Lung Kee (Bermuda) Holdings Limited

(Stock Code : 255)

Annual Report 2005

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Corporate Information

EXECUTIVE DIRECTORS
Mr. Siu Tit Lung *(Chairman)*
Mr. Siu Yuk Lung *(Managing Director)*
Mr. Mak Koon Chi
Mr. Wai Lung Shing
Mr. Fung Wai Hing

NON-EXECUTIVE DIRECTOR
Mr. Chan Chun Sing, Colin

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Liu Wing Ting, Stephen, JP
Dr. Lee Tat Yee
Mr. Lee Joo Hai

COMPANY SECRETARY
Mr. Wai Lung Shing

SOLICITORS
Woo, Kwan, Lee & Lo
2718 Jardine House
1 Connaught Place
Hong Kong

AUDITORS
Deloitte Touche Tohmatsu
Certified Public Accountants
26th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL BANKER
The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

SINGAPORE SHARE TRANSFER AGENT
M & C Services Private Limited
138 Robinson Road #17-00
The Corporate Office
Singapore 068906

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
2nd Floor
Cheung Kong Electronic Building
4 Hing Yip Street
Kwun Tong
Kowloon
Hong Kong

WEBSITE
http://www.irasia.com/listco/hk/lkm

It is my pleasure to present the results of Lung Kee (Bermuda) Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31st December, 2005.

BUSINESS REVIEW

The Group's turnover in the year ended 31st December, 2005 was approximately HK$1,899 million (2004: approximately HK$1,600 million). Profit attributable to equity holders of the Company in the year ended 31st December, 2005 was approximately HK$241 million (2004: approximately HK$220 million). Basic earnings per share in the year ended 31st December, 2005 was HK38.88 cents (2004: HK35.81 cents).

Throughout the year of 2005, being the reviewed business period, the performance of external economic environment was not up to expectation. Record high oil price and increasing interest rate in the United States caused a drastic fluctuation on raw material prices and transportation costs, consequently both the production cost and wage level of the manufacturing sector in China were boosted. Furthermore, the business growth in the manufacturing sector was slowed down, resulting a fall in selling price. In the meantime, the Group continued its expansion and absorbed its cost during the investment period. As a result, despite the Group had achieved a satisfactory growth in its turnover, its profit growth decreased during the review period.

PROSPECTS

The worldwide business environment is clouded with uncertainties such as fluctuation of oil price, soaring of interest rate in the United States, and the fear of the outbreak of bird flu. However, the Group is still confident in the business development in China. With the persistent growth in GDP in China, the surge in domestic demand has activated continuous boom in the retail business and the manufacturing industry within the territory. Moreover, China has adopted a domestic demand-driven approach to boost economic growth; thus, incessant economic development is anticipated. Besides, the appreciation of Renminbi has positive impact on the Group's business, as it concentrates mainly on the domestic sales in China. Based on these factors, the Group holds a cautious yet optimistic view towards its future business development.

The latest development of the Heyuan plant in Guangdong province, including the new workshop and the living area, is expected to be completed within the year of 2006. To match with the establishment of the new production unit, the Group will enhance its internal control system, and reorganize its production process, in order to achieve better cost saving and higher production efficiency, with an aim to sharpen its competitiveness. At the same time, the Group will embrace new market opportunities through its new product and service mix.

In view of the inflated wage level of the work force due to the increased affluence of the local population, the Group will adopt an appropriate human resources policy to upgrade its manpower quality by ongoing training programs; effort will also be made to improve the living environment and leisure facilities of its employees. By retaining more qualified staff, the Group will build a more effective production and management team.

Although high oil price has caused shortage and possible instability in power supply, the Heyuan plant enjoys a stable supply of electricity. As the new production unit in Heyuan starts to operate in the later part of 2006, it will further improve the productivity of the Group, and its contribution is expected to be reflected in the result of the year 2007.

In line with the increase in productivity, continuous effort will be made to strengthen its sales and logistics networks in China. The Group plans to open up sales offices and logistics points in areas with high concentration of mould manufacturers, as well as potential industrial cities in Northern China. By utilizing the proficient and large production capacity of its plants in Southern China, together with the support of efficient transportation network, it is believed that LKM products can be manufactured and distributed speedily to customers in various parts of China.

In response to the unstable price fluctuation of both imported mould steel and China made steel, the Group will pay special attention to market changes and procure ample stock at reasonable prices to meet its production needs. Moreover, the Group will adjust its product price as appropriate to cope with the changes in material costs.

The Board of Directors would like to take this opportunity to express our thanks to all staff for their dedication and contribution to the Group's endeavor of continuous improvement. Also, sincere gratitude is extended to our shareholders and business partners for their enormous support. Looking ahead, the Group will sustain its practical attitude in seeking progressive changes and strive to uplift its management and production capacity, to fortify its status in China and the international market.

Siu Tit Lung
Chairman

Hong Kong, 31st March, 2006

During the year ended 31st December, 2005, the Group continued to focus on the manufacture and marketing of mould bases, metal and parts.

The Group recorded turnover of approximately HK$1,899 million and earnings of approximately HK$241 million for the year ended 31st December, 2005.

MOULD BASE MANUFACTURING AND MARKETING

With sustained economic growth in China, the mainland domestic market still recorded a high demand for various kinds of consumer products and stimulated further development of the related manufacturing business. More foreign automobile manufacturers had set up factories in China, triggered off the continuous growth of the local car production and maintained a persisting demand of automobile parts and components. To capture this business opportunity, the Group further developed and enhanced its operations in China. Steady growth in turnover for plants situated in Shanghai and Zhejiang in China was recorded due to the escalating demand in the Eastern region of China.

The overseas business of the Group showed a steady development, contributing a reliable source of income for the Group. Export sales of high precision mould base to Europe, the United States, Japan and other Asian Region also achieved satisfactory growth.

The Group's mould-related business and services, including standard mould inserts, mould components and parts, hot runner system, heat treatment, welding and PVD hard coating services, provided "one-stop" services to customers. These services were received favorably by the market.

During the year, the Group continuously enlarged its sales network within the territory of China, and successfully widened its customer base to include local privately owned enterprises. Inspired by the rapid development of the highway systems in China, the Group established its own trans-province transportation team to link up the established sales offices and set up an efficient logistic network. Capitalising the economy of scale of its production plants in Southern Region of China, the Group strategically decided to supply its products, manufactured by the Southern China plants, to customers located in the Eastern and Northern Region of China with a much shortened delivery time. The promising growth of order volume achieved during the year evidenced the success of the Group's sales and logistics strategy.

TRADING OF MOULD STEEL

The mould steel business also showed a stable growth. The price of imported mould steel remained at a high level whereas domestic mould steel in China fluctuated sharply. As a result, the profit contributed by the sales of mould steel was affected.

LIQUIDITY AND CAPITAL RESOURCES

As at 31st December, 2005, the Group had a net cash deficit of approximately HK$311 million. The Group had cash balance of approximately HK$151 million. The cash balance was placed in short term deposits with major banks in Hong Kong.

The Group adopted conservative measures to hedge any exchange fluctuation and incurred approximately HK$7 million losses on foreign exchange during the year ended 31st December, 2005.

The Group continues to incur capital expenditure for the plant expansion and factory construction, which is financed by internal resources.

GEARING RATIO

Total debts of the Group were approximately HK$462 million, equal to approximately 41% of equity attributable to equity holders of the Company of approximately HK$1,136 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2005, the Group employed a total of approximately 10,800 employees, including approximately 10,460 employees in its PRC production sites and approximately 340 employees in Hong Kong and other countries. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis. Share options may also be granted to employees with reference to the individual's performance.

The Company is committed to adopting the standards of corporate governance. The board of directors (the "Board") of the Company believes that good governance is essential to achieving the Group's objectives of maximizing shareholders' value and safeguarding the interests of the shareholders.

In November, 2004, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") promulgated the Code on Corporate Governance Practices (the "Code"), which became effective on 1st January, 2005. The Code provides the code provisions and recommended best practices for corporate governance.

During the financial year ended 31st December, 2005, the Company complied with all requirements set out in the Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), with deviation from Code provision A.4.2 in respect of the rotation of directors. Relevant amendment to the Bye-Laws of the Company to comply with Code provision A.4.2 was approved by shareholders of the Company at the annual general meeting of the Company held in May, 2005.

A. DIRECTORS

A.1 The Board

The Board has the collective responsibility for leadership and control of, and for promoting the success of, the Company by directing and supervising the Company's affairs. The Board sets strategies for the Company and monitors the performance of the management.

During the financial year ended 31st December, 2005, the Board held four regular meetings at approximately quarterly intervals according to the Code. The attendance of each director is set out as follows:

Name of Director	Number of attendance
Mr. Siu Tit Lung	4/4
Mr. Siu Yuk Lung	4/4
Mr. Mak Koon Chi	4/4
Mr. Wai Lung Shing	4/4
Mr. Fung Wai Hing	4/4
Mr. Chan Chun Sing, Colin	3/4
Mr. Liu Wing Ting, Stephen	4/4
Dr. Lee Tat Yee	4/4
Mr. Lee Joo Hai	4/4

A.2 Chairman and Managing Director

The Company segregates the role of Chairman from the Managing Director. Mr. Siu Tit Lung is the Chairman of the Company and Mr. Siu Yuk Lung is the Managing Director of the Company. They are brothers. The Chairman provides leadership to the Board and is responsible for the overall strategic planning and corporate development, whereas the Managing Director is responsible for policy making and corporate management in order to implement the strategies approved by the Board.

A.3 Board composition

The Board consists of five executive directors, one non-executive director and three independent non-executive directors:

Executive directors

Mr. Siu Tit Lung *(Chairman)*
Mr. Siu Yuk Lung *(Managing Director)*
Mr. Mak Koon Chi
Mr. Wai Lung Shing
Mr. Fung Wai Hing

Non-executive director

Mr. Chan Chun Sing, Colin

Independent non-executive directors

Mr. Liu Wing Ting, Stephen
Dr. Lee Tat Yee
Mr. Lee Joo Hai

The Board has met the recommended best practice under the Code that the number of independent non-executive directors is one third of the Board membership. Two independent non-executive directors possess recognised professional qualifications in accounting. The independent non-executive directors bring independent judgement, knowledge and experience to the Board.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee and the Company consider all of the independent non-executive directors are independent within the definition of the Listing Rules.

A.4 Appointment, re-election and removal

The code provision A.4.2 provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to the Bye-Laws of the Company then in effect before 9th May, 2005, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from the office by rotation provided that notwithstanding anything herein, the Chairman and Vice-Chairman of the Board and/or the Managing Director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. As the Chairman of the Board and the Managing Director of the Company are not subject to retirement by rotation under the Bye-Laws of the Company, this constitutes a deviation from code provision A.4.2 of the Code.

To comply with the code provision A.4.2 of the Code, the relevant amendment to the Bye-Laws of the Company was proposed and approved by shareholders at the annual general meeting of the Company held on 9th May, 2005. Accordingly, the Chairman of the Board and the Managing Director shall also be subject to retirement by rotation as with other directors.

All non-executive directors of the Company are appointed for a specific term, subject to re-election.

A Nomination Committee was established by the Company in 2004. The Nomination Committee comprises the three independent non-executive directors and the non-executive director of the Company. Mr. Lee Joo Hai is the chairman of the Nomination Committee.

The primary function of the Nomination Committee is to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes. The full terms of reference are available on the Company's website: www.irasia.com/listco/hk/lkm.

Three Nomination Committee meetings were held in 2005. The attendance of each member is set out as follows:

Name of Member	Number of attendance
Mr. Lee Joo Hai *(Chairman)*	3/3
Mr. Chan Chun Sing, Colin	3/3
Mr. Liu Wing Ting, Stephen	3/3
Dr. Lee Tat Yee	3/3

The chairman of the Nomination Committee will report the findings and recommendations of the Nomination Committee to the Board after each meeting. The minutes of all meetings of Nomination Committee are circulated to the Board for information.

