EVA Precision Industrial Holdings Limited
億和精密工業控股有限公司

(incorporated with limited liability in the Cayman Islands)
(Stock Code: 838)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

FINANCIAL RESULTS

The Board of Directors (the "Directors") of EVA Precision Industrial Holdings Limited (the "Company") are pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2005 together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2005

	Note	2005 HK$'000	2004 HK$'000
Sales	3	**485,023**	296,860
Cost of goods sold		**(323,992)**	(180,725)
Gross profit		**161,031**	116,135
Other gains	4	**597**	35
Selling and marketing costs		**(27,436)**	(15,073)
General and administrative expenses		**(34,627)**	(25,651)
Operating profit	5	**99,565**	75,446
Finance costs	6	**(6,672)**	(4,008)
Profit before income tax		**92,893**	71,438
Income tax expense	7	**(9,678)**	(5,445)
Profit for the year		**83,215**	65,993
Attributable to:			
Equity holders of the Company		**83,215**	65,763
Minority interest		**–**	230
		83,215	65,993
Dividends	8	**31,200**	31,127
Basic earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)	9	**17.6**	16.9

CONSOLIDATED BALANCE SHEET
As at 31 December 2005

	Note	2005 HK$'000	2004 Restated HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**298,064**	208,445
Leasehold land and land use rights		**17,232**	17,788
Goodwill/(Negative goodwill)		**–**	(172)
Prepayments		**25,197**	2,420
Pledged bank deposits		**75,000**	–
Other assets		**653**	–
		416,146	228,481
Current assets			
Inventories		**59,566**	35,347
Trade receivables	*10*	**96,885**	80,286
Prepayments and deposits		**8,310**	3,893
Amounts due from related parties		**–**	4,588
Pledged bank deposits		**36,131**	–
Cash and cash equivalents		**36,029**	18,987
		236,921	143,101
Current liabilities			
Trade payables	*11*	**75,655**	62,544
Accruals and other payables		**22,053**	14,870
Bank borrowings		**95,262**	61,530
Finance lease liabilities		**27,904**	26,502
Current income tax liabilities		**11,374**	10,695
		232,248	176,141
Net current assets/(liabilities)		**4,673**	(33,040)
Total assets less current liabilities		**420,819**	195,441
Non-current liabilities			
Bank borrowings		**80,540**	50,756
Finance lease liabilities		**33,387**	33,928
		113,927	84,684
Net assets		**306,892**	110,757
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**52,000**	2,000
Reserves		**254,892**	108,757
Total equity		**306,892**	110,757

Note:

1. **BASIS OF PRESENTATION AND ACCOUNTING POLICIES**

The Company was incorporated in the Cayman Islands on 12 July 2004 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. On 20 April 2005, through share exchanges between companies comprising the Group (the "Reorganisation"), the Company became the holding company of its subsidiaries now comprising the Group, except for EVA Precision Industrial (Eastern China) Limited and EVA Precision Industrial (Suzhou) Limited, which were established subsequent to that date.

The Reorganisation has been accounted for using merger accounting and, accordingly, the consolidated financial statements of the Group for the year ended 31 December 2005 presented the results of the Group as if the structure of the Group resulting from the Reorganisation had been in existence throughout the year. Comparative figures for the year ended 31 December 2004 have been prepared on the same basis.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and are in compliance with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. They have been prepared under the historical cost convention.

In preparing the financial statements, the directors of the Company have adopted accounting policies consistent with those adopted in the prior year, except for changes as a result of the adoption of new or revised standards and interpretations of HKFRS effective from 1 January 2005. Details of the impact of the adoption of new or revised HKFRS will be disclosed in the Company's annual report. The adoption of these new standards and interpretations of HKFRS does not have a material effect on the accounting policies of the Group, except as set out below:

HKAS 1 Presentation of Financial Statements – The adoption of HKAS 1 has affected the presentation of minority interest and other disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land and land use rights were stated at cost less accumulated depreciation and accumulated impairment losses. The adoption of revised HKAS 17 resulted in:

	As at 31 December	
	2005	2004
	HK$'000	*HK$'000*
Decrease in property, plant and equipment	**17,232**	17,788
Increase in leasehold land and land use rights	**17,232**	17,788

