

**South China Holdings Limited***(Incorporated in the Cayman Islands with limited liability)*
(Stock Code: 265)**South China Industries Limited***(Incorporated in the Cayman Islands with limited liability)*
(Stock Code: 413)**OVERSEAS REGULATORY ANNOUNCEMENT**

The following announcement was issued on 28 February 2006 by Wah Shing International Holdings Limited ("Wah Shing"). Wah Shing is a subsidiary of South China Industries Limited and an indirect subsidiary of South China Holdings Limited. The shares of Wah Shing are currently listed on Singapore Exchange Securities Trading Limited.

WAH SHING INTERNATIONAL HOLDINGS LIMITED

Full Year Financial Statement and Dividend Announcement for the Year Ended 31 December 2005

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY
(Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

- 1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	GROUP		
	2005 HK\$'000	2004 HK\$'000 (Restated)	Change %
REVENUE			
Sales of toys and toy related products	1,904,665	1,656,706	15
Sales of moulds	69,683	76,990	(9)
Sales of footwear products	<u>208,680</u>	<u>133,816</u>	<u>56</u>
	2,183,028	1,867,512	17
Cost of sales	<u>(1,907,589)</u>	<u>(1,656,347)</u>	(15)
Gross profit	275,439	211,165	30
Other income & gains	53,653	20,499	162
Selling & distribution costs	(54,023)	(48,884)	(11)
Administrative expenses	(165,177)	(141,631)	(17)
Write back of provision for/(provision for) doubtful debts	(297)	7,981	NM
Write back of impairment of property, plant and equipment	109	4,995	(98)
Impairment of goodwill	(5,068)		NM
Other expenses	(553)	(268)	(106)
Finance costs	<u>(10,643)</u>	<u>(5,542)</u>	<u>(92)</u>
PROFIT BEFORE TAX	93,440	48,315	93
Tax	<u>(29,968)</u>	<u>(2,847)</u>	<u>(953)</u>
PROFIT FOR THE YEAR	<u>63,472</u>	<u>45,468</u>	<u>40</u>
ATTRIBUTABLE TO:			
Equity holders of the parent	60,119	38,289	57
Minority Interests	3,353	7,179	(53)
	<u>63,472</u>	<u>45,468</u>	<u>40</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
- for profit for the year	<u>HK22.1 cents</u>	<u>HK14.1 cents</u>	

NM : not meaningful

1(a)(ii) Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	GROUP	
	2005	2004
	HK\$'000	HK\$'000
		(Restated)
Depreciation	37,729	38,048
Loss on disposal of an investment property	-	11
Loss/(gain) on disposal of available-for-sale investments	(29,122)	268
Fair value gains on investment properties	(5,030)	(3,557)
Dividend income from available-for-sale investments	(442)	(325)
Gain on disposal of property, plant and equipment, net	(1,073)	(1,428)
Gross rental income	(6,887)	(4,942)
Bank interest income	(1,100)	(222)
Foreign exchange difference, net	<u>1,349</u>	<u>(278)</u>