For the financial year ended 31st December, 2005, the Nomination Committee has reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board. The Nomination Committee concluded that the Board possesses of a diversity of skills, expertise, experience and qualifications and believed that the Board performs its duties competently. The Nomination Committee has also assessed the independence of all the independent non-executive directors.

A.5 Responsibilities of directors

The directors are continually updated with the regulatory requirements, business activities and development of the Group to facilitate the discharge of their responsibilities.

The independent non-executive directors participate actively in the board meetings. They bring an independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. They will lead where potential conflicts of interests arise in connected transaction. They are also members of Audit Committee, Nomination Committee and Remuneration Committee.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, all directors declared that they have complied with the Model Code throughout the year.

A.6 Supply of and access to information

In respect of regular board meetings, an agenda and accompanying board papers of the meeting are sent in full to all directors at least 3 days before the intended date of a meeting.

The management has the obligation to supply the Board and the various Committees with adequate information in a timely manner to enable the members to make informed decisions. Each director has separate and independent access to the Group's senior management to acquire more information than is volunteered by management and to make further enquiries if necessary.

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

B.1 The level and make-up of remuneration and disclosure

A Remuneration Committee was established by the Company in 2004. The Remuneration Committee comprises the three independent non-executive directors and the non-executive director of the Company. Mr. Liu Wing Ting, Stephen is the chairman of the Remuneration Committee.

The primary function of the Remuneration Committee is to make recommendations to the Board on the Group's policy and structure for all remuneration of directors and senior management. The full terms of reference are available on the Company's website: www.irasia.com/listco/hk/lkm.

During the financial year ended 31st December, 2005, the Remuneration Committee held four meetings. The attendance of each member is set out as follows:

Name of Member	Number of attendance
Mr. Liu Wing Ting, Stephen *(Chairman)*	4/4
Mr. Chan Chun Sing, Colin	4/4
Dr. Lee Tat Yee	4/4
Mr. Lee Joo Hai	4/4

The chairman of the Remuneration Committee will report the findings and recommendations of the Remuneration Committee to the Board after each meeting. The minutes of all meetings of Remuneration Committee are circulated to the Board for information.

For the financial year ended 31st December, 2005, the Remuneration Committee has considered and approved the Group's policy for the remuneration of directors and senior management. The Remuneration Committee has assessed the performance of the executive directors and considered the remuneration package of executive directors by reference to the prevailing packages with companies listed on the main board of the Stock Exchange. Details of the remuneration of directors are disclosed on an individual basis and are set out in note 11 to the financial statements.

The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis.

In order to attract, retain and motivate talented executives/employees to strive for future developments and expansion of the Group and to provide the Company with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the executives/employees, a share option scheme was adopted by the Company in 2002. Details of the 2002 share option scheme are set out in note 30 to the financial statements.

C. ACCOUNTABILITY AND AUDIT

C.1 Financial reporting

The management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, the Board has prepared the financial statements on a going concern basis.

The responsibility of the external auditors, Messrs. Deloitte Touche Tohmatsu, is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion solely to the shareholders of Company, as a body, in accordance with Section 90 of The Companies Act of Bermuda, and for no other purpose.

The Company has announced its annual and interim results in a timely manner within approximately three months and two months respectively after the end of the relevant periods in order to enhance high level of corporate transparency.

C.2 Internal controls

The Board is responsible for the Group's internal control system and for reviewing its effectiveness. Through the Audit Committee, the Board has reviewed the effectiveness of the system. No material deficiencies have been identified so far. The Board considered the Group's internal control system effective and that there were no significant areas of concern, which might affect the shareholders of the Company.

The Group has an Internal Audit Department. The Internal Audit Department plans its internal audit schedules annually. The internal audit includes comprehensive audits of procedures, practices and internal controls of both operational and financial units of the Group. The internal audit plan is then submitted to the Audit Committee for review and comment. The Internal Audit Department conducts independent reviews of the Group's system of internal control, including operational and financial controls. Reports and findings prepared by the Internal Audit Department are submitted to the Board and the Audit Committee.

C.3 Audit Committee

An Audit Committee was established by the Company in 1998. The Audit Committee comprises the three independent non-executive directors, two of whom possess recognized professional qualifications in accounting and have wide experience in audit and accounting, and the non-executive director of the Company. Mr. Liu Wing Ting, Stephen is the chairman of the Audit Committee.

The primary function of the Audit Committee is to review and supervise the Group's financial reporting process and internal controls. The full terms of reference are available on the Company's website: www.irasia.com/listco/hk/lkm.

Four Audit Committee meetings were held in 2005. The attendance of each member is set out as follows:

Name of Member	Number of attendance
Mr. Liu Wing Ting, Stephen *(Chairman)*	4/4
Mr. Chan Chun Sing, Colin	4/4
Dr. Lee Tat Yee	4/4
Mr. Lee Joo Hai	4/4

The chairman of the Audit Committee will report the findings and recommendations of the Audit Committee to the Board after each meeting. The minutes of all meetings of Audit Committee are circulated to the Board for information.

A summary of the work performed by the Audit Committee for the financial year ended 31st December, 2005 is set out in "Audit Committee Report" on page 16.

C.4 Fee paid/payable to Group's auditors

For the financial year ended 31st December, 2005, the fee paid/payable to the Group's auditors, Messrs. Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	Fee paid/payable
	HK$'000
Audit services	1,967
Non-audit services	
— Taxation services	294
— Interim review	400
— Audit of provident fund	7

D. DELEGATION BY THE BOARD

D.1 Management functions

The Board is responsible for determining the overall strategy and corporate development and ensuring the business operations are properly monitored. The Board reserves the right to decide all policy matters of the Group and material transactions.

The Board delegates the day-to-day operations to general managers and department heads who are responsible for different aspects of the operations of the Group.

D.2 Board committees

The Company has maintained the Audit Committee, the Nomination Committee and the Remuneration Committee throughout the year to oversee particular aspects of the Group's affairs. Each of these committees has specific written terms of reference which deal clearly with their authority and duties. The chairmen of the committees will report the findings and recommendations of the committees to the Board after each meeting. The minutes of all meetings of the committees are circulated to the Board for information.

E. COMMUNICATION WITH SHAREHOLDERS

E.1 Effective communication

The annual general meeting enables the shareholders of the Company to exchange views with the Board. The chairman of the Board and the chairmen of Audit Committee, Nomination Committee and Remuneration Committee have attended at the annual general meeting to be available to answer the questions of the shareholders of the Company.

Separate resolutions are proposed at the annual general meeting on each substantially separate issue, including the election of individual director.

E.2 Voting by poll

The right to demand a poll was set out in the circular to shareholders of the Company dispatched together with the Annual Report for the year ended 31st December, 2005.

The results of the poll were published in the newspapers and on the Stock Exchange's website as well as the Company's website of www.irasia.com/listco/hk/lkm.

The Audit Committee comprises the three independent non-executive directors and the non-executive director of the Company. The chairman of the Audit Committee is Mr. Liu Wing Ting, Stephen, an independent non-executive director. The Audit Committee possesses extensive experience in accounting and financial matters. Mr. Liu Wing Ting, Stephen and Mr. Lee Joo Hai are certified public accountants.

The Audit Committee is mainly responsible for providing an independent review and supervision of financial reporting process and the Group's internal control system. The full terms of reference are available on the Company's website: www.irasia.com/listco/hk/lkm.

During the financial year ended 31st December, 2005, the Audit Committee held four meetings at approximately quarterly intervals to review the quarterly results presented by the management and to discuss the internal audit findings prepared by the Internal Audit Department. The external auditors, Messrs. Deloitte Touche Tohmatsu, attended the meetings half yearly. The attendance of each member was 100 per cent. The chairman of the Audit Committee reported the findings and recommendations of the Audit Committee to the Board after each meeting. The minutes of all meetings of Audit Committee were circulated to the Board for information.

The following was a summary of the work performed by the Audit Committee in 2005:

1. review of the Company's financial statements for the year ended 31st December, 2004 and the annual results announcement with a recommendation to the Board for approval;

2. review of the Company's financial statements for the period from 1st January, 2005 to 30th April, 2005 with a recommendation to the Board for approval;

3. review of the Company's financial statements for the six months period ended 30th June, 2005 and the interim results announcement with a recommendation to the Board for approval;

4. review of the Company's financial statements for the period from 1st January, 2005 to 31st October, 2005 with a recommendation to the Board for approval;

5. review of the compliance by the Group with the Code on Corporate Governance Practices;

6. review of the annual internal audit plan submitted by the Group's Internal Audit Department;

7. review of the findings and recommendations submitted by the Group's Internal Audit Department;

8. review of the effectiveness of the Group's internal control system;

9. review of the report and management letter submitted by external auditors;

10. review of the audit plan for the year ended 31st December, 2005 submitted by external auditors;

11. consideration of the 2005 audit fees with a recommendation to the Board for approval; and

12. review of "Continuing Connected Transaction" set forth on page 26 of the 2005 annual report.

At the Audit Committee meeting on 31st March, 2006, the Audit Committee reviewed the Company's financial statements for the year ended 31st December, 2005 and the annual results announcement with a recommendation to the Board for approval.

The Audit Committee recommended the re-appointment of Messrs. Deloitte Touche Tohmatsu as the external auditors of the Group for 2006 and that the relevant resolution shall be put forth for the consideration of the shareholders of the Company and their approval at the 2006 annual general meeting of the Company.

Audit Committee Members:
Mr. Liu Wing Ting, Stephen *(Chairman)*
Mr. Chan Chun Sing, Colin
Dr. Lee Tat Yee
Mr. Lee Joo Hai

Hong Kong, 31st March, 2006

The directors present their annual report and the audited consolidated financial statements of the Company for the year ended 31st December, 2005.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. Its subsidiaries are principally engaged in the manufacture and marketing of mould bases, metal and parts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2005 are set out in the consolidated income statement on page 30.

An interim dividend of HK9 cents per share amounting to approximately HK$55,767,000 was paid to shareholders during the year.

The directors now recommend the payment of a final dividend of HK11 cents per share payable to shareholders registered on the Register of members on 8th May, 2006, amounting to approximately HK$68,180,000.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial periods is set out on page 86.

INVESTMENT PROPERTIES

The Group's investment properties at 31st December, 2005 were revalued by an independent firm of professional property valuers on an open market value basis. The revaluation increase of approximately HK$7.7 million has been recognised in the income statement. Details of the movements in the investment properties of the Group during the year are set out in note 16 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred capital expenditure in respect to factory premises and staff quarters at a cost of approximately HK$66 million. The Group continued its plant expansion policy and expended approximately HK$209 million on new plant and machinery and approximately HK$29 million on other furniture and equipment during the year. Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 17 to the financial statements.

PROPERTIES HELD FOR INVESTMENT

Details of the properties held for investment by the Group at 31st December, 2005 are set out on page 87.

SHARE CAPITAL

Details of the Company's share capital are set out in note 29 to the financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The amount of the Company's reserves available for distribution to shareholders as at 31st December, 2005 represented the accumulated profits of approximately HK$27,033,000 (2004: HK$761,000).

MAJOR CUSTOMERS AND SUPPLIERS

Since the Group has a very wide customer base, the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total turnover for the year.

The Group's largest supplier contributed 13% to the total purchases for the year. The Group's five largest suppliers accounted for 53% of the total purchases for the year.

At no time during the year did a director, an associate of a director or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers.