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for negative goodwill. Until 31 December 2004, negative goodwill was recognised in the income statement over a period of 10 years. In accordance with the provisions of HKFRS 3, the Group ceased amortisation of negative goodwill from 1 January 2005, and derecognised the carrying amount of negative goodwill at 1 January 2005, with a corresponding adjustment to retained earnings. The adoption of HKFRS 3, HKAS 36 and HKAS 38 resulted in:

	As at 1 January 2005
	HK$'000
Decrease in negative goodwill	172
Increase in retained earnings	172

2. SEGMENT INFORMATION

At 31 December 2005, the Group was organised into two main business segments: (i) design and fabrication of metal stamping moulds and manufacturing of metal stamping and lathing products; and (ii) design and fabrication of plastic injection moulds and manufacturing of plastic injection products.

	2005			2004		
	Metal stamping HK$'000	Plastic injection HK$'000	Total HK$'000	Metal stamping HK$'000	Plastic injection HK$'000	Total HK$'000
Total gross segment sales	467,982	17,778	485,760	296,860	–	296,860
Inter-segment sales	(737)	–	(737)	–	–	–
Sales	467,245	17,778	485,023	296,860	–	296,860
Segment results	100,334	669	101,003	76,588	(802)	75,786
Unallocated expenses			(1,438)			(340)
Finance costs			(6,672)			(4,008)
Profit before income tax			92,893			71,438
Income tax expense			(9,678)			(5,445)
Profit for the year			83,215			65,993
Depreciation	18,797	1,025	19,822	13,883	–	13,883
Amortisation	556	–	556	20	–	20

Unallocated expenses represented corporate expenses. Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

The segment assets and liabilities are as follows:

	As at 31 December 2005				As at 31 December 2004			
	Metal stamping HK$'000	Plastic injection HK$'000	Un-allocated HK$'000	Total HK$'000	Metal stamping HK$'000	Plastic injection HK$'000	Un-allocated HK$'000	Total HK$'000
Assets	576,518	76,549	–	653,067	348,015	23,567	–	371,582
Liabilities	301,799	33,002	11,374	346,175	245,948	4,182	10,695	260,825
Capital expenditure	77,611	32,027	–	109,638	105,541	–	–	105,541

Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, inventories, trade receivables, and operating cash.

Segment liabilities comprise operating liabilities but exclude income tax liabilities.

Capital expenditure comprises additions to property, plant and equipment, leasehold land and land use rights, including additions resulting from acquisitions through business combinations.

Analysis of the Group's sales by geographical segment is determined based on destination of shipments/delivery of goods. Analysis of the Group's segment assets and capital expenditure is determined based on the location where the assets are located.

No geographical segment analysis on the Group's sales, assets and capital expenditure is presented as substantially all of the Group's sales are derived from Mainland China/Hong Kong, and substantially all of the Group's assets were located in Mainland China/Hong Kong.

3. SALES

	2005	2004
	HK$'000	*HK$'000*
Sales		
Design and fabrication of metal stamping moulds	**62,544**	55,034
Manufacturing of metal stamping and lathing products	**390,097**	228,383
Design and fabrication of plastic injection moulds	**9,433**	–
Manufacturing of plastic injection products	**8,345**	–
Others*	**14,604**	13,443
	485,023	296,860

* *Others mainly represent sales of scrap materials.*

4. OTHER GAINS

	2005	2004
	HK$'000	*HK$'000*
Interest income	**591**	29
Others	**6**	6
	597	35

5. OPERATING PROFIT

Operating profit is stated after crediting and charging the followings:

	2005	2004
	HK$'000	*HK$'000*
Crediting –		
Net exchange gains	**2,362**	85
Amortisation of negative goodwill	**–**	194
Charging –		
Employment costs	**51,397**	32,694
Less: Amount included in research and development costs	**(2,752)**	(1,193)
	48,645	31,501
Depreciation		
– Owned assets	**11,007**	9,079
– Leased assets	**8,815**	4,804
Less: Amount included in research and development costs	**(2,854)**	(1,547)
	16,968	12,336
Research and development costs	**5,606**	2,740
Amortisation of leasehold land and land use rights	**556**	202
Amortisation of goodwill	**–**	12
Auditors' remuneration	**1,290**	650

6. FINANCE COSTS

	2005	2004
	HK$'000	*HK$'000*
Interest expense on:		
Bank borrowings wholly repayable within five years	**4,078**	2,203
Bank borrowings not wholly repayable with five years	**181**	29
Finance lease liabilities	**3,045**	1,776
	7,304	4,008
Less: amount capitalised in construction-in-progress	**(632)**	–
	6,672	4,008

The capitalisation rate was approximately 6.0% per annum, representing the weighted average rate of the costs of borrowings used to finance the Group's construction-in-progress.