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	GROUP		COMPANY	
	As at		As at	
	31/12/2005	31/12/2004	31/12/2005	31/12/2004
	Unaudited	Audited	Unaudited	Audited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		
NON-CURRENT ASSETS				
Property, plant and equipment (note i)	250,676	262,371	-	-
Investment properties (note ii)	68,364	58,505	-	-
Construction in progress (note iii)	96,630	-	-	-
Prepaid land lease payments	18,070	15,201	-	-
Goodwill	26,641	31,709	-	-
Interests in subsidiaries	-	-	443,900	404,217
Available-for-sale investments (note iv)	11,668	31,747	-	-
Total non-current assets	472,049	399,533	443,900	404,217
CURRENT ASSETS				
Inventories (note v)	308,856	290,494	-	-
Trade receivables	130,257	134,942	-	-
Prepayments, deposits and other receivables	33,172	50,297	-	-
Loan to the intermediate holding company	18,264	18,931	-	-
Tax recoverable	7,870	6,684	-	-
Cash and bank balances (note vi)	125,515	87,626	-	-
Total current assets	623,934	588,974	-	-
CURRENT LIABILITIES				
Trade payables	229,553	258,234	-	-
Bills payable	570	3,090	-	-
Other payables and accruals	132,001	104,899	120	363
Amounts due to fellow subsidiaries	16	4	-	-
Amount due to a minority shareholder of a subsidiary (note vii)	11,537	-	-	-
Interest-bearing bank and other borrowings	90,352	93,139	-	-
Tax payable (note viii)	26,392	5,602	-	-
Total current liabilities	490,421	464,968	120	363
NET CURRENT ASSETS/ (LIABILITIES)	133,513	124,006	(120)	(363)
TOTAL ASSETS LESS CURRENT LIABILITIES	605,562	523,539	443,780	403,854

	GROUP		COMPANY	
	As at		As at	
	31/12/2005	31/12/2004	31/12/2005	31/12/2004
	Unaudited HK\$'000	Audited HK\$'000 (Restated)	Unaudited HK\$'000	Audited HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>605,562</u>	<u>523,539</u>	<u>443,780</u>	<u>403,854</u>
NON CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	6,474	9,469	-	-
Deferred tax liabilities	<u>9,221</u>	<u>7,817</u>	<u>-</u>	<u>-</u>
Total non-current liabilities	<u>15,695</u>	<u>17,286</u>	<u>-</u>	<u>-</u>
Net assets	<u>589,867</u>	<u>506,253</u>	<u>443,780</u>	<u>403,854</u>
EQUITY				
Equity attributable to equity holders of the parent				
Issued capital	54,432	54,432	54,432	54,432
Share premium account	190,255	190,255	190,255	190,255
Special reserve	111,813	111,813	111,813	111,813
Statutory reserves	1,051	388	-	-
Exchange fluctuation reserve	1,200	-	-	-
Investment revaluation reserve	(859)	(3,022)	-	-
Retained profits	<u>160,305</u>	<u>100,849</u>	<u>87,280</u>	<u>47,354</u>
	<u>518,197</u>	<u>454,715</u>	<u>443,780</u>	<u>403,854</u>
Minority interests	<u>71,670</u>	<u>51,538</u>	<u>-</u>	<u>-</u>
Total equity	<u>589,867</u>	<u>506,253</u>	<u>443,780</u>	<u>403,854</u>

Notes :

(i) Property, plant and equipment

The decrease was mainly due to HK\$38 million depreciation charged for the year which was partially offset by additions amounted to HK\$31 million.

(ii) Investment properties

Addition of HK\$10 million consisted of HK\$5 million net transfer from leasehold properties and HK\$5 million increase in fair value. No depreciation was required as pursuant to IAS 40 "Investment Property".

(iii) Construction in progress

The increase mainly represented the cost of a property development project in North Eastern Region of the PRC, which is currently under resettlement stage.

(iv) Available-for-sale investments

The decrease in available-for-sale investments was mainly due to disposal of Hong Kong listed shares.

(v) Inventories

Inventories balance increased by HK\$18 million was in line with the business growth during the year.

(vi) Cash and bank balances

The change was mainly due to the increase in net cash inflow from operating activities during the year.

(vii) Amount due to a minority shareholder of a subsidiary

The balance represented the loan due to a minority shareholder of a PRC subsidiary upon the acquisition during the year.

(viii) Tax payable

The amount represented the profits tax for the current financial year including the HK\$13 million provision (see section 8).