DIRECTORS

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

Executive directors

Siu Tit Lung *(Chairman)*
Siu Yuk Lung *(Managing Director)*
Mak Koon Chi
Wai Lung Shing
Fung Wai Hing

Non-executive director

Chan Chun Sing, Colin

Independent non-executive directors

Liu Wing Ting, Stephen, JP
Lee Tat Yee
Lee Joo Hai

In accordance with Bye-laws 87(1) and 169(2) of the Company's Bye-Laws, Messrs. Siu Tit Lung, Siu Yuk Lung, Chan Chun Sing, Colin and Liu Wing Ting, Stephen retire from office by rotation and, being eligible, offer themselves for re-election.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

BRIEF DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive directors

Mr. Siu Tit Lung, aged 55, elder brother of Mr. Siu Yuk Lung, has been an executive director and the chairman of the Company since December 1992 and is a co-founder of the Group. He is a director of certain subsidiaries of the Company. He is also a director of Pan Island Investments Limited, Rickdee Investments Limited and Robin Hill Investments Limited, the substantial shareholders of the Company. Mr. Siu is responsible for the overall strategic planning and corporate development of the Group. He has over 36 years of experience in metal trading and mould base manufacturing. He was awarded the Young Industrialist Award of Hong Kong in 1993. He is also an honorary citizen of Dongguan City and Heyuan City in the People's Republic of China (the "PRC").

Mr. Siu Yuk Lung, aged 52, younger brother of Mr. Siu Tit Lung, has been an executive director and the managing director of the Company since December 1992 and is a co-founder of the Group. He is a director of certain subsidiaries of the Company. He is also a director of Pan Island Investments Limited, Rickdee Investments Limited and Robin Hill Investments Limited, the substantial shareholders of the Company. Mr. Siu is responsible for policy making and the corporate management of the Group. He has over 34 years of experience in metal trading and mould base manufacturing. He has, since 1995, been serving as a member of the Executive Committee of the Hong Kong Mould Association. He is also an honorary citizen of Heyuan City in the PRC.

Mr. Mak Koon Chi, aged 47, has been an executive director of the Company since December 1992 and is a director of certain subsidiaries of the Company. He is a past Chairman of the Society of Manufacturing Engineers (Hong Kong Chapter) and a senior member of The Hong Kong Institute of Directors. Mr. Mak is responsible for policy making, marketing and manufacturing of the Group and has many years of experience in mould base manufacturing. Mr. Mak graduated from Murdoch University with a Master of Business Administration Degree.

Mr. Wai Lung Shing, aged 44, has been an executive director of the Company since December 1992 and is a director of certain subsidiaries of the Company. Mr. Wai is responsible for the policy making, finance and administration functions of the Group. Mr. Wai graduated from the Hong Kong Polytechnic University with a Bachelor of Arts (Hons.) Degree in Accountancy and from the University of Warwick with a Master of Business Administration Degree. He is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and The Hong Kong Institute of Directors. He has extensive experience in accounting, finance and management with both international accounting firms and commercial organisations.

Mr. Fung Wai Hing, aged 53, has been an executive director of the Company since August 1997 and is a director of certain subsidiaries of the Company. Mr. Fung is responsible for policy making and trading business of the Group. Mr. Fung graduated from the University of Birmingham with a Master of Science Degree in Industrial Management and from the University of Hong Kong with a Master of Business Administration Degree. He is currently one of the directors and past president of the Institute of Industrial Engineers (Hong Kong Chapter). He is a committee member of the Hong Kong Diecasting Association, a member of the Steering Committee of the Industrial Centre of the Hong Kong Polytechnic University and a member of The Hong Kong Institute of Directors. He has extensive experience in the trading business.

BRIEF DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

Non-executive director

Mr. Chan Chun Sing, Colin, aged 51, brother-in-law of Messrs. Siu Tit Lung and Siu Yuk Lung, has been appointed to the Board of the Company since December 1992. He is a non-executive director of the Company. Mr. Chan graduated from the University of Toronto with a Bachelor of Science (Hons.) Degree in Engineering and from the Chinese University of Hong Kong with a Master of Business Administration Degree. He is a fellow of The Hong Kong Institute of Directors. He has many years of experience in the information technology industry.

Independent non-executive directors

Mr. Liu Wing Ting, Stephen, Justice of Peace, aged 53, has been an independent non-executive director of the Company since December 1992. Mr. Liu has been practising as a certified public accountant for many years and is a founder director of Hong Kong Aids Foundation Limited and a member of the Prince of Wales Hospital Governing Committee of the Hospital Authority. He is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and The Hong Kong Institute of Directors. He has wide experience in auditing, taxation and financial management in various fields and industries. He is the Chairman of the Audit Committee and Remuneration Committee of the Company.

Dr. Lee Tat Yee, aged 58, has been an independent non-executive director of the Company since December 1992. Dr. Lee obtained his doctorate degree from the University of Queensland and is a Chartered Engineer of the Engineering Council in the United Kingdom. He is a fellow of The Hong Kong Institute of Directors. Dr. Lee is currently a director of the Technology Support Centre of The University of Hong Kong specialising in quality assurance management systems.

Mr. Lee Joo Hai, aged 50, has been appointed as an independent non-executive director of the Company in September 2004. Mr. Lee is a member of the Institute of Chartered Accountants in England and Wales, the Malaysian Institute of Accountants, the Institute of Certified Public Accountants of Singapore, the Singapore Institute of Directors and The Hong Kong Institute of Directors. He has extensive experience in accounting and auditing. He is presently a partner of a public accounting firm in Singapore. He is the Chairman of the Nomination Committee of the Company.

DIRECTORS' INTERESTS IN SHARES

At 31st December, 2005, the directors and their associates had the following interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

Interests in the Company

		Number of shares held				
Name of director	Capacity	Personal interests	Other interests	Number of share options and corresponding number of underlying shares held pursuant to share options	Total interests	Percentage of the Company's issued share capital
Siu Tit Lung (Notes 1, 2 and 4)	Beneficial owner and founder of discretionary trust	37,291,444	307,617,187	—	344,908,631	55.66%
Siu Yuk Lung (Notes 1, 3 and 4)	Beneficial owner and founder of discretionary trust	37,291,444	307,617,187	—	344,908,631	55.66%
Mak Koon Chi	Beneficial owner	2,843,750	—	—	2,843,750	0.46%
Wai Lung Shing	Beneficial owner	2,843,750	—	—	2,843,750	0.46%
Fung Wai Hing	Beneficial owner	1,457,031	—	—	1,457,031	0.24%
Chan Chun Sing, Colin	Beneficial owner	150,000	—	—	150,000	0.02%
Lee Tat Yee	Beneficial owner	150,000	—	—	150,000	0.02%
Liu Wing Ting, Stephen	Beneficial owner	—	—	150,000	150,000	0.02%

Notes:

1. Messrs. Siu Tit Lung and Siu Yuk Lung jointly held 32,631,288 shares in the Company and each owned a further 4,660,156 shares in the Company registered in their own names.

2. Rickdee Investments Limited, which is wholly-owned by a discretionary trust of which the family members of Mr. Siu Tit Lung other than Mr. Siu Tit Lung himself are beneficiaries, held 58,593,750 shares in the Company.

3. Robin Hill Investments Limited, which is wholly-owned by a discretionary trust of which the family members of Mr. Siu Yuk Lung other than Mr. Siu Yuk Lung himself are beneficiaries, held 58,593,750 shares in the Company.

4. Pan Island Investments Limited, which is wholly-owned by a discretionary trust of which the family members of Messrs. Siu Tit Lung and Siu Yuk Lung other than Messrs. Siu Tit Lung and Siu Yuk Lung themselves are beneficiaries, held 249,023,437 shares in the Company.

DIRECTORS' INTERESTS IN SHARES (Cont'd)

Interests in associated corporations of the Company

Name of director	Nature of interests	Name of associated corporation	Number of shares held	Percentage of issued share capital of the class
Siu Tit Lung	Personal	Lung Kee International Limited	1,000,000 non-voting deferred shares	49.99%
	Personal	Lung Kee Metal Limited	5,000,000 non-voting deferred shares	49.99%
Siu Yuk Lung	Personal	Lung Kee International Limited	1,000,000 non-voting deferred shares	49.99%
	Personal	Lung Kee Metal Limited	5,000,000 non-voting deferred shares	49.99%

All the interests disclosed above represent long positions in the shares and underlying shares of the Company or its associated corporations.

The details of the directors' interests in the share options granted by the Company are stated in the following section "Share Options".

Save as disclosed herein and in the section "Share Options" and other than certain shares in subsidiaries held as nominees by certain directors of the Group, none of the directors and their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31st December, 2005.

SHARE OPTIONS

Particulars of the Company's share option scheme and other details are set out in note 30 to the financial statements.

The following table discloses movements in the Company's share options during the year:

	Number of share options					
	At 1st January, 2005	Exercised during the year	At 31st December, 2005	Date of grant	Exercisable period	Exercise price per share HK$
Category 1: Directors						
Liu Wing Ting, Stephen	150,000	—	150,000	25th May, 2004	25th November, 2004 to 24th May, 2007	3.30
Lee Tat Yee	150,000	(150,000)	—	25th May, 2004	25th November, 2004 to 24th May, 2007	3.30
Total	300,000	(150,000)	150,000			
Category 2: Employees						
Total	1,016,000	(720,000)	296,000	25th May, 2004	25th November, 2004 to 24th May, 2007	3.30
Total all categories	1,316,000	(870,000)	446,000			

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK$5.138.

Save as disclosed above, none of the directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2005, the following persons (other than directors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares/ underlying shares held	Percentage of Company's issued share capital
Pan Island Investments Limited	Beneficial owner	249,023,437	40.19%
Rickdee Investments Limited	Beneficial owner	58,593,750	9.46%
Robin Hill Investments Limited	Beneficial owner	58,593,750	9.46%
Commonwealth Bank of Australia (Note)	Interest of controlled corporation	54,427,608	8.78%

Note: Commonwealth Bank of Australia had an interest of 54,427,608 shares in the Company, through its wholly-owned subsidiaries, namely, Colonial First State Group Ltd, Colonial Holding Company (No. 2) Pty Limited, Colonial Holding Company Pty Ltd, Colonial Ltd, The Colonial Mutual Life Assurance Society Ltd, First State Investments (UK Holdings) Limited, First State Investment Management (UK) Limited and SI Holdings Limited.

All the interests disclosed above represent long positions in the shares and underlying shares of the Company.

Save as disclosed herein, the Company has not been notified of any other person (other than a director or a chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31st December, 2005.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than the share option scheme disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There were no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

At no time during the year, did the Company nor any of its subsidiaries purchase, sell or redeem any of the Company's listed securities.

CONTINUING CONNECTED TRANSACTION

Pursuant to a products sale and purchase agreement dated 22nd December, 2005 (the "Agreement"), 河源龍記金屬製品有限公司 (Heyuan Lung Kee Metal Products Co., Ltd. ("Heyuan Lung Kee")) and 東莞天祥五金製品有限公司 (Dongguan Tin Cheung Metal Products Co., Ltd. ("Dongguan Tin Cheung")) agreed to sell and purchase the Products by Heyuan Lung Kee to or from Dongguan Tin Cheung (as the case may be) during the period from 1st January, 2006 to 31st December, 2006 (both dates inclusive) on normal commercial terms or if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Heyuan Lung Kee or Dongguan Tin Cheung than terms available to or from (as appropriate) independent third parties for the relevant products. Products refer to products in relation to the Group's business including but not limited to (1) steel; and (2) mould bases and components of mould bases manufactured by Heyuan Lung Kee or Dongguan Tin Cheung (as the case may be) (the "Products"). An announcement dated 22nd December, 2005 was published in respect of the execution of the Agreement.

The annual cap for the sale of the Products by Heyuan Lung Kee to Dongguan Tin Cheung for the year ending 31st December, 2006 would be HK$8,000,000 (the "Annual Cap").

