receipts, import loans and others	**5,061**	7,215
	338,601	357,527
Analysed as:		
Secured	**164,201**	112,317
Unsecured	**174,400**	245,210
	338,601	357,527
Carrying amount repayable:		
Within 1 year	**229,167**	215,977
More than 1 year, but not exceeding 2 years	**58,196**	62,977
More than 2 years, but not exceeding 5 years	**36,777**	61,135
More than 5 years	**14,461**	17,438
	338,601	357,527
Less: Amount due within 1 year shown under current liabilities	**(229,167)**	(215,977)
Amount due after 1 year	**109,434**	141,550

All bank borrowings are arranged at floating rates ranged from 2.321% to 7.25% (2004: 0.68% to 9.25%) per annum.

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

24. DEFERRED TAXATION

	Accelerated tax depreciation *HK$'000*	Tax losses *HK$'000*	Total *HK$'000*
At 1 January 2004	(5,981)	—	(5,981)
Charge to consolidated income statement for the year	(1,100)	—	(1,100)
At 31 December 2004	(7,081)	—	(7,081)
Exchange difference	(184)	—	(184)
(Charge) credit to consolidated income statement for the year	(2,763)	2,186	(577)
At 31 December 2005	**(10,028)**	**2,186**	**(7,842)**

24. DEFERRED TAXATION *(Continued)*

At the balance sheet date, the Group had unused tax losses of approximately HK$109,522,000 (2004: HK$83,646,000) available to offset against future assessable profits. A deferred taxation asset has been recognised in respect of HK$12,493,000 (2004: nil) of such losses. No deferred taxation asset has been recognised in respect of the remaining HK$97,029,000 (2004: HK$83,646,000) 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

	2005 & 2004
	HK$'000
Authorised:	
1,500,000,000 shares of HK$0.10 each	150,000

	Nominal value 2005 & 2004
	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.

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 income statement in respect of the value of options granted.

26. SHARE OPTION SCHEME *(Continued)*

The following options were granted to the directors of the Company and employees of the Group to subscribe for shares in the Company.

	Date of grant	Exercisable period	Exercise price *HK$*	Number of share options outstanding at 1.1.2004 and 31.12.2004	Number of share options expired during the year	Number of share options outstanding at 31.12.2005
Directors	19.2.2000	19.8.2000 — 18.2.2005	0.32	2,960,000	(2,960,000)	—
Employees	19.2.2000	19.8.2000 — 18.2.2005	0.32	1,500,000	(1,500,000)	—
				4,460,000	(4,460,000)	—

No share options were granted to directors or employees during the two years ended 31 December 2005 and all of the above share options were lapsed during the year.

27. CAPITAL COMMITMENTS

	2005 ***HK$'000***	2004 *HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
— buildings	**28,855**	7,186
— plant and machinery	**10,990**	6,648
	39,845	13,834
Capital expenditure authorised but not contracted for in respect of		
— buildings	**48,133**	—
— plant and machinery	**156,161**	152,736
	204,294	152,736

28. 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:

	2005 ***HK$'000***	2004 *HK$'000*
Within one year	**24**	2,026
After one year and not later than five years	**—**	70
	24	2,096

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

28. OPERATING LEASES *(Continued)*

The Group as lessor

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

	2005	2004
	HK$'000	*HK$'000*
Within one year	**1,148**	604
After one year and not later than five years	**1,320**	157
	2,468	761

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

29. PLEDGE OF ASSETS

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

	2005	2004
	HK$'000	*HK$'000*
Leasehold land and buildings	**30,355**	32,151
Investment properties	**41,540**	18,060
Properties held for sale	**44,159**	77,053
	116,054	127,264

30. CONTINGENT LIABILITIES

	2005	2004
	HK$'000	*HK$'000*
Bills discounted with recourse	**—**	3,008

31. 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 income statement is HK$3,298,000 (2004: HK$3,243,000).

32. RELATED PARTIES TRANSACTIONS

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

Relationship of related parties	Nature of transactions	2005 *HK$*	2004 *HK$*
Close family members of certain directors	Salaries and other benefits	**4,149**	3,328
	Retirement benefit scheme contributions	**41**	36
		4,190	3,364
Companies in which certain directors have beneficial interests	Rentals paid	**460**	460

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

33. INVESTMENT IN SUBSIDIARIES

The details of principal subsidiaries at 31 December 2005 are as follows:

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

33. INVESTMENT IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place and nature of incorporation/ registration	Nominal value of issued ordinary share/ registered capital *	Attributable equity interest of the Group	Principal activities
Hopemain Industries Limited	Hong Kong — limited liability company	HK$5,000,000	100%	Investment holding
Hopemain Plastic Industrial (Shenzhen) Company Limited	PRC — wholly owned foreign enterprise	HK$10,000,000	100%	Manufacturing of PVC products
Nam Sok Building Material & Plastic Products (Changshu) Co., Ltd.	PRC — wholly owned foreign enterprise	US$10,000,000	100%	Manufacturing of PVC pipes and fittings and moulds
Nam Sok Building Material & Plastic Products (Shenzhen) Co., Ltd.	PRC — wholly owned foreign enterprise	HK$230,000,000	100%	Manufacturing of PVC pipes and fittings and moulds
Nam Sok Houseware Producing (Changshu) Co., Ltd.	PRC — wholly owned foreign enterprise	***	100%	Manufacturing of household products
South China Plastic Building Material Manufacturing Limited	Hong Kong — limited liability company	HK$2	100%	Trading in building materials and supplies
South China Reborn Resources (Zhongshan) Company Limited	PRC — wholly owned foreign enterprise	****	100%	Manufacture and operate recycling and reborn resources related business
Welidy Limited	Hong Kong — limited liability company	HK$10,000	100%	Property holding
World Home Linen Manufacturing Company Limited	Hong Kong — limited liability company	HK$200 Deferred non-voting shares HK$10,000	100% ******	Property holding
World Houseware (B.V.I.) Limited	BVI — limited liability company	HK$50,000	100%	Investment holding

33. INVESTMENT IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place and nature of incorporation/ registration	Nominal value of issued ordinary share/ registered capital *	Attributable equity interest of the Group	Principal activities
World Houseware Producing (China) Company Limited	Hong Kong — limited liability company	HK$1,500,000 Deferred non-voting shares HK$500,000	100% ******	Subcontracting and manufacturing of household products
World Houseware Producing Company Limited	Hong Kong — limited liability company	HK$200 Deferred non-voting shares HK$160,500	100% ******	Trading in household products
World Plastic Mat (Baoan) Company Limited	PRC — wholly owned foreign enterprise	*****	100%	Manufacturing of household products
World Plastic-ware Manufacturing Limited	Hong Kong — limited liability company	HK$32,500,000	100%	Investment holding

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

** The registered capital of Fundbor Textiles (Zhongshan) Company Limited is US$4,900,000. As at 31 December 2005, US$1,667,647 had been contributed to this Company.

*** The registered capital of Nam Sok Houseware Producing (Changshu) Co., Ltd. is US$10,000,000. As at 31 December 2005, US$5,805,553 had been contributed to this company.

**** The registered capital of South China Reborn Resources (Zhongshan) Company Limited is US$10,000,000. As at 31 December 2005, US$6,200,011 had been contributed to this Company.

***** The registered capital of World Plastic Mat (Baoan) Company Limited is HK$360,000,000. As at 31 December 2005, HK$350,000,000 had been contributed to this company.

****** 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.

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

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