**1(b)(ii) Aggregate amount of group's borrowings and debt securities.
Amount repayable in one year or less, or on demand**

As at 31/12/2005		As at 31/12/2004	
Secured	Unsecured	(Restated) Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
90,352	0	93,139	0

Amount repayable after one year

As at 31/12/2005		As at 31/12/2004	
Secured	Unsecured	(Restated) Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
6,474	0	9,469	0

Details of any collateral

- (i) Mortgages over the Group's leasehold properties situated in Hong Kong, which had an aggregate carrying value at the balance sheet date of approximately HK\$ 16,641,000 (2004: HK\$17,207,000);
- (ii) charges over the Group's leasehold and investment properties situated in Hong Kong, which had an aggregate carrying value at the balance sheet date of approximately HK\$95,990,000 (2004: HK\$122,123,000); and
- (iii) the Company's corporate guarantee.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	GROUP	
	2005	2004
	HK\$'000	HK\$'000
		(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	93,440	48,315
Adjustments for:		
Finance costs	10,643	5,542
Interest income	(2,417)	(1,451)
Provision for/(write-back of provision for)		
doubtful debts	297	(7,981)
Provision for obsolete inventories	16,184	40,605
Write-back of impairment of property, plant		
and equipment	(109)	(4,995)
Loss/(gain) on disposal of available-for-sale		
investments	(29,122)	268
Impairment of goodwill	5,068	-
Amortisation of prepaid land lease payments	363	362
Impairment of available-for-sales		
investments	553	-
Fair value gains on investment properties	(5,030)	(3,557)
Depreciation	37,729	38,048
Loss on disposal of an investment property	-	11
Gain on disposal of property, plant and		
equipment, net	(1,073)	(1,428)
Dividend income from available-for-sale		
investments	(442)	(325)
Operating profit before working capital changes	126,084	113,414
Increase in inventories	(34,546)	(79,233)
Decrease in trade receivables	4,388	28,278
Decrease/(increase) in prepayments, deposits and		
other receivables	17,125	(15,299)
Decrease in trade payables	(28,681)	(3,184)
Increase in other payables and accruals	27,102	23,757
Decrease in bills payable	(2,520)	(3,561)
Increase/(decrease) in amounts due to fellow		
subsidiaries	12	(11,203)
Cash generated from operations	108,964	52,969
Hong Kong profits tax paid	(8,960)	(11,125)
Net cash inflow from operating activities	100,004	41,844
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(19,761)	(23,951)
Additions to construction in progress	(56,245)	-
Additions to prepaid land lease payment	(3,232)	-
Repayment from/(advance to) the intermediate		
holding company	667	(13,259)
Additions to available-for-sale investments	(76,576)	(5,123)
Acquisition of a subsidiary	(7,213)	-
Proceeds from disposal of available-for-sale		
investments	127,387	34,577
Proceeds from disposal of property, plant and		
equipment	2,296	1,536
Interest received	2,417	1,451
Dividends from available-for-sale investments	442	325
Proceeds from disposal of investment properties	-	180