There had previously been no purchase of steel nor mould bases and components of mould bases manufactured by Dongguan Tin Cheung by Heyuan Lung Kee from Dongguan Tin Cheung. However, the directors anticipate that if and where commercially advantageous to Heyuan Lung Kee, Heyuan Lung Kee may purchase small quantities of the Products from Dongguan Tin Cheung on an on-and-off basis during the continuance of the Agreement which is not expected to exceed the de minimis threshold under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Heyuan Lung Kee is an indirectly wholly-owned subsidiary of the Company. Dongguan Tin Cheung is a wholly-owned subsidiary of Sky Lucky Metal Limited ("Sky Lucky"), a 60% owned subsidiary of the Company and Mr. Li Siu Cheung ("Mr. Li") is a director and a substantial shareholder who has direct and/or indirect control of 40% of the voting rights of Sky Lucky, which is owned as to 30% by Mr. Li Siu Cheung and 10% by Zoto Company Limited, a company owned as to 90% by Mr. Li. As Dongguan Tin Cheung is an associate of Mr. Li, who is a connected person of the Company, the transactions contemplated under the Agreement constitute continuing connected transactions for the Company under the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2005.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws, or Laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

EMOLUMENT POLICY

The Remuneration Committee reviews the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme in 2002. Details of the scheme are set out in note 30 to the financial statements.

CORPORATE GOVERNANCE

The Company complied with all requirements set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules, with deviation from Code provision A.4.2 in respect of the rotation of directors, throughout the year. Relevant amendment to the Bye-Laws of the Company to comply with Code provision A.4.2 had been proposed at the earliest opportunity after the announcement of the Code, and such amendment was approved by shareholders at the annual general meeting of the Company held in May, 2005.

Further information on the Company's corporate governance practices is set out in the "Corporate Governance Report" from pages 7 to 15 and the "Audit Committee Report" from pages 16 to 17.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the independent non-executive directors, Messrs. Liu Wing Ting, Stephen, Lee Tat Yee and Lee Joo Hai, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee has assessed the independence of the independent non-executive directors. The Nomination Committee and the Company consider all of the independent non-executive directors are independent.

CHARITABLE DONATIONS

The Group made charitable and other donations amounting to approximately HK$638,000.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Siu Yuk Lung
Managing Director

Hong Kong, 31st March, 2006

Deloitte.
德勤

TO THE SHAREHOLDERS OF LUNG KEE (BERMUDA) HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Lung Kee (Bermuda) Holdings Limited (the "Company") and its subsidiaries (the "Group") from pages 30 to 85 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors
The Company's directors are responsible for the preparation of consolidated financial statements which give a true and fair view. In preparing consolidated financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those consolidated financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of The Companies Act of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion
We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the consolidated financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
31st March, 2006

Consolidated Income Statement

for the year ended 31st December, 2005

	NOTES	2005 HK$'000	2004 HK$'000
Turnover	7	**1,899,482**	1,599,505
Other income	9	**25,330**	16,903
Changes in inventories of finished goods and work in progress		**6,415**	15,909
Raw materials and consumables used		**(902,121)**	(744,204)
Employee benefits expenses		**(308,738)**	(252,813)
Depreciation and amortisation of property, plant and equipment		**(119,916)**	(83,621)
Amortisation of goodwill		**—**	(21,015)
Amortisation of patents and trademarks		**—**	(666)
Impairment loss recognised in respect of goodwill		**(9,060)**	—
Impairment loss recognised in respect of patents and trademarks		**(1,056)**	—
Increase in fair value of investment properties		**7,700**	—
Revaluation surplus of investment properties recognised in income statement		**—**	4,900
Other expenses		**(292,689)**	(247,315)
Finance costs	10	**(19,245)**	(19,290)
Gain on partial disposal of a subsidiary		**—**	399
Profit before taxation		**286,102**	268,692
Taxation	12	**(40,185)**	(43,702)
Profit for the year	13	**245,917**	224,990
Attributable to:			
Equity holders of the Company		**240,861**	220,113
Minority interests		**5,056**	4,877
Profit for the year		**245,917**	224,990
Dividends declared during the year	14	**117,719**	98,260
Proposed final dividend of HK11 cents (2004: HK10 cents) per share	14	**68,180**	61,928
Earnings per share			
— Basic	15	**38.88 cents**	35.81 cents
— Diluted	15	**38.87 cents**	35.79 cents

	NOTES	2005 HK$'000	2004 HK$'000 (restated)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	16	**35,700**	28,000
Property, plant and equipment	17	**708,280**	518,642
Prepaid lease payments — non-current portion	18	**39,313**	39,436
Deposit paid for acquisition of property, plant and equipment		**16,883**	17,073
Intangible assets	19	**—**	1,056
Goodwill	20	**—**	9,060
		800,176	613,267
Current assets			
Inventories	22	**531,036**	467,567
Trade and other receivables	23	**469,751**	426,885
Bills receivable	23	**48,564**	44,045
Prepaid lease payments — current portion	18	**914**	934
Taxation recoverable		**4,979**	3,373
Bank balances and cash		**150,582**	441,672
		1,205,826	1,384,476
Current liabilities			
Trade and other payables	24	**295,378**	230,105
Bills payable	24	**40,847**	52,800
Obligations under finance leases	25	**—**	2
Unsecured bank borrowings	26	**310,206**	493,016
Bank overdraft	26	**1,797**	—
Floating rate notes	27	**150,000**	—
Dividend payable		**14**	9
Taxation payable		**46,806**	59,408
		845,048	835,340
Net current assets		**360,778**	549,136
Total assets less current liabilities		**1,160,954**	1,162,403

	NOTES	2005 HK$'000	2004 HK$'000 (restated)
Non-current liabilities			
Floating rate notes	27	—	150,000
		1,160,954	1,012,403
CAPITAL AND RESERVES			
Share capital	29	**61,968**	61,881
Reserves		**1,074,529**	929,660
Equity attributable to equity holders of the Company		**1,136,497**	991,541
Minority interests		**24,457**	20,862
		1,160,954	1,012,403

The financial statements on pages 30 to 85 were approved and authorised for issue by the Board of Directors on 31st March, 2006 and are signed on its behalf by:

Siu Tit Lung
Director

Siu Yuk Lung
Director

	Equity attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Goodwill reserve HK$'000	Capital reserve HK$'000	PRC statutory reserve (Note) HK$'000	Translation reserve HK$'000	Accumulated profits HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1st January, 2004	49,130	109,502	(3,636)	11,966	37,415	1,248	648,358	853,983	11,769	865,752
Exchange differences arising on translation of foreign operations recognised directly in equity	—	—	—	—	—	248	—	248	(47)	201
Profit for the year	—	—	—	—	—	—	220,113	220,113	4,877	224,990
Total recognised income and expense for the year	—	—	—	—	—	248	220,113	220,361	4,830	225,191
Final dividend declared for the year ended 31st December, 2003	—	—	—	—	—	—	(49,130)	(49,130)	—	(49,130)
Bonus share issued	12,283	(12,283)	—	—	—	—	—	—	—	—
Shares issued on exercise of share options	468	14,989	—	—	—	—	—	15,457	—	15,457
Interim dividend declared	—	—	—	—	—	—	(49,130)	(49,130)	—	(49,130)
Partial disposal of a subsidiary	—	—	—	—	—	—	—	—	4,263	4,263
Transfer	—	—	—	—	13,602	—	(13,602)	—	—	—
At 31st December, 2004	61,881	112,208	(3,636)	11,966	51,017	1,496	756,609	991,541	20,862	1,012,403
Effects of changes in accounting policies (note 2)	—	—	3,636	(11,966)	—	—	8,330	—	—	—
At 1st January, 2005 as restated	61,881	112,208	—	—	51,017	1,496	764,939	991,541	20,862	1,012,403
Exchange differences arising on translation of foreign operations recognised directly in equity	—	—	—	—	—	18,943	—	18,943	539	19,482
Profit for the year	—	—	—	—	—	—	240,861	240,861	5,056	245,917
Total recognised income and expense for the year	—	—	—	—	—	18,943	240,861	259,804	5,595	265,399
Final dividend declared for the year ended 31st December, 2004	—	—	—	—	—	—	(61,952)	(61,952)	—	(61,952)
Shares issued on exercise of share options	87	2,784	—	—	—	—	—	2,871	—	2,871
Interim dividend declared	—	—	—	—	—	—	(55,767)	(55,767)	(2,000)	(57,767)
Transfer	—	—	—	—	24,475	—	(24,475)	—	—	—
At 31st December, 2005	61,968	114,992	—	—	75,492	20,439	863,606	1,136,497	24,457	1,160,954

Note:

The PRC statutory reserve represents the appropriation of certain percentages of profit after taxation of subsidiaries in the People's Republic of China (the "PRC") as recommended by the directors of those subsidiaries.

Consolidated Cash Flow Statement

for the year ended 31st December, 2005

	2005 HK$'000	2004 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**286,102**	268,692
Adjustments for:		
Interest income	**(4,524)**	(8,226)
Interest expenses and finance charges	**19,158**	18,934
Impairment loss recognised in respect of trade receivables	**4,627**	7,643
Negative goodwill released to income	**—**	(22)
Amortisation of goodwill	**—**	21,015
Amortisation of patents and trademarks	**—**	666
Impairment loss recognised in respect of goodwill	**9,060**	—
Impairment loss recognised in respect of patents and trademarks	**1,056**	—
Increase in fair value of investment properties	**(7,700)**	—
Revaluation surplus of investment properties recognised in income statement	**—**	(4,900)
Depreciation and amortisation of property, plant and equipment	**119,916**	83,621
Release of prepaid lease payments	**904**	809
Gain arising from disposal of property, plant and equipment	**(637)**	(1,620)
Gain on partial disposal of a subsidiary	**—**	(399)
Operating cash flows before movements in working capital	**427,962**	386,213
Increase in inventories	**(59,123)**	(105,426)
(Increase) decrease in trade and other receivables	**(42,713)**	21,930
Increase in bills receivable	**(7,187)**	(10,527)
Increase in prepaid lease payments	**—**	(8,447)
Increase (decrease) in trade and other payables	**63,839**	(5,697)
(Decrease) increase in bills payable	**(11,116)**	15,699
Exchange differences	**8,206**	8,062
Cash generated from operations	**379,868**	301,807
Income tax paid	**(55,891)**	(33,772)
Income tax refunded	**10**	5,271
Interest expenses and finance charges paid	**(19,158)**	(18,934)
NET CASH FROM OPERATING ACTIVITIES	**304,829**	254,372

	2005 HK$'000	2004 HK$'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(287,022)**	(160,245)
Deposit paid for acquisition of property, plant and equipment	**(16,883)**	(17,073)
Interest received	**4,524**	8,226
Proceeds on disposal of property, plant and equipment	**2,465**	2,382
Proceeds on partial disposal of a subsidiary	**—**	4,662
NET CASH USED IN INVESTING ACTIVITIES	**(296,916)**	(162,048)
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(243,153)**	(222,868)
Dividends paid	**(117,714)**	(98,270)
(Repayment) inception of trust receipt loans	**(14,730)**	14,730
Dividends paid to a minority shareholder of a subsidiary	**(2,000)**	—
Repayment of obligations under finance leases	**(2)**	(26)
New bank borrowings raised	**74,770**	197,598
Proceeds from new shares issued	**2,871**	15,457
NET CASH USED IN FINANCING ACTIVITIES	**(299,958)**	(93,379)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(292,045)**	(1,055)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**441,672**	442,247
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(842)**	480
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**148,785**	441,672
represented by:		
Bank balances and cash	**150,582**	441,672
Bank overdraft	**(1,797)**	—
	148,785	441,672

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under The Companies Act 1981 of Bermuda (as amended) and its shares are primary listed on The Stock Exchange of Hong Kong Limited and secondary listed on the Singapore Exchange Securities Trading Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the section “Corporate Information” in the annual report.