7. INCOME TAX EXPENSE

	2005 *HK$'000*	2004 *HK$'000*
Hong Kong profits tax	**4,449**	6,548
Mainland China enterprise income tax	**5,229**	144
Deferred taxation relating to the origination and reversal of temporary differences	**–**	(1,247)
	9,678	5,445

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits for the year (2004: 17.5%).

(b) Mainland China enterprise income tax

The subsidiaries established in Shenzhen, Guangdong Province, Mainland China and Suzhou, Jiangsu Province, Mainland China are subject to Mainland China enterprise income tax at a rate of 15% for the year ended 31 December 2005 (2004: 15%). Shenzhen Heyixing Industrial Co., Ltd., Yihe Precision Hardware (Shenzhen) Co., Ltd. and Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. are production enterprises with operating period of more than ten years and, in accordance with the relevant income tax regulations of Mainland China, are exempted from enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year tax losses, followed by a 50% reduction in enterprise income tax for the next three years. The first profitable year after offsetting prior year tax losses of Shenzhen Heyixing Industrial Co., Ltd. and Yihe Precision Hardware (Shenzhen) Co., Ltd. were 2000 and 2003, respectively. Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd and EVA Precision Industrial (Suzhou) Limited were established in July 2004 and August 2005, respectively, and had no profits subject to tax during the year ended 31 December 2005.

(c) Overseas income taxes

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and, accordingly, is exempted from the Cayman Islands income tax. The Company's subsidiaries established in the British Virgin Islands were incorporated under the International Business Companies Acts of the British Virgin Islands and accordingly, are exempted from the British Virgin Islands income tax.

8. DIVIDENDS

Dividends paid during the year ended 31 December 2005 were HK$15,600,000 (HK3 cents per share) (2004: HK$27,635,000). A final dividend of HK2.6 cents per ordinary share, totalling HK$15,600,000, is to be proposed at the Annual General Meeting on 24 May 2006. The proposed dividend was not reflected as a dividend payable as at 31 December 2005 but was reflected as an appropriation of retained earnings for the year ended 31 December 2005.

	2005 *HK$'000*	2004 *HK$'000*
Interim dividend paid of HK1.8 cents per ordinary share	**9,360**	–
Special dividend paid of HK1.2 cents per ordinary share	**6,240**	–
Proposed final dividend of HK2.6 cents per ordinary share	**15,600**	–
Other dividends	**–**	31,127
	31,200	31,127

Dividends of HK$31,127,000 during the year ended 31 December 2004 represented dividend declared by subsidiaries to their then shareholders prior to the Reorganisation (Note 1), of which HK$3,492,000 were settled by offsetting amounts due from related parties at the instructions of relevant shareholders.

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of (i) 473,699,000 ordinary shares in issue during the year ended 31 December 2005; and (ii) 390,000,000 ordinary shares deemed to be in issue during the year ended 31 December 2004 as if the share capital of the Company outstanding immediately after the share exchanges in connection with the Reorganisation and the related subsequent capitalisation issue had been in existence throughout the year.

	2005	2004
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**83,215**	65,763
Weighted average number of ordinary shares in issue (thousands)	**473,699**	390,000
Basic earnings per share (HK cents per share)	**17.6**	16.9

Diluted earnings per share for the years ended 31 December 2005 and 2004 are not presented because there were no dilutive potential ordinary shares in existence during the year.