	GROUP	
	2005	2004
	HK\$'000	HK\$'000
		(Restated)
Net cash outflow from investing activities	<u>(29,818)</u>	<u>(4,264)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of short term bank loans	(80,868)	(133,868)
Repayment of mortgage loans	(5,574)	(38,848)
Repayment to the immediate holding company	-	(20,000)
Repayment of obligations under finance leases	(11,530)	(7,999)
Dividends paid to minority shareholders of subsidiaries	(5,184)	(3,278)
New short-term bank loans raised	80,868	118,868
New mortgage loans raised	-	32,076
Increase in trust receipt loans	266	15,805
Interest paid	<u>(10,643)</u>	<u>(5,542)</u>
Net cash outflow from financing activities	<u>(32,665)</u>	<u>(42,786)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	37,521	(5,206)
Cash and cash equivalents at beginning of year	87,626	92,832
Effect of foreign exchange rate changes, net	<u>368</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR, representing cash and bank balances	<u><u>125,515</u></u>	<u><u>87,626</u></u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Attributable to equity holders of the parent							Total	Minority interests	Total equity
	Issued share capital	Share premium account	Special reserve	Statutory reserves	Investment revaluation reserve	Exchange fluctuation reserve	Retained profits			
	note (a)	note (b)	note (c)							
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
GROUP										
At 1 January 2004										
As previously reported	54,432	190,255	111,813	-	-	-	54,984	411,484	47,637	459,121
Prior year adjustment:										
General provision for claims	-	-	-	-	-	-	7,964	7,964	-	7,964
As restated	54,432	190,255	111,813	-	-	-	62,948	419,448	47,637	467,085
Changes in fair value of available-for-sale investments and total income and expense recognised directly in equity	-	-	-	-	(3,022)	-	-	(3,022)	-	(3,022)
Profit for the year (as restated)	-	-	-	-	-	-	38,289	38,289	7,179	45,468
Total income and expense for the year	-	-	-	-	(3,022)	-	38,289	35,267	7,179	42,446
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	(3,278)	(3,278)
Transfer to statutory reserves	-	-	-	388	-	-	(388)	-	-	-
At 31 December 2004	54,432	190,255	111,813	388	(3,022)	-	100,849	454,715	51,538	506,253
At 1 January 2005										
As previously reported	54,432	190,255	111,813	388	(3,022)	-	90,680	444,546	51,538	496,084
Prior year adjustment:										
General provision for claims	-	-	-	-	-	-	10,169	10,169	-	10,169
As restated	54,432	190,255	111,813	388	(3,022)	-	100,849	454,715	51,538	506,253
Exchange realignment	-	-	-	-	-	1,200	-	1,200	328	1,528
Changes in fair value of available-for-sale investments	-	-	-	-	(2,363)	-	-	(2,363)	-	(2,363)
Total income and expense recognised directly in equity	-	-	-	-	(2,363)	1,200	-	(1,163)	328	(835)
Profit for the year	-	-	-	-	-	-	60,119	60,119	3,353	63,472
Total income and expense for the year	-	-	-	-	(2,363)	1,200	60,119	58,956	3,681	62,637
Disposal of available-for-sale investments	-	-	-	-	4,526	-	-	4,526	-	4,526
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	2,404	2,404
Capital contributions from a minority shareholder of a subsidiary	-	-	-	-	-	-	-	-	19,231	19,231
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	(5,184)	(5,184)
Transfer to statutory reserves	-	-	-	663	-	-	(663)	-	-	-
At 31 December 2005	54,432	190,255	111,813	1,051	(859)	1,200	160,305	518,197	71,670	589,867

	Issued share capital	Share premium account note (a)	Special reserve note (b)	Retained profits/ (accumulated losses)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COMPANY					
At 1 January 2004	54,432	190,255	111,813	(41,043)	315,457
Profit for the year	-	-	-	88,397	88,397
At 31 December 2004 and at 1 January 2005	54,432	190,255	111,813	47,354	403,854
Profit for the year	-	-	-	39,926	39,926
At 31 December 2005	54,432	190,255	111,813	87,280	443,780

Notes:

- a. The share premium account comprises the difference between the nominal value and issue price of ordinary shares issued by the Company less share issue expenses.
- b. The special reserve arose upon the cancellation of the issued and fully paid-up capital from HK\$0.50 to HK\$0.01 per share under the Capital Reduction Scheme carried out in 2001. Under the Companies Act 1981 of Bermuda (as amended) and by-laws of the Company, the special reserve is distributable to shareholders subject to the approval of shareholders and on the condition that the Company cannot declare or pay a dividend, or make a distribution out of the special reserve if (i) it is, or would after the payment, be unable to pay off its liabilities as they become due or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.
- c. The statutory reserves represent the appropriation of certain percentages of profit after tax of a subsidiary established in the People's Republic of China.

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There were no changes in the Company's issued share capital during the year under review. At 31 December 2005, the issued share capital of the Company was HK\$54,432,000 divided into 272,160,000 ordinary shares of HK\$0.20 each.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except for the changes in the accounting policies as set out in item 5 below, there were no other changes in the accounting policies and methods of computation adopted in preparing the financial statements for the current reporting period as compared to the audited financial statements for the year ended 31 December 2004.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted those new or revised standards mandatory for financial years beginning on or after 1 January 2005.