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

The Company acts as an investment holding company and provides corporate management services. Its subsidiaries are principally engaged in the manufacture and marketing of mould bases, metal and parts.

2. CHANGES IN ACCOUNTING POLICIES

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 (“HKASs”) and Interpretations (“INTs”) (hereinafter collectively referred to as “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are effective for accounting periods beginning on or after 1st 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. In particular, the presentation of minority interests has been changed. 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 and prior accounting years are prepared and presented:

Business combinations

In the current year, the Group has applied HKFRS 3 *Business Combinations* which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisition prior to 1st April, 2001 was held in reserves, and goodwill arising on acquisition after 1st April, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves of HK$3,636,000 has been transferred to the Group’s accumulated profits on 1st January, 2005. With respect to goodwill previously capitalised on the consolidated balance sheet, the Group has, on 1st January, 2005 eliminated the carrying amount of the related accumulated amortisation of HK$56,522,000 with a corresponding decrease in the cost of goodwill (see Note 20). The Group has discontinued amortising such goodwill from 1st January, 2005 onwards and such goodwill is to be tested for impairment at least annually. Goodwill arising on acquisition after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 have not been restated.

2. CHANGES IN ACCOUNTING POLICIES (Cont'd)

Business combinations (Cont'd)

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisition prior to 1st April, 2001 was held in reserves, and negative goodwill arising on acquisition after 1st April, 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised all negative goodwill on 1st January, 2005 of HK$11,966,000 previously recorded in capital reserve. A corresponding adjustment to the Group's accumulated profits of HK$11,966,000 has been made.

Contingent liabilities of acquirees

In accordance with HKFRS 3, contingent liabilities of an acquiree are recognised at the date of the acquisition if the fair value of the contingent liabilities can be measured reliably. Previously, contingent liabilities of acquirees were not recognised separately from goodwill. Because the revised accounting policy has been applied prospectively to acquisition for which the agreement date is on or after 1st January, 2005, comparative figures for 2004 have not been restated.

Share-based payments

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 ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees 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. The Group has applied HKFRS 2 to share options granted on or after 1st January, 2005. In relation to share options granted before 1st January, 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted on or before 7th November, 2002 and vested before 1st January, 2005. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7th November, 2002 and had not yet vested on 1st January, 2005. Because there were no unvested share options at 1st January, 2005, comparative figures for 2004 need not be restated.

2. CHANGES IN ACCOUNTING POLICIES (Cont'd)

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 financial statements of the Group. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

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

From 1st January, 2005 onwards, the Group has classified and measured its financial assets and financial liabilities 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 "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. The Group has applied the relevant transitional provisions in HKAS 39. However, there has been no material effect on how the results for the current accounting period are prepared and presented.

2. CHANGES IN ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Derivatives and hedging

From 1st 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 non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

There are three types of hedge relationships under HKAS 39, including fair value hedges, cash flow hedges and net investment hedges. The Group has applied the relevant transitional provisions in HKAS 39. For derivatives that do not meet the requirements of hedge accounting in accordance with HKAS 39, the Group has, from 1st January, 2005 onwards, deemed such derivatives as held for trading. The adoption of HKAS 39 has had no material effect on the Group's accumulated 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 to transfers of financial assets from 1st January, 2005 onwards. This change in accounting policy has had no material effect on results for the current year.

2. CHANGES IN ACCOUNTING POLICIES (Cont'd)

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 year, 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 (see Note 3 for the financial impact). Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

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 profit or loss for the year in which they arise. In previous years, investment properties under the predecessor standard were measured at open market values, with revaluation surplus or deficits 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 income statement. Where a decrease had previously been charged to the income statement and a revaluation surplus subsequently arose, that increase was credited to the 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 1st January, 2005 onwards. Because the Group did not have any investment property revaluation reserve at 1st January, 2005, the adoption of HKAS 40 did not result in any transfer between the reserve accounts.

2. CHANGES IN ACCOUNTING POLICIES (Cont'd)

Deferred taxes related to investment properties

In previous years, deferred tax 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 is to be recovered through sale. Therefore, the deferred tax 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. The adoption of HK(SIC) Interpretation 21 has no material effect to the Group. Comparative figures for 2004 have not been restated.

Initial direct costs incurred by lessors under operating leases

HKAS 17 *Leases* has eliminated the choice of expensing initial direct costs incurred by lessors in negotiating and arranging an operating lease, the policy previously followed by the Group. Initial direct costs are now required to be added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. This change in accounting policy has been applied retrospectively. There is no material impact to the Group on this adoption.

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

The effects of the changes in the accounting policies described in note 2 above are a decrease in amortisation of goodwill of approximately HK$9,060,000 for the current year (2004: Nil).

The effects on the consolidated balance sheet as at 31st December, 2004 and 1st January, 2005 as a result of the changes in the accounting policies described in note 2 above are as follows:

	As at 31st December, 2004 (originally stated) HK$'000	Adjustment HK$'000	As at 31st December, 2004 (restated) HK$'000	Adjustment HK$'000	**As at 1st January, 2005 (restated) HK$'000**
Balance sheet items					
On adoption of HKAS 17					
Property, plant and equipment	559,012	(40,370)	518,642	—	**518,642**
Prepaid lease payments	—	40,370	40,370	—	**40,370**
On adoption of HKFRS 3					
Goodwill reserve	(3,636)	—	(3,636)	3,636	**—**
Capital reserve	11,966	—	11,966	(11,966)	**—**
Accumulated profits	756,609	—	756,609	8,330	**764,939**

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (Cont'd)

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

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 & 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 1st January, 2007.

2 Effective for annual periods beginning on or after 1st January, 2006.

3 Effective for annual periods beginning on or after 1st December, 2005.

4 Effective for annual periods beginning on or after 1st March, 2006.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

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

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

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Goodwill

Goodwill arising on acquisition prior to 1st January, 2005

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

For previously capitalised goodwill arising on acquisition after 1st April, 2001, the Group has discontinued amortisation from 1st January, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Goodwill (Cont'd)

Goodwill arising on acquisition on or after 1st January, 2005

Goodwill arising on an acquisition of a subsidiary for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisition")

A discount on acquisition arising on an acquisition of a subsidiary for which an agreement date is on or after 1st January, 2005 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss.

As explained in Note 2 above, all negative goodwill recorded in the capital reserve as at 1st January, 2005 has been derecognised with a corresponding adjustment to the Group's accumulated profits.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition

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

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

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

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

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

Patents and trademarks

Patents and trademarks are measured initially at cost. Prior to 1st January, 2005, the patents and trademarks are amortised over the estimated useful lives. After 1st January, 2005, patents and trademarks with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment below).

Gains or losses arising from derecognition of the patents and trademarks are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Property, plant and equipment

Property, plant and equipment, other than freehold land and construction in progress, are stated at cost less depreciation, amortisation and accumulated impairment losses.

Depreciation and amortisation are provided to write off the cost of items of property, plant and equipment other than freehold land and construction in progress over their estimated useful lives, and after taking into account their estimated residual value, using the straight-line method.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment (Cont'd)

Freehold land is stated at cost less accumulated impairment losses, if any.

Construction in progress are stated at cost which includes all development expenditure and other direct costs attributable to such projects. Construction in progress are not depreciated until completion of construction when the properties are ready for their intended use. Costs on completed construction work are transferred to the appropriate category of assets.

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 income statement in the year in which the item is derecognised.

Impairment other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its assets other than goodwill and intangibles with indefinite life to determine whether there is any indication that those assets have suffered an impairment loss. For intangible assets with indefinite useful lives and intangible assets not yet available for use, they are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When 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.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing (Cont'd)

The Group as lessee

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

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 re-translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated 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 re-translated.

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, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financials statements. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies (Cont'd)

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1st January, 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net 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 current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Retirement benefits scheme contributions

Payments to defined contribution retirement benefit plans and state-managed retirement benefit schemes are charged as an expense as they fall due.

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 classified into one of the two categories, including financial assets at fair value through profit or loss and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

(a) *Loans and receivables*

Loans and receivables (including trade and other receivables, bills receivable and bank deposits) 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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

(b) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

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 accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

(a) *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

(b) *Other financial liabilities*

Other financial liabilities including bank borrowings, trade, bills and other payables and floating rate notes are subsequently measured at amortised cost, using the effective interest rate method.

Derivative financial instruments and hedging

The Group uses derivative financial instruments (primarily forward contract on foreign currency) to hedge its exposure against bank borrowings and acquisition of property, plant and equipment. Such derivatives are measured at fair value regardless of whether they are designated as effective hedging instruments.

There are three types of hedge relationships, including fair value hedges, cash flow hedges and hedges of a net investment in a foreign operation. Derivatives that do not qualify for hedge accounting are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair value of such derivates are recognised directly in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

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 or receivable is recognised in profit or loss.

For financial liabilities, they are removed from the consolidated balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions — Share options granted to employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium and share capital. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Depreciation and Amortisation

The Group's net book value of property, plant and equipment as at 31st December, 2005 was HK$708 million. The Group depreciates the manufacturing buildings and related improvements on a straight-line basis over their useful life. The Group depreciates the plant and machinery on a straight-line basis over the estimated useful life of five years, commencing from the date the equipment is placed into productive use. The estimated useful life and dates that the Group places the equipment into productive use reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Investment properties

The investment properties of the Group were stated at fair value in accordance with the accounting policy stated in note 4. The fair value of the investment properties are determined by the directors of the Company with reference to the property valuation performed by CS Surveyors Limited, a firm of independently qualified professional valuers. The fair value of investment properties at the balance sheet date is set out in note 16. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet date and appropriate capitalisation rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

Impairment loss on trade receivables

The assessment of the impairment loss on trade receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. As at 31st December, 2005, the carrying value of trade receivables (net of impairment loss) is approximately HK$432 million.

Allowances for inventories

The management of the Group reviews the inventories listing at each balance sheet date and identifies obsolete and slow-moving inventory items which are no longer suitable for use in operation based on their estimation and experience. Allowance was made by reference to the latest market value for those inventories identified. As at 31st December, 2005, the carrying amount of inventories (net of allowances) is approximately HK$531 million.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, bills receivable, bank balances, trade and other payables, bills payable, unsecured bank borrowings and floating rate notes. 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.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st December, 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group reviews the recoverable amount of each individual trade receivable 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 bank deposits is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Market risk

Foreign exchange risk

The Group mainly operates in the People's Republic of China (the "PRC") with most of the transactions denominated and settled in Renminbi ("RMB"). However, foreign currencies, mainly United States dollars, Hong Kong dollars and Singaporean dollars, are required to settle the Group's expenses and borrowings. RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. The Group has used forward contracts, foreign currency borrowings or other means to reduce its foreign currency exposure.

Interest rate risk

The Group's cash flow interest rate risks mainly relates to variable-rate borrowings. The Group currently does not have any interest rate hedging policy. The directors monitor the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arises.

7. TURNOVER

Turnover represents the amounts received and receivable for goods sold, less returns, to outside customers during the year, and is analysed as follows:

	2005	2004
	HK$'000	HK$'000
Manufacture and marketing of mould bases	**1,718,977**	1,429,038
Manufacture and marketing of metal and parts	**180,505**	170,467
	1,899,482	1,599,505

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purposes, the Group is currently organised into two operating divisions — mould bases and metal and parts. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Mould bases	—	Manufacture and marketing of mould bases
Metal and parts	—	Manufacture and marketing of metal and parts

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(a) Business segments (Cont'd)

Segmental information about these businesses is presented below.