10. TRADE RECEIVABLE

The credit period granted by the Group to its customers is generally around 30 to 90 days. The aging analysis of the trade receivables is as follows:

	2005	2004
	HK$'000	*HK$'000*
0 to 90 days	**95,093**	74,303
91 to 180 days	**2,483**	3,340
181 to 365 days	**188**	3,757
Over 365 days	**309**	74
	98,073	81,474
Less: Provision for impairment of trade receivables	**(1,188)**	(1,188)
	96,885	80,286

11. TRADE PAYABLE

The aging analysis of trade payables is as follows:

	2005	2004
	HK$'000	*HK$'000*
0 to 90 days	**71,915**	59,897
91 to 180 days	**3,646**	2,077
181 to 365 days	**94**	570
	75,655	62,544

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2005, the Group was principally engaged in (i) the design and fabrication of precision metal stamping and plastic injection moulds; (ii) manufacturing of precision metal stamping and plastic injection products and (iii) lathing of metal components. A review of the Group's operations for the year ended 31 December 2005 by major business segments is as follows:

Metal division

During the year ended 31 December 2005, the overall turnover of the Group increased by 63% to approximately HK$485,023,000 as compared to that of approximately HK$296,860,000 for the year ended 31 December 2004. The significant rise in the Group's overall turnover for the year ended 31 December 2005 was mainly contributed by the continuous growth of the Group's long-established metal division, the turnover of which increased by approximately HK$170,385,000, or 57.4% over that for the year ended 31 December 2004. During the year, the Group's metal division continued to focus on serving renowned Japanese office automation equipment manufacturers including Toshiba, Konica Minolta, Canon, Kyocera Mita, Fuji-Xerox, Ricoh, Epson and Brothers and sales by metal division to Japanese customers accounted for approximately 80.9% of the Group's total sales for the year ended 31 December 2005 (2004: 77%).

As a service provider to reputable manufacturers with international renowned brand names, management believes that the Group's business is strongly influenced by the characteristics of its major customer group. Management believes that the key focus of Japanese manufacturers, which are currently the Group's major customer group, include (i) a strong emphasis on product quality, in particular for office automation equipment such as copiers and fax machines whose components require high precision standards to ensure the effective functioning of the equipment; (ii) emphasis on production efficiency to minimise production lead time and just-in-time inventory management and (iii) active involvement in the production process of its suppliers to ensure product quality and frequent mutual communications with a view to improving the production efficiency of its suppliers. To meet the stringent requirements of its customers, the Group has been following the Japanese style of management since the early stage of its establishment, which includes the implementation of the Japanese 7S management framework (Strategy; Structure; Systems; Style; Staff; Super-ordinate goals and Skills). Furthermore, to ensure high precision standards in manufacturing components for its customers, the Group had invested in high quality equipment. A substantial portion of the Group's production machinery is first-tier equipment produced by international renowned brand names such as Aida, Sodick, Agie, Panasonic and Nomura. The Group also maintains a strong quality control team with 176 employees as at 31 December 2005.

Such investment in quality and production management has proven to be beneficial to the Group. During the year ended 31 December 2005, the sales of the Group's metal division to most of its major Japanese customers increased significantly. In addition, Japanese customers who placed sale orders to the Group on a trial basis previously also increased their orders in 2005, resulting in a significant surge in sales of the Group's metal division to these customers during the year ended 31 December 2005.

To maintain its competitive advantage in product quality and management, the Group will continue to invest in first-tier machinery and equipment with a view to coping with the continuing increase in customer orders in 2006. A new production plant had also been established in the Suzhou city of the Yangtze Delta region of the PRC to serve the needs of our existing customers in that region and this new plant is expected to commence commercial production in May 2006, providing the Group with an estimated additional 40% increase in production capacity. In line with the Group's business expansion, experienced engineers and skilful talent were recruited, which included two senior Japanese management members who formerly held management positions with reputable Japanese corporations. Management believes that the Group will continue to benefit from the outsourcing trend of its Japanese customers, provided that the Group is able to improve its product quality and management on a continuing basis.

Apart from Japanese customers, the remaining 19.1% of sales of the Group's metal division was derived from reputable Hong Kong or international companies during year ended 31 December 2005. To broaden its customer base, the Group will continue to attract new customers. However, it is the policy of the Group to be selective in choosing new customers and management will take into account a number of factors, including the pricing of products and credibility of the potential customers in making its decision.

Plastic division

The first production line of the Group's plastic division was established in late 2004. The Group decided to expand into plastic business because, while part of the office automation equipment manufactured by its customers is made of metal parts and components, plastic components account for the remaining portion. Management believes that the expansion into plastic business will not only provide the momentum for the Group's future growth, but also enable the Group to provide a more comprehensive services to its customers and reduce the production costs of its customers in logistic and quality control aspects that arise from their current practices to outsource the production of metal and plastic components to different suppliers.