The changes in accounting policies result from the adoption of the following revised standards:

IAS 1 (revised)	Presentation of Financial Statements
IAS 2 (revised)	Inventories
IAS 8 (revised)	Accounting Policies , Changes in Accounting Estimates and Errors
IAS 10 (revised)	Events after the Balance Sheet Date
IAS 16 (revised)	Property, Plant and Equipment
IAS 17 (revised)	Leases
IAS 19 (revised)	Employee Benefits
IAS 21 (revised)	The Effects of Changes in Foreign Exchange Rates
IAS 24 (revised)	Related Party Disclosures
IAS 27 (revised)	Consolidated and Separate Financial Statements
IAS 32 (revised)	Financial Instruments: Disclosure and Presentation
IAS 33 (revised)	Earnings per Share
IAS 39 (revised)	Financial Instruments: Recognition and Measurement
IAS 40 (revised)	Investment property

The adoption of IASs 2 (revised), 8 (revised), 10 (revised), 16 (revised), 17 (revised), 19 (revised), 27 (revised), 32 (revised), 33 (revised) and 40 (revised) has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

IAS 1 (revised) "Presentation of Financial Statements"

As of 1 January 2005, the Group has adopted IAS 1 (revised). The adoption of IAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. Upon the adoption of IAS 1 (revised), certain comparative amounts have been reclassified to conform with the current year presentation.

IAS 21 (revised) "The Effects of Changes in Foreign Exchange Rates"

As of 1 January 2005, the Group has adopted IAS 21 (revised). As a result, any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are now treated as assets and liabilities of the foreign operation and translated at the closing

rate. In accordance with the transitional provisions of IAS 21 (revised), this change is applied prospectively. In addition, goodwill acquired in a business combination prior to 1 January 2005 and fair value adjustments arising on that acquisition are deemed to be the assets and liabilities of the parent company. This change in accounting policy has no significant impact to the Group's and the Company's financial statements as at 31 December 2005 or 31 December 2004.

IAS 24 (revised) "Related Party Disclosures"

As of 1 January 2005, the Group has adopted IAS 24 (revised). IAS 24 (revised) has extended the definition of related parties which affected the Group's related party disclosures.

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is a member of the key management personnel of the Group or its parent;
- (c) the party is a close member of the family of any individual referred to in (a) or (b); or
- (d) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) and (c).

IAS 39 (revised) "Financial Instruments: Recognition and Measurement"

In prior years, impairment of available-for-sale equity investments is assessed at each balance sheet date whether there is any objective evidence that a financial asset may be impaired. If any such evidence exists, the recoverable amount of the asset is estimated and any cumulated loss previously recognised in equity are transferred to the income statement. If, in a subsequent period, the fair value or recoverable amount of the financial asset increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through profit or loss to the extent of the impairment losses previously charged.

Upon the adoption of IAS 39 (revised) on 1 January 2005, impairment losses on available-for-sale equity investments shall not be reversed through profit or loss, and any subsequent increase in fair value after any impairment losses previously recognised in the income statement is recognised in equity.

In accordance with the transitional provisions of IAS 39, this change is applied retrospectively. This change in accounting policy has no significant impact to the Group's and the Company's financial statements as at 31 December 2005 or 31 December 2004.

IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, to these financial statements. Unless otherwise stated, these IFRSs are effective for the annual periods beginning on or after 1 January 2006.