For the year ended 31st December, 2005

	Mould bases HK$'000	Metal and parts HK$'000	Total HK$'000
TURNOVER — External sales	1,718,977	180,505	1,899,482
RESULTS			
Segment results	292,421	34,865	327,286
Increase in fair value of investment properties			7,700
Unallocated corporate income			25,330
Unallocated corporate expenses			(54,969)
Finance costs			(19,245)
PROFIT BEFORE TAXATION			286,102
Taxation			(40,185)
PROFIT FOR THE YEAR			245,917

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(a) Business segments (Cont'd)

For the year ended 31st December, 2005 (Cont'd)

	Mould bases HK$'000	Metal and parts HK$'000	Total HK$'000
OTHER INFORMATION			
Capital expenditure	274,043	30,052	304,095
Depreciation and amortisation of property, plant and equipment	118,256	1,660	119,916
Impairment loss recognised in respect of trade receivables	3,869	758	4,627
Impairment loss recognised in respect of goodwill	9,060	—	9,060
Impairment loss recognised in respect of patents and trademarks	—	1,056	1,056
Assets			
Segment assets	1,732,235	172,863	1,905,098
Unallocated corporate assets			100,904
Consolidated total assets			2,006,002
Liabilities			
Segment liabilities	305,876	27,035	332,911
Unallocated corporate liabilities			512,137
Consolidated total liabilities			845,048

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(a) Business segments (Cont'd)

For the year ended 31st December, 2004

	Mould bases HK$'000	Metal and parts HK$'000	Total HK$'000
TURNOVER — External sales	1,429,038	170,467	1,599,505
RESULTS			
Segment results	280,939	31,710	312,649
Revaluation surplus of investment properties recognised in income statement			4,900
Unallocated corporate income			16,903
Unallocated corporate expenses			(46,869)
Finance costs			(19,290)
Gain on partial disposal of a subsidiary			399
PROFIT BEFORE TAXATION			268,692
Taxation			(43,702)
PROFIT FOR THE YEAR			224,990

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(a) Business segments (Cont'd)

For the year ended 31st December, 2004 (Cont'd)

	Mould bases HK$'000	Metal and parts HK$'000	Total HK$'000
OTHER INFORMATION			
Capital expenditure	171,805	5,513	177,318
Amortisation of goodwill	21,015	—	21,015
Amortisation of patents and trademarks	—	666	666
Depreciation and amortisation of property, plant and equipment	79,919	3,702	83,621
Impairment loss (reversal of impairment loss) recognised in respect of trade receivables	10,599	(2,956)	7,643
Assets			
Segment assets	1,550,873	116,011	1,666,884
Unallocated corporate assets			330,859
Consolidated total assets			1,997,743
Liabilities			
Segment liabilities	252,007	27,868	279,875
Unallocated corporate liabilities			705,465
Consolidated total liabilities			985,340

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(b) Geographical segments

The Group operates in the following geographical market segments — the PRC (including Hong Kong) and other countries.

The following table shows an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Turnover	
	2005	2004
	HK$'000	HK$'000
The PRC	**1,560,828**	1,304,745
Other countries	**338,654**	294,760
	1,899,482	1,599,505

The following is an 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:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**1,844,780**	1,824,165	**297,111**	172,429
Other countries	**161,222**	173,578	**6,984**	4,889
	2,006,002	1,997,743	**304,095**	177,318

9. OTHER INCOME

	2005 HK$'000	2004 HK$'000
Gain arising from disposal of property, plant and equipment	**637**	1,620
Interest income	**4,524**	8,226
Release of negative goodwill	**—**	22
Rental income, net of direct operating expenses from investment properties that generated rental income of approximately HK$257,000 (2004: HK$298,000)	**2,013**	1,492
PRC tax refund on capital reinvestment in subsidiaries (Note)	**15,245**	—
Sundry income	**2,911**	5,543
	25,330	16,903

Note:

Pursuant to an approval by local tax authority, a subsidiary of the Company received a benefit of approximately HK$15,245,000 (equivalent to approximately RMB16,021,000) in respect of its reinvestment made in certain subsidiaries. The benefit is calculated with reference to certain percentage of the tax paid by the subsidiaries.

10. FINANCE COSTS

	2005 HK$'000	2004 HK$'000
Arrangement fee for bank loans	**87**	356
Interest on		
— bank borrowings wholly repayable within five years	**13,964**	16,809
— obligations under finance leases	**—**	1
— floating rate notes	**5,194**	2,124
	19,245	19,290

11. DIRECTORS' REMUNERATION

The emoluments paid or payable to each of the nine (2004: nine) directors were as follows:

2005

	Siu Tit Lung HK$'000	Siu Yuk Lung HK$'000	Mak Koon Chi HK$'000	Wai Lung Shing HK$'000	Fung Wai Hing HK$'000	Chan Chun Sing, Colin HK$'000	Liu Wing Ting, Stephen HK$'000	Lee Tat Yee HK$'000	Lee Joo Hai HK$'000	Total HK$'000
Fees	—	—	—	—	—	540	252	540	216	1,548
Other emoluments										
Salaries and other benefits	6,480	6,480	1,944	1,944	1,560	—	—	—	—	18,408
Contributions to retirement benefits schemes	713	713	214	214	171	—	—	—	—	2,025
Bonus	4,850	4,850	4,950	4,950	3,400	—	—	—	—	23,000
Total emoluments	12,043	12,043	7,108	7,108	5,131	540	252	540	216	44,981

2004

	Siu Tit Lung HK$'000	Siu Yuk Lung HK$'000	Mak Koon Chi HK$'000	Wai Lung Shing HK$'000	Fung Wai Hing HK$'000	Chan Chun Sing, Colin HK$'000	Liu Wing Ting, Stephen HK$'000	Lee Tat Yee HK$'000	Lee Joo Hai HK$'000	Total HK$'000
Fees	—	—	—	—	—	270	216	270	45	801
Other emoluments										
Salaries and other benefits	6,480	6,480	1,944	1,944	1,560	—	—	—	—	18,408
Contributions to retirement benefits schemes	713	713	214	214	171	—	—	—	—	2,025
Bonus	4,500	4,500	4,500	4,500	3,000	—	—	—	—	21,000
Total emoluments	11,693	11,693	6,658	6,658	4,731	270	216	270	45	42,234

No directors waived any emoluments during the year ended 31st December, 2005.

The five highest paid individuals in the Group during both years were all directors of the Company and details of their emoluments are included in above.

12. TAXATION

	2005 HK$'000	2004 HK$'000
The charge (credit) comprises:		
Hong Kong Profits Tax		
current year	**112**	238
underprovision in prior year	**11**	17
	123	255
Taxation in jurisdictions outside Hong Kong		
current year	**40,415**	42,798
(Over)underprovision in prior year	**(353)**	649
	40,062	43,447
	40,185	43,702

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both years.

Taxation in jurisdictions outside Hong Kong is calculated based on the applicable rates in those jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, certain of the Company's PRC subsidiaries are entitled to an exemption from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years (the "Tax Holiday"). Certain PRC subsidiaries continued to enjoy their Tax Holiday during the year.

Pursuant to an approval by PRC tax authority, one of the Company's PRC subsidiary, is granted advanced-technology exemption from 50% PRC income tax reduction for three years with the period commencing 1st January, 2005.

12. TAXATION (Cont'd)

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

	2005 HK$'000	2004 HK$'000
Profit before taxation	**286,102**	268,692
Tax at PRC income tax rate of 24%	**68,664**	64,486
Tax effect of non-deductible expenses	**6,179**	7,654
Tax effect of non-taxable income	**(6,056)**	(3,351)
Tax effect of utilisation of tax losses not previously recognised	**(2,540)**	(1,783)
Tax effect of unused tax losses not recognised	**6,970**	2,160
(Over)underprovision in prior year	**(342)**	666
Tax effect of tax reduction granted to PRC subsidiaries	**(34,331)**	(28,162)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,641**	2,032
Tax expense for the year	**40,185**	43,702

Details of deferred taxation are set out in note 28.

13. PROFIT FOR THE YEAR

	2005 HK$'000	2004 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Auditors' remuneration		
— Current year	**2,590**	2,173
— (Over)underprovision in prior year	**(250)**	604
Impairment loss recognised in respect of trade receivables	**4,627**	7,643
Net exchange loss	**6,548**	5,333
Operating lease rentals in respect of:		
— rented premises	**6,714**	5,371
— plant and machinery	**44**	71
Release of prepaid lease payment	**904**	809
Retirement benefits scheme contributions, net of forfeited contributions of approximately HK$644,000 (2004: HK$255,000)	**13,715**	9,789

14. DIVIDENDS

	2005 HK$'000	2004 HK$'000
Dividends declared to equity holders of the Company:		
2003 final dividend of HK10 cents per share (equivalent to HK8 cents per share after adjusting for bonus share issued in 2004)	**—**	49,130
2004 interim dividend of HK8 cents per share	**—**	49,130
2004 final dividend of HK10 cents per share	**61,952**	—
2005 interim dividend of HK9 cents per share	**55,767**	—
Total dividends declared during the year	**117,719**	98,260

The directors have determined that a final dividend of HK11 cents (2004: HK10 cents) per share amounting to approximately HK$68,180,000 (2004: HK$61,928,000) should be paid to the shareholders of the Company whose names appear in the register of members on 8th May, 2006.

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2005	2004
Profit attributable to equity holders of the Company (HK$'000)	**240,861**	220,113
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**619,464,202**	614,584,024
Effect of dilutive potential ordinary shares on exercise of share options of the Company	**256,976**	467,577
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**619,721,178**	615,051,601

16. INVESTMENT PROPERTIES

	2005 HK$'000
FAIR VALUE	
At 1st January, 2004	**23,100**
Revaluation surplus recognised in income statement	**4,900**
At 1st January, 2005	**28,000**
Increase in fair value recognised in the income statement	**7,700**
At 31st December, 2005	**35,700**

The Group's investment properties are held under medium-term leases in Hong Kong and are rented out under an operating lease.

The fair value of the Group's investment properties at 31st December, 2005 have been arrived at on the basis of a valuation carried out on that date by C S Surveyors Limited, independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

The Group's property interests held under medium-term 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. As at 31st December, 2005, the carrying amount of such property interests amounted to HK$35,700,000 (2004: HK$28,000,000).

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Buildings HK$'000	Furniture, fixtures and fittings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
AT COST							
At 1st January, 2004							
— as originally stated	59,090	187,535	104,862	634,506	35,822	10,686	1,032,501
Adoption of HKAS 17	(36,403)	—	—	—	—	—	(36,403)
At 1st January, 2004							
— as restated	22,687	187,535	104,862	634,506	35,822	10,686	996,098
Currency realignment	7	—	283	1,349	43	—	1,682
Transfer	—	20,984	1,202	26,187	—	(48,373)	—
Additions	—	22,989	22,040	69,998	10,769	51,522	177,318
Disposals	—	—	(242)	(680)	(6,337)	—	(7,259)
At 1st January, 2005	22,694	231,508	128,145	731,360	40,297	13,835	1,167,839
Currency realignment	—	4,331	1,093	12,502	230	265	18,421
Transfer	—	25,872	449	3,339	682	(30,342)	—
Additions	—	201	17,022	209,195	11,694	65,983	304,095
Disposals	(1,377)	—	(739)	(778)	(2,910)	—	(5,804)
At 31st December, 2005	21,317	261,912	145,970	955,618	49,993	49,741	1,484,551
DEPRECIATION AND AMORTISATION							
At 1st January, 2004							
— as originally stated	3,672	18,490	66,750	457,711	28,392	—	575,015
Adoption of HKAS 17	(3,672)	—	—	—	—	—	(3,672)
At 1st January, 2004							
— as restated	—	18,490	66,750	457,711	28,392	—	571,343
Currency realignment	—	—	175	555	—	—	730
Provided for the year	—	5,384	10,319	63,193	4,725	—	83,621
Eliminated on disposals	—	—	(142)	(225)	(6,130)	—	(6,497)
At 1st January, 2005	—	23,874	77,102	521,234	26,987	—	649,197
Currency realignment	—	348	697	9,916	173	—	11,134
Provided for the year	—	5,163	13,524	93,660	7,569	—	119,916
Eliminated on disposals	—	—	(568)	(498)	(2,910)	—	(3,976)
At 31st December, 2005	—	29,385	90,755	624,312	31,819	—	776,271
CARRYING VALUES							
At 31st December, 2005	21,317	232,527	55,215	331,306	18,174	49,741	708,280
At 31st December, 2004	22,694	207,634	51,043	210,126	13,310	13,835	518,642

17. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	2%
Furniture, fixtures and fittings	15%
Plant and machinery	20%
Motor vehicles	30%

Freehold land is not depreciated.