As reported in our interim report, the plastic production line was operated on a trial basis in the Group's No.2 factory building in Shenzhen during the first half of 2005. It was moved to the Group's No.3 factory building in Shenzhen, which was built to accommodate the Group's plastic division, on 18 July 2005. Prior to the relocation of the plastic production line to No.3 factory building, the Group's plastic division was operated on a trial basis during which small scale orders were accepted for test-running the plastic production line and management members of the Group's plastic division devoted substantial effort in fine-tuning the production process and obtaining feedback from customers. As the plastic division was only operated on a trial basis with a view to test-running its production line, it recorded a loss of approximately HK$3,215,000 during the six months ended 30 June 2005.

In the second half of 2005, the Group's plastic division continued to develop and the Group had experienced an increase in orders from customers for plastic injection moulds and components during the second half of 2005. Turnover of the Group's plastic division increased to approximately HK$17,778,000 during the year ended 31 December 2005, as compared to a turnover approximately of HK$3,173,000 for the six months ended 30 June 2005. Operating profit of the Group's plastic division for the second half of 2005 was approximately HK$3,884,000 and, after covering the initial loss of approximately HK$3,215,000 which was incurred during the trial production period in the first half of 2005, the Group's plastic division reported an overall operating profit of approximately HK$669,000 during the entire year ended 31 December 2005.

Under the Group's existing business model, the Group's customers normally required the Group to design and manufacture the relevant metal stamping and plastic injection moulds prior to the mass production of metal stamping and plastic components. After the moulds have been accepted by customers and payments for mould production have been received, the completed moulds are consigned in the Group's production plant for the subsequent production of metal stamping and plastic injection components. As the Group's plastic division only commenced commercial operations during the year ended 31 December 2005, a higher portion of its customer orders is related to the production of moulds. As such, the percentages of revenue from production of moulds and components to total turnover of the Group's plastic division were approximately 53% and 47% respectively during the year ended 31 December 2005, as compared to the percentages of 13% and 83% of the metal division during the same year. The plastic injection moulds produced by the Group during the year ended 31 December 2005 have been consigned in the Group's production plant for the manufacture of plastic injection components in subsequent years.

HUMAN RESOURCES

As at 31 December 2005, the total number of employees of the Group was 2,316, representing a growth of 33.8% as compared to 1,731 employees as at 31 December 2004. The increase in headcount was primarily due to the overall expansion of the Group during the year ended 31 December 2005.

The Group considers its employees, in particular the skilled technicians and production management members, as its core assets since the Group's future success relies on the strengthening of its product quality and management on a continuing basis. Apart from the continuing recruitment of domestic talents, seasoned Japanese management with strong production management experience are also recruited. In the second half of 2005, two seasoned Japanese managers with more than 30 years of management experience in reputable Japanese corporations joined the Group as senior management members to assist the Group in strengthening its production management and communications with its customers.

Remuneration policy is reviewed regularly, making reference to the prevailing legal framework, market conditions and performance of the Group and individual staff. However, apart from providing attractive remuneration packages, management believes that the creation of a harmonious working environment suitable for the development of employees' potential is also important for attracting and retaining qualified staff for its future success, in particular in a business environment where shortage of labour exists. Various employee activities were organised to build team spirit among the staff, which includes the organisation of company outings and sport activities in which the Group's employees, top management (including executive directors) and customers participated. Substantial resources were also devoted to improve the factory and dormitory environment of the Group with a view to providing an attractive working and living environment for the Group's employees and, as a result of which, the Group was awarded with an "Green Garden Community Honour Certificate (園林式、花園式(小區)榮譽証書)" granted by the Shenzhen Municipal Government.

FOREIGN CURRENCY EXPOSURE

A substantial portion of the Group's customers are reputable international manufacturers with worldwide distribution networks. At the same time, a majority of the Group's suppliers are international steel and metal producers designated by the Group's customers. Accordingly, most of the Group's sales and cost of sales are currently made in HK dollars and US dollars and only a portion of its sales and purchases are denominated in Renminbi. During the year ended 31 December 2005, approximately 47%, 50% and 3% (2004: 70%, 25% and 5%) of the Group's sales and approximately 36%, 55% and 9% (2004: 41%, 47% and 12%) of the Group's purchases were denominated in Hong Kong dollars, US dollars and Renminbi, respectively.