IAS 1 Amendment	Capital Disclosure
IAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
IAS 21 Amendment	Net Investment in a Foreign Operation
IAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
IAS 39 Amendment	The Fair Value Option
IAS 39 & IFRS 4 Amendments	Financial Guarantee Contracts
IFRSs 1 & 6 Amendments	First-time Adoption of International Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures
International Financial Reporting Interpretations Committee ("IFRIC")-Int 4	Determining whether an Arrangement contains a Lease
IFRIC-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC-Int 6	Liabilities arising from Participating in A Specific Market – Waste Electrical and Electronic Equipment
IFRIC-Int 7	Apply the Restatement Approach under IAS 29 "Financial Reporting in Hyperinflationary Economies"
IFRIC-Int 8	Scope of IFRS 2

The IAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

IFRS 7 will replace IAS 32 and has modified the disclosure requirements of IAS 32 relating to financial instruments. This IFRS shall be applied for annual periods beginning on or after 1 January 2007.

IFRIC-Int 8 shall be applied for the annual periods beginning on or after 1 May 2006. The interpretation clarifies the scope of IFRS 2 when goods and services received cannot be identified specifically.

The IAS 19 Amendment, IAS 21 Amendment, IAS 39 Amendment regarding financial guarantee contracts, IAS 39 Amendment regarding cash flow hedge accounting of forecast intragroup transactions, IFRSs 1 and 6 Amendments, IFRS 6, IFRIC-Int 5, IFRIC-Int 6 and IFRIC-Int 7 do not apply to the activities of the Group. IFRIC-Int 6 and IFRIC-Int 7 shall be applied for annual periods beginning on or after 1 December 2005 and 1 March 2006, respectively.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

Included in other payables in the consolidated balance sheet as at 31 December 2004 as previously reported was a provision of HK\$10,169,000 which represented general provision for customers' claims. This provision does not qualify for recognition as provisions under IAS 37 "Provision, contingent liabilities and contingent assets", and

has been corrected by a prior year adjustment. The effect of the adjustment is to decrease other payables as at 31 December 2004 by HK\$10,169,000 and increase the retained profits as at 1 January 2004 and the profit for the year ended 31 December 2004 by HK\$7,964,000 and HK\$2,205,000 respectively.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	GROUP	
	31/12/2005	31/12/2004
	HK cents	HK cents
		(Restated)
Basic earnings per share	22.1	14.1
Diluted earnings per share	22.1	14.1

Because there were no dilutive potential ordinary shares in existence during the current and comparative years, the diluted earnings per share was the same as the basic earnings per share for both years.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the: (a) current financial period reported on; and (b) immediately preceding financial year.

	GROUP		COMPANY	
	31/12/2005	31/12/2004	31/12/2005	31/12/2004
	HK\$	HK\$	HK\$	HK\$
		(Restated)		
Net asset value per ordinary share based on issued share capital	1.90	1.67	1.63	1.48

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

The Group's turnover for the year ended 31 December 2005 was HK\$2,183 million (2004: HK\$1,868 million), representing an increase of HK\$315 million or 17% over last year. Net profit attributable to shareholders was HK\$60 million (2004: HK\$38 million), representing an increase of HK\$22 million or 58% over last year.

The increase in turnover was mainly due to the increase in sales of toy and toy related products and footwear products by HK\$248 million and HK\$74 million respectively. The increase in net profit attributable to shareholders was mainly due to the gain on disposal of available-for-sale investments during the year amounting to HK\$29 million. However, it should be noted that the net impact for the disposal of available-for-sale

investments was a loss of HK\$1 million as the Group had provided for impairment loss of HK\$30 million in prior years.

The Group's toy OEM business is carried out through Wah Shing Toys (WST) and Wah Shing Electronics (WSE). WST recorded a 19% increase in turnover in 2005 (HK\$1,743 million) over 2004 (HK\$1,466 million). The increase was mainly due to substantial orders received from some major customers in the second half of the year. The issue of uneven order loading was more severe in 2005 and the peak production months were only concentrated in three to four months. Alongside with the seasonality issue, WST also faced the upsurge of raw material prices and labor cost in Mainland as well as the continuous pressure in Renminbi revaluation and interest rate increase. During the year, the Hong Kong Inland Revenue Department issued queries to certain subsidiaries in relation to their offshore claims made in prior years. In view of the queries received and after considering the current circumstances, a provision of HK\$13 million has been made in the current year's financial statements. Overall, WST's contribution to the Group's results decreased from HK\$18 million in 2004 to HK\$5 million in 2005.