Construction in progress are not depreciated until completion of construction and the properties are ready for their intended use.

The net book value of land and buildings of the Group comprises:

	2005 **HK$'000**	2004 HK$'000
Freehold land outside Hong Kong	**21,317**	22,694
Building held under medium-term leases outside Hong Kong	**232,527**	207,634
	253,844	230,328

The construction in progress are situated outside Hong Kong and are held under medium-term leases.

As at 31st December, 2005, the net book value of plant and machinery includes an amount of approximately Nil (2004: HK$2,000) in respect of assets held under finance leases.

18. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold land in the PRC under medium-term lease.

	2005	2004
	HK$'000	HK$'000
Analysed for reporting purposes as:		
Non-current asset	**39,313**	39,436
Current asset	**914**	934
	40,227	40,370

19. INTANGIBLE ASSETS

	Patents and trademarks
	HK$'000
COST	
At 1st January, 2004, 1st January, 2005 and 31st December, 2005	2,000
AMORTISATION AND IMPAIRMENT LOSS	
At 1st January, 2004	278
Provided for the year	666
At 1st January, 2005	944
Impairment loss recognised during the year	1,056
At 31st December, 2005	2,000
CARRYING VALUE	
At 31st December, 2005	—
At 31st December, 2004	1,056

Prior to 1st January, 2005, the parents and trademarks are amortised over a period of three years.

20. GOODWILL

	HK$'000
COST	
At 1st January, 2004 and 31st December, 2004	65,582
Eliminated of accumulated amortisation upon the application of HKFRS 3	(56,522)
At 1st January, 2005 and 31st December, 2005	9,060
AMORTISATION	
At 1st January, 2004	35,507
Provided for the year	21,015
At 31st December, 2004	56,522
Eliminated of accumulated amortisation upon the application of HKFRS 3	(56,522)
At 1st January, 2005 and 31st December, 2005	—
IMPAIRMENT	
At 1st January, 2004 and 1st January, 2005	—
Impairment loss recognised during the year	9,060
At 31st December, 2005	9,060
CARRYING VALUE	
At 31st December, 2005	—
At 31st December, 2004	9,060

Prior to 1st January, 2005, the goodwill is amortised over a period of three years.

21. NEGATIVE GOODWILL

	HK$'000
GROSS AMOUNT	
At 1st January, 2004 and 31st December, 2004	272
Derecognised upon adoption of HKFRS 3	(272)
At 1st January, 2005 and 31st December, 2005	—
RELEASED TO INCOME	
At 1st January, 2004	250
Released during the year ended 31st December, 2004	22
At 31st December, 2004	272
Derecognised upon adoption of HKFRS 3	(272)
At 1st January, 2005 and 31st December, 2005	—
CARRYING VALUE	
At 31st December, 2005	—
At 31st December, 2004	—

22. INVENTORIES

	2005 **HK$'000**	2004 HK$'000
Raw materials	**445,361**	388,307
Work in progress	**73,303**	67,488
Finished goods	**12,372**	11,772
	531,036	467,567

The cost of inventories recognised as an expense during the year of the Group amounted to approximately HK$1,326,000,000 (2004: HK$1,084,000,000).

23. TRADE, BILLS AND OTHER RECEIVABLES

	2005 HK$'000	2004 HK$'000
Trade receivables	**479,854**	424,577
Less: accumulated impairment	**(48,051)**	(44,925)
	431,803	379,652
Other receivables	**37,948**	47,233
Total trade and other receivables	**469,751**	426,885
Bills receivable	**48,564**	44,045

The Group allows a credit period ranged from 30 days to 90 days to its trade customers.

An aged analysis of trade and bills receivables are as follows:

	2005 HK$'000	2004 HK$'000
0 to 60 days	**305,277**	287,452
61 to 90 days	**92,754**	93,772
Over 90 days	**82,336**	42,473
	480,367	423,697

The fair value of the Group's trade, bills and other receivables at 31st December, 2005 approximates to corresponding carrying amount.

24. TRADE, BILLS AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$151,856,000 (2004: HK$104,484,000).

An aged analysis of trade and bills payables are as follows:

	2005 HK$'000	2004 HK$'000
0 to 60 days	**137,007**	115,498
61 to 90 days	**25,483**	27,996
Over 90 days	**30,213**	13,790
	192,703	157,284

The fair value of the Group's trade, bills and other payables at 31st December, 2005 approximates to corresponding carrying amount.

25. OBLIGATIONS UNDER FINANCE LEASES

The maturity of obligations under finance leases at 31st December, 2004 was due within one year. During the year ended 31st December, 2004, the average effective borrowing rate was 11%.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

26. UNSECURED BANK BORROWINGS

	2005 HK$'000	2004 HK$'000
Bank loans	**310,206**	478,286
Bank overdraft	**1,797**	—
Trust receipt loans	**—**	14,730
Total, repayable within one year	**312,003**	493,016

26. UNSECURED BANK BORROWINGS (Cont'd)

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

	Denominated in HK$	Denominated in Singapore $
As at 31st December, 2005	30,000,000	42,920,000
As at 31st December, 2004	—	43,070,000

The borrowings granted by the banks to the respective group companies are guaranteed by their respective shareholders. The interest rates for the loans are Hong Kong Inter-bank Offered Rate ("HIBOR") plus a spread, thus exposing the Group to cash flow interest rate risk.

The effective borrowing rate of the Group ranged from 1.77% to 5.45% (2004: 0.85% to 5.29%).

During the year, the Group obtained new loans with an aggregate amounts of approximately HK$74,770,000. The proceeds were used to finance the acquisition of property, plant and equipment and for working capital purpose.

The carrying amount of bank borrowings approximates their fair value as the weighted average interest rates approximate the respective market rates.

27. FLOATING RATE NOTES

During the year ended 31st December, 2003, a subsidiary of the Company issued Floating Rate Notes ("FRNs") in the amount of HK$150,000,000 which are due in 2006. The FRNs carry interest at HIBOR plus 1% and are guaranteed by the Company.

On 13th February, 2006, the Group raised a loan of HK$200,000,000 for a period of three years. The loan is partially used to finance the repayment of the FRNs. The loan carries interest at HIBOR plus 1% and is guaranteed by the Company.

The carrying amount of floating rate notes approximates their fair value as the weighted average interest rates approximate the market rate.

28. DEFERRED TAXATION

The major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years are summarised below:

	Accelerated tax depreciation	Tax losses	Total
	HK$'000	HK$'000	HK$'000
At 1st January, 2004	—	—	—
Charge (credit) for the year	1,252	(1,252)	—
At 31st December, 2004	1,252	(1,252)	—
Charge (credit) for the year	106	(106)	—
At 31st December, 2005	1,358	(1,358)	—

At the balance sheet date, the Group had unused tax losses of approximately HK$67,189,000 (2004: HK$62,612,000) available for offset against future profits that are subject to Hong Kong Profits Tax. A deferred tax asset amounting to approximately HK$1,358,000 (2004: HK$1,252,000) in respect of tax loss amounted to approximately HK$7,760,000 (2004: HK$7,154,000) has been recognised. No deferred tax asset has been recognised in respect of the remaining unused tax losses due to the unpredictability of future profit streams. Such losses may be carried forward indefinitely.

29. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares	HK$'000	Number of shares	HK$'000
Ordinary shares of HK$0.1 each				
At 1st January, 2004	600,000,000	60,000	491,298,643	49,130
Increase during the year (Note a)	400,000,000	40,000	—	—
Bonus shares issued (Note a)	—	—	122,824,660	12,283
Shares issued on exercise of share options (Note b)	—	—	4,684,000	468
At 31st December, 2004	1,000,000,000	100,000	618,807,303	61,881
Shares issued on exercise of share options (Note b)	—	—	870,000	87
At 31st December, 2005	1,000,000,000	100,000	619,677,303	61,968

Notes:

(a) Pursuant to the annual general meeting held on 3rd May, 2004, the increase in authorised share capital of HK$40,000,000 and a bonus issue of shares on the basis of one share for every four shares held were approved. 122,824,660 bonus shares were issued under the bonus issue and the amount of HK$12,282,466 was capitalised from the Company's share premium account.

The bonus shares were credited as fully paid and rank pari passu with the then existing shares in all respects.

(b) The Company issued 870,000 shares (2004: 4,684,000 shares) of HK$0.1 each in the Company for cash at HK$3.3 (2004: HK$3.3) per share, as a result of the exercise of share options. The shares issued rank pari passu with the then existing shares in all respects.

30. SHARE OPTION SCHEME

A share option scheme was adopted by the Company pursuant to a resolution passed on 9th September, 2002 (the "2002 Scheme"). Under the 2002 Scheme, the board of directors of the Company or a duly authorised committee (the "Board") may grant options to (i) any executive or non-executive directors of the Company (or any persons proposed to be appointed as such) or any employees of the Group; (ii) any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of the Group; (iii) any consultants and professional advisers to the Group (or persons, firms or companies proposed to be appointed for providing such services); (iv) any chief executives or substantial shareholders of the Company; (v) any associates of director, chief executive or substantial shareholder of the Company; and (vi) any employees of substantial shareholder of the Company, as absolutely determined by the Board (the "Participants"), to subscribe for shares in the Company. The 2002 Scheme was set up for the primary purpose to attract, retain and motivate talented Participants to strive for future developments and expansion of the Group and to provide the Company with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the Participants, and will expire on 8th September, 2012.

The total number of shares in respect of which options may be granted under the 2002 Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date of approval of the 2002 Scheme, unless prior approval from the Company's shareholders is obtained. Without prior approval from the Company's shareholders, the number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within a period of 28 days from the date of grant, upon payment of HK$1 per grant. An option period is a period to be determined by the Board at its absolute discretion and notified by the Board to each Participant who accepts the option offer as being the period during which an option may be exercised, such period to expire not later than 10 years after the date of the grant of the share option ("Option Period"). Options may be exercised in accordance with the terms of the 2002 Scheme at any time during the Option Period after the option has been granted. The exercise price is determined by the Board, and shall be at least the highest of the nominal value of the Company's share, the closing price of the Company's shares on the date of grant and the average closing price of the Company's shares for the five business days immediately preceding the date of grant.

30. SHARE OPTION SCHEME (Cont'd)

At 31st December, 2005, the number of shares in respect of which options had been granted and which remained outstanding under the 2002 Scheme was 446,000 (2004: 1,316,000), representing 0.07% of the shares of the Company in issue at that date.