Management is aware of the potential foreign currency risk that may arise from the continuous appreciation of Renminbi. Although only a small portion of the Group's purchases are denominated in Renminbi currently, the Group had taken actions to manage its foreign currency exposure. During the year ended 31 December 2005, management had refinanced the Group's Renminbi borrowings with Hong Kong dollar loans and accordingly, the percentage of Renminbi borrowings to the Group's total bank borrowings reduced from approximately 12.6% as at 31 December 2004 to nil as at 31 December 2005. As at 31 December 2005, deposits denominated in Renminbi amounting to RMB37,600,000 (equivalent to approximately HK$36,131,000) was pledged for obtaining Hong Kong dollar loans of an equivalent amount, which effectively acted as a hedge against the appreciation of Renminbi. Management will evaluate the Group's foreign currency exposure on a continuing basis and take further actions to minimize the Group's exposure whenever necessary.

An analysis of the Group's turnover and results by segment is as follows:

	Year ended 31 December				**Six months ended 30 June** *(Note 1)*			
	2005		2004		**2005**		2004	
	HK$'000	*%*	*HK$'000*	*%*	***HK$'000***	*%*	*HK$'000*	*%*
Turnover								
Metal division								
Design and fabrication of metal stamping moulds	**62,544**	**12.9%**	55,034	18.5%	**24,806**	**12.4%**	25,906	20.8%
Manufacturing of metal stamping components and lathing products	**390,097**	**80.4%**	228,383	76.9%	**166,055**	**83.1%**	92,969	74.6%
Others *(Note 2)*	**14,604**	**3.0%**	13,443	4.6%	**5,730**	**2.9%**	5,718	4.6%
	467,245		296,860		**196,591**		124,593	
Plastic division								
Design and fabrication of plastic injection moulds	**9,433**	**2.0%**	–	–	**2,548**	**1.3%**	–	
Manufacturing of plastic injection components	**8,345**	**1.7%**	–	–	**625**	**0.3%**	–	
	17,778		–		**3,173**		–	
Total	**485,023**		296,860		**199,764**		124,593	
Segment results								
Metal division	**100,334**		76,588		**41,272**		30,976	
Plastic division	**669**		(802)		**(3,215)**		–	
Operating profit	**101,003**		75,786		**38,057**		30,976	
Unallocated expenses	**(1,438)**		(340)		**–**	–		
Finance costs	**(6,672)**		(4,008)		**(3,661)**		(1,361)	
Income tax expense	**(9,678)**		(5,445)		**(3,512)**		(2,388)	
Minority interest	**–**		(230)		**–**		(230)	
Profit attributable to equity holders of the Company	**83,215**		65,763		**30,884**		26,997	

FINANCIAL REVIEW

Turnover

Metal division

The increase in turnover of the Group's metal division by 57.4% from approximately HK$296,860,000 for the year ended 31 December 2004 to approximately HK$467,245,000 for the year ended 31 December 2005 was primarily driven by the increase in revenue generated from manufacturing of metal stamping and lathing products. With the continuous development of the Group's production management and its reputation among prominent international manufacturers, the Group experienced an increase in sale orders from its existing customers during the year ended 31 December 2005. Those customers which placed sale orders to the Group on a trial basis previously also started to increase its orders to the Group, which contributed to the significant increase in revenue generated from the manufacture of metal stamping and lathing products during the year ended 31 December 2005.

Plastic division
The Group's plastic division only commenced commercial operations during the year ended 31 December 2005. As a newly established division, revenue generated by the Group's plastic division only constituted approximately 3.7% of the Group's total turnover during the year ended 31 December 2005. Since a majority of the Group's customers required the Group to design and manufactures the moulds prior to the mass production of components under the current business model of the Group, a majority of customer orders received by the Group's plastic division were related to mould production during its initial stage of operations in 2005. As such, the percentages of revenue from production of moulds and components to total turnover of the Group's plastic division were approximately 53% and 47% respectively during the year ended 31 December 2005, as compared to the percentages of 13% and 87% of the metal division during the same year. The moulds produced by the Group's plastic division during the year ended 31 December 2005 have been consigned in the Group's production plant for the manufacture of plastic injection components in subsequent years.