WSE's performance in 2005 was below expectation. Its turnover decreased by 13% to HK\$232 million in 2005 from HK\$268 million in 2004 due to keen competition. WSE was facing similar challenges as WST in 2005. Its contribution to the Group's results decreased by HK\$2 million from HK\$6 million (which included a write back of impairment loss on investment property amounted to HK\$2 million) in 2004 to HK\$4 million in 2005.

The footwear operation that we acquired in December 2003 continued to perform better than expected. For the year 2005, it achieved a profit of HK\$15 million, representing an increase of HK\$8 million over last year (2004: HK\$7 million).

During the year, our investment properties recorded a profit of HK\$6 million (2004: HK\$7 million) which included an increase in fair values of HK\$5 million (2004: HK\$4 million).

As disclosed in the announcement released via SGXNET on 25 July 2005, the Group was engaged in a property development project in the North East Region of PRC, through the acquisition of 75% equity interest in a PRC company named Liaoning Dafa Real Estate Company Limited. It incurred an operating loss of HK\$0.3 million during the year and the current status of the project is at the resettlement stage.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The outlook for the toy and footwear business environment remains mixed and will much depend on continuing support from our customers primarily in the US and Europe.

The Group will continue to operate in a challenging business environment in 2006, such as uncertainties in the continuous increase in interest rate, expectation of high oil price, timing and magnitude of possible Renminbi revaluation and concerns for an outbreak of avian influenza. Customers are looking for shorter response time from product design to product delivery, better quality with more sophisticated and complicated product design and specification, as well as very competitive price. In addition to the uptrend in raw material prices and labour costs in the Mainland, we face worker shortages in

Southern China, more stringent product and workplace safety requirements and very keen competition from other toy makers including those in the Mainland.

In response to the rising cost of production, we will continue to implement engineering improvement, stringent procurement cost reduction program, production efficiency improvement and other selling and general administrative cost reduction initiatives.

We are cautiously optimistic on the outlook for 2006 and expect to continue to make profit.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommendeded, a statement to that effect.

No dividend has been declared/recommendeded for the year ended 31 December 2005.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Business segments

	Manufacturing and trading of toys and moulds		Real estate property investments		Equity securities investments		Manufacturing and trading of footwear		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Restated)						(Restated)				(Restated)	
Segment revenue:												
Sales to external customers	1,974,348	1,733,696	-	-	-	-	208,680	133,816	-	-	2,183,028	1,867,512
Segment results	48,231	36,067	5,123	7,561	29,426	(47)	18,886	8,825	-	-	101,666	52,406
Interest income											2,417	1,451
Finance costs											(10,643)	(5,542)
Profit before tax											93,440	48,315
Tax											(29,968)	(2,847)
Profit for the year											63,472	45,468
Segment assets	744,897	720,652	171,964	60,676	10,361	49,008	143,119	132,834	(492)	(478)	1,069,849	962,692
Unallocated assets											26,134	25,815
Total assets											1,095,983	988,507
Segment liabilities	(339,031)	(343,685)	(14,284)	(2,351)	(75)	-	(20,763)	(20,948)	492	478	(373,661)	(366,506)
Unallocated liabilities											(132,455)	(115,748)
Total liabilities											(506,116)	(482,254)
Other segment information:												
Depreciation	33,632	35,170	2	-	-	-	4,095	2,878	-	-	37,729	38,048
Capital expenditure	31,811	34,900	54,598	-	-	-	3,885	670	-	-	90,294	35,570
Impairment/(write-back of impairment) in respect of:												
Property, plant and equipment	(548)	(4,995)	-	-	-	-	439	-	-	-	(109)	(4,995)
Goodwill	5,068	-	-	-	-	-	-	-	-	-	5,068	-
Fair value gains on investment properties	-	-	(5,030)	(3,557)	-	-	-	-	-	-	(5,030)	(3,557)
Provision for/(write-back of provision for) obsolete inventories	16,184	40,696	-	-	-	-	-	(91)			16,184	40,605