The following table discloses details of the Company's share options held by the Participants and movements in such holdings during the year ended 31st December, 2004 and 2005:

Exercise price HK$	Date of grant	Vesting period	Exercisable period	Outstanding at 1.1.2004	Granted during the year ended 31.12.2004	Exercised during the year ended 31.12.2004	Outstanding at 31.12.2004 and 1.1.2005	Exercised during the year ended 31.12.2005	Outstanding at 31.12.2005
3.30	25.5.2004	6 months	25.11.2004–24.5.2007	—	6,000,000	(4,684,000)	1,316,000	(870,000)	446,000

Details of the share options held by the directors included in the above table are as follows:

Exercise price HK$	Outstanding at 1.1.2004	Granted during the year ended 31.12.2004	Exercised during the year ended 31.12.2004	Outstanding at 31.12.2004 and 1.1.2005	Exercised during the year ended 31.12.2005	Outstanding at 31.12.2005
3.30	—	2,950,000	(2,650,000)	300,000	(150,000)	150,000

During the year ended 31st December, 2004, the total amount of consideration received from the Participants for taking up the options granted was HK$103.

In respect of the share options exercised during the year, the weighted average closing price of the Company's shares immediately before the dates of which the options were exercised was HK$5.138 (2004: HK$4.55)

Subsequent to the balance sheet date, 140,000 share options had been exercised.

31. CAPITAL COMMITMENTS

	2005 HK$'000	2004 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	**147,140**	119,594

32. OPERATING LEASE COMMITMENTS/ARRANGEMENTS

The Group as lessee

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

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Within one year	**5,602**	4,768
In the second to fifth year inclusive	**6,003**	3,327
Over five years	**880**	—
	12,485	8,095

Operating lease payments represent rental payable by the Group for certain of its office premises and staff quarters. Leases are negotiated for an average term of two years.

The Group as lessor

Property rental income earned during the year was approximately HK$2,270,000 (2004: HK$1,790,000).

At the balance sheet date, the Group had minimum lease receipts, which represent rentals receivable by the Group for its investment properties, under non-cancellable operating leases which fall due as follows:

	2005	2004
	HK$'000	HK$'000
Within one year	**1,356**	1,860
In the second to fifth year inclusive	**635**	1,991
	1,991	3,851

The investment properties held have committed tenants for an average term of one year.

33. RETIREMENT BENEFITS SCHEME

The Group participates in a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme. New employees joining the Group on or after 1st January, 2002 are also offered a choice of joining the ORSO Scheme or the MPF Scheme.

For members of the MPF Scheme, the Group contributes at the lower of HK$1,000 per month or 5% of relevant payroll costs each month to the MPF Scheme, which contribution is matched by the employee.

The ORSO Scheme is funded by monthly contributions from the Group only at rates ranging from 5% to 11% of the employee's basic salary, depending on the length of service with the Group.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The employees in the Group's PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The subsidiaries in the PRC are required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to income statement of approximately HK$13,715,000 (2004:HK$9,789,000) represents contributions payable to these schemes by the Group in respect of the current accounting period. As at 31st December, 2005, contributions of approximately HK$391,000 (2004: HK$236,000) due in respect of the reporting period had not been paid over to the schemes.

34. RELATED PARTY TRANSACTIONS

Transactions between group companies have been eliminated on consolidation and are not disclosed in this note.

The remuneration of key management during the year was as follows:

	2005 HK$'000	2004 HK$'000
Short-term benefits	**42,956**	40,209
Post-employment benefits	**2,025**	2,025
	44,981	42,234

The remuneration of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

35. BALANCE SHEET OF THE COMPANY

The balance sheet of the Company as at 31st December, 2005 is as follows:

	NOTE	2005 HK$'000	2004 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment in a subsidiary		**55,856**	55,856
Amounts due from subsidiaries		**—**	102,318
Loans to subsidiaries		**17,000**	17,000
		72,856	175,174
Current assets			
Amounts due from subsidiaries		**246,851**	—
Prepayments		**328**	180
Bank balances		**123**	183
		247,302	363
Current liabilities			
Accrued charges		**516**	678
Amount due to a subsidiary		**115,635**	—
Dividend payable		**14**	9
		116,165	687
Net current assets (liabilities)		**131,137**	(324)
		203,993	174,850
CAPITAL AND RESERVES			
Share capital		**61,968**	61,881
Share premium	(a)	**114,992**	112,208
Accumulated profits	(a)	**27,033**	761
		203,993	174,850

35. BALANCE SHEET OF THE COMPANY (Cont'd)

Note:

(a) Reserves

	Share premium HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1st January, 2004	109,502	100,401	209,903
Final dividend declared for the year ended 31st December, 2003	—	(49,130)	(49,130)
Bonus shares issued	(12,283)	—	(12,283)
Shares issued on exercise of share options	14,989	—	14,989
Loss for the year	—	(1,380)	(1,380)
Interim dividend declared	—	(49,130)	(49,130)
At 31st December, 2004	112,208	761	112,969
Final dividend declared for the year ended 31st December, 2004	—	(61,952)	(61,952)
Shares issued on exercise of share options	2,784	—	2,784
Profit for the year	—	143,991	143,991
Interim dividend declared	—	(55,767)	(55,767)
At 31st December, 2005	114,992	27,033	142,025

36. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Company as at 31st December, 2005 which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name of subsidiary	Place of incorporation/ establishment and operations	Issued and fully paid share capital/paid up capital	Proportion of nominal value of issued capital/ paid up capital indirectly held by the Company	Principal activities
東莞龍記五金製品有限公司 Dongguan Lung Kee Metal Products Ltd.	The PRC	HK$110,500,000 (note a)	100	Manufacturing and marketing of mould bases
東莞天祥五金製品有限公司 Dongguan Tin Cheung Metal Products Co., Ltd.	The PRC	HK$33,280,000 (note a)	60	Manufacturing and marketing of metal and parts
河源龍記金屬製品有限公司 Heyuan Lung Kee Metal Products Co., Ltd.	The PRC	HK$370,870,000 (note a)	100	Manufacturing and marketing of mould bases
LKM Heatlock Company Limited	Hong Kong	HK$100	70	Trading of hot runner systems
Lung Kee International Limited	Hong Kong	HK$2 ordinary shares HK$2,000,002 non-voting deferred shares (note b)	100	Investment holding
Lung Kee Metal Japan Company Limited	Japan	JPY300,000,000	100	Manufacturing and marketing of metal and parts
Lung Kee Metal (Malaysia) Sdn. Bhd.	Malaysia	RM750,000	100	Manufacturing and marketing of mould bases
Lung Kee Metal Limited	Hong Kong	HK$2 ordinary shares HK$10,000,002 non-voting deferred shares (note b)	100	Manufacturing and marketing of mould bases

36. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation/ establishment and operations	Issued and fully paid share capital/paid up capital	Proportion of nominal value of issued capital/ paid up capital indirectly held by the Company	Principal activities
龍記鋼材製品(廣州保税區)有限公司 Lung Kee Steel Products (Guangzhou Free Trade Zone) Co. Ltd.	The PRC	HK$91,000,000 (note a)	100	Manufacturing and marketing of mould bases
上海龍記金屬製品有限公司 Shanghai Lung Kee Metal Products Co., Ltd.	The PRC	US$11,600,000 (note a)	100	Manufacturing and marketing of mould bases
Sky Lucky Metal Limited	Hong Kong	HK$100	60	Manufacturing and marketing of mould bases
仕霸工業股份有限公司 Taiwan Supertech Industrial Company Limited	Republic of China	NT$36,000,000	70	Manufacturing and marketing of mould bases
台州龍記金屬製品有限公司 Taizhou Lung Kee Metal Products Co. Ltd.	The PRC	RMB49,750,000 (note a)	100	Manufacturing and marketing of mould bases

Notes:

a. These companies are wholly-owned foreign enterprises established in the PRC.

b. The deferred shares carry practically no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution on winding up.

RESULTS

	Year ended 31st March, 2002 HK$'000	1st April, 2002 to 31st December, 2002 (9 months) HK$'000	Year ended 31st December, 2003 HK$'000	2004 HK$'000	**2005 HK$'000**
TURNOVER	928,886	801,393	1,209,613	1,599,505	**1,899,482**
PROFIT BEFORE TAXATION	104,305	119,931	187,449	268,692	**286,102**
TAXATION	(10,351)	(16,747)	(27,870)	(43,702)	**(40,185)**
PROFIT FOR THE YEAR/PERIOD	93,954	103,184	159,579	224,990	**245,917**
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	71,985	93,360	157,255	220,113	**240,861**
PROFIT ATTRIBUTABLE TO MINORITY INTERESTS	21,969	9,824	2,324	4,877	**5,056**
PROFIT FOR THE YEAR/PERIOD	93,954	103,184	159,579	224,990	**245,917**

ASSETS AND LIABILITIES

	At 31st March, 2002 HK$'000	At 31st December, 2002 HK$'000	2003 HK$'000	2004 HK$'000	**2005 HK$'000**
TOTAL ASSETS	1,477,186	1,749,161	1,830,757	1,997,743	**2,006,002**
TOTAL LIABILITIES	(587,143)	(978,419)	(965,005)	(985,340)	**(845,048)**
NET ASSETS	890,043	770,742	865,752	1,012,403	**1,160,954**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	700,752	750,034	853,983	991,541	**1,136,497**
MINORITY INTERESTS	189,291	20,708	11,769	20,862	**24,457**
TOTAL EQUITY	890,043	770,742	865,752	1,012,403	**1,160,954**

The adoption of new accounting standards in 2005 has no material impact to the Group.

INVESTMENT PROPERTIES

Location	Type of properties	Attributable interest	Lease term
Workshop 6 on ground floor Kwong Sang Hong Centre Nos.151–153 Hoi Bun Road Kowloon	Office premises	100%	Medium-term lease
Workshop No. 2 on ground floor and the yard adjoining thereto Hung Tat Industrial Building No.43 Hung To Road Kowloon	Factory	100%	Medium-term lease
Factory A, C, E on G/F Mai Hing Industrial Building Nos.16–18 Hing Yip Street Kowloon	Factory	100%	Medium-term lease
Car parking space No. L2 and L5 on G/F Mai Hing Industrial Building Nos.16–18 Hing Yip Street Kowloon	Carpark	100%	Medium-term lease

1. A bird's-eye view for Heyuan plant, the PRC
中國河源廠區鳥瞰圖

2. Machining for an automobile mould base
加工中的汽車模架

3. Mould bases of automobile components
汽車配件模架

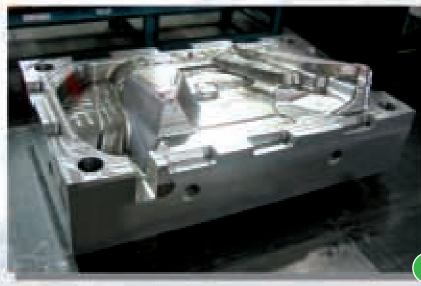
4. High precision standard mould plates and mould components
高精度模板及模具配件

5. Large size mould base production line
大型模架生產線

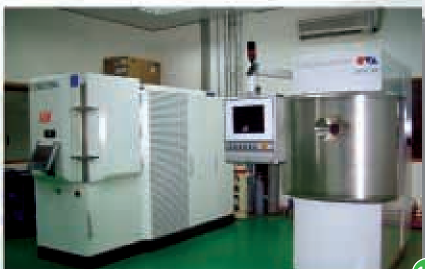
6. New series of plastic mould components
模具配件新系列

7 New factory buildings at Heyuan plant, the PRC
中國河源廠區新廠房

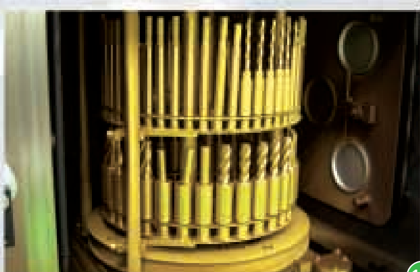
8 Mould base of household electrical product
家電模架



9 Mould base of automobile component with profile milling
成型汽車配件模架



10 Facility on PVD Functional Coating
PVD功能塗層設備



11 Excel-TiN coated cutting tools
經Excel-TiN功能塗層處理之刀具

12 Hot half for a mould equipped hot runner system
熱膠道熱上模加工服務