Geographical segments

(i) Analysis of turnover and segment results*

	GROUP			
	2005		2004	
	Turnover HK\$'000	Segment results HK\$'000	Turnover HK\$'000	Segment results HK\$'000 (Restated)
United States of America	1,284,879	45,996	1,130,346	24,821
Europe	507,648	12,630	463,511	4,655
Japan	33,843	822	19,767	191
Mainland China and Hong Kong	109,841	35,469	123,461	20,799
Others	246,817	6,749	130,427	1,940
	<u>2,183,028</u>	<u>101,666</u>	<u>1,867,512</u>	<u>52,406</u>

* Turnover by geographical location is determined on the basis of the destination of shipment of merchandise.

(ii) Analysis of segment assets by location of assets

	GROUP	
	2005 HK\$'000	2004 HK\$'000 (Restated)
Hong Kong	359,652	372,437
Mainland China	727,773	608,524
Macau	689	862
Unallocated assets	7,869	6,684
	<u>1,095,983</u>	<u>988,507</u>

(iii) Analysis of capital expenditure by location of assets

	GROUP	
	2005 HK\$'000	2004 HK\$'000
Hong Kong	4,013	32,484
Mainland China	86,273	2,650
Macau	8	436
	<u>90,294</u>	<u>35,570</u>

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Not applicable.

15. A breakdown of sales.

	Latest Financial Year 31/12/2005	Previous Financial Year 31/12/2004	Changes %
	HK\$'000	HK\$'000	
		(Restated)	
Sales reported for first half year	647,869	635,126	2
Operating loss after tax before deducting minority interests reported for the first half year	(21,417)	(15,321)	(40)
Sales reported for second half year	1,535,159	1,232,386	25
Operating profit after tax before deducting minority interests reported for the second half year	84,889	60,789	40

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Total Annual Dividend (Refer to Para 16 of Appendix 7.2 for the required details)

	Latest Full Year (HK\$)	Previous Full Year (HK\$)
Ordinary	0	0
Preference	0	0
Total:	0	0

17 INTERESTED PERSON TRANSACTIONS

The aggregate value of interested person transactions, as defined in Chapter 9 of the Listing Manual, entered into for the year ended 31 December 2005 is as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 (equivalent to approximately HK\$ 465,900) and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual) (note 5) HK\$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S\$100,000 (equivalent to approximately HK\$ 465,900) (note 5) HK\$'000
South China Industries Group (note 1)		
Treasury transactions (note 2)	-	548
Rental income received	-	240
Capitalisation of software development and system	3,600	-

maintenance fee (note 3)

South China Media Group (note 4)		
Rental income received	-	3,469
Capital Publishing Management Limited		
Rental income received	-	266
Jessica Management Limited		
Rental income received	-	273
South China Securities Limited		
Brokerage fee	-	682

Notes:

1. South China Industries Group refers to South China Industries Limited, the intermediate holding company of the Company, and its subsidiaries.
2. The figure represents interest earned of HK\$1,215,000 and repayment of HK\$667,000 from South China Industries Group.
3. The figure represents software development and system maintenance fee charged to the Company during the year ended 31 December 2005. The amount was set off against the prepayment for software and system development (which was included in the trade and other receivables) and then capitalised as part of property, plant and equipment. The balance of the said prepayment was Nil at 31 December 2005.
4. South China Media Group refers to South China Media Management Limited and its subsidiaries, the fellow subsidiaries of the Company.
5. An exchange rate of S\$1 to HK\$4.659 is used.

BY ORDER OF THE BOARD

Ng Hung Sang, Robert
Chairman
28 February 2006