Gross profit
The Group achieved a gross profit of approximately HK$161,031,000 for the year ended 31 December 2005, representing an increase of 38.6% as compared to that for the year ended 31 December 2004. Gross profit margin for the year ended 31 December 2005 was approximately 33.2%, which decreased as compared to that of 39.1% for the year ended 31 December 2004. The decrease in gross profit margin was primarily because (i) the Group's revenue from the manufacture of metal stamping and plastic injection components and lathing products increased significantly by 74.5% and its proportion to total turnover increased from approximately 76.9% for the year ended 31 December 2004 to approximately 82.1% for the year ended 31 December 2005. At the same time, with the significant increase in revenue from the manufacture of metal stamping and plastic injection components and lathing products, the proportion of revenue from design and fabrication of metal stamping and plastic injection moulds to total turnover was diluted from 18.5% for the year ended 31 December 2004 to 14.9% for the year ended 31 December 2004 although its amount increased by approximately 30.8% from approximately HK$55,034,000 for the year ended 31 December 2004 to approximately HK$71,977,000 for the year ended 31 December 2005. Since the gross profit margin from the manufacture of components and lathing products is generally lower than that from design and fabrication of moulds, the significant increase in revenue from the manufacture of metal stamping and lathing products had diluted the Group's overall gross profit margin for the year ended 31 December 2005 and (ii) with the continuous development of the Group's production management and its reputation among customers, management believe that the Group is poised to achieve further growth in revenue in the future. To establish a solid foundation for the Group's future growth, the Group has been expanding its scale of operations since the latter half of 2004 which included the establishment of new production lines and the recruitment and training of additional production and management personnel with a view to accommodating the expected surge in sale orders in the coming years. The expansion of the Group's scale of operations had increased the Group's production overhead costs, which are semi-fixed in nature, and consequently lowered the Group's overall gross profit margin during the year ended 31 December 2005. Nevertheless, management considers the expansion of operating scale as a necessary step for achieving future growth and expects the effect of increased production overhead costs to be offset through economy of scale brought by the continuous increase in the Group's turnover in the future.

However, as compared to the six months ended 30 June 2005, the overall gross profit margin of the Group for the year ended 31 December 2005 had increased by approximately 0.7% as compared to that of approximately 32.5% for the six months ended 30 June 2005. The increase in gross profit margin was mainly attributable to (i) the increase in the percentage of revenue from design and fabrication of moulds to total turnover from approximately 13.7% for the six months ended 30 June 2005 to approximately 14.9% for the year ended 31 December 2005 which were primarily caused by the increase in orders for production of moulds from customer in the second half of 2005 in preparation for the production of components in 2006 and (ii) economy of scale brought by the continuous increase in the Group's turnover in the second half of 2005 which partially offset the increased semi-fixed production overhead costs resulting from the expansion of the Group's scale of operations.

Segment results
For the year ended 31 December 2005, segment result of the Group's metal division amounted to approximately HK$100,334,000, representing a 31.0% increase as compared to that of approximately HK$76,588,000 for the year ended 31 December 2004. This increase was primarily brought by the surge of turnover of the Group's metal division during the year.

The Group's plastic division commenced commercial operations during the year ended 31 December 2005. In the first half of 2005, the Group's plastic division was operated on a trial basis during which small orders were accepted primarily for test-running the production process. Since the Group's plastic division was not operated on full scale, it recorded an initial loss of approximately HK$3,215,000 during the six months ended 30 June 2005.

In the second half of 2005, the Group's plastic division continued to develop and the Group had experienced an increase in orders from customers and plastic injection moulds and components during the second half of 2005. Segment result of the Group's plastic division for the second half of 2005 was approximately HK$3,884,000 and, after covering the initial loss of approximately HK$3,215,000 which was incurred during the first half of 2005, the Group's plastic division reported an overall operating profit of approximately HK$669,000 for the entire year ended 31 December 2005.

Finance costs

Prior to its initial public offering in May 2005, the Group had primarily relied on bank loans and finance lease arrangements to finance the expansion of its business. Since the Group has been expanding its scale of operations since the latter half of 2004, the balance of bank loans and finance lease obligations increased during the first half of 2005 which consequently resulted in an increase in the Group's finance costs from approximately HK$1,361,000 for the six months ended 30 June 2004 to approximately HK$3,661,000 for the six months ended 30 June 2005.

Following its initial public offering in May 2005, the Group had been able to utilise a portion of its listing proceeds and cash generated from operating activities to finance its capital expenditure and daily operational requirements and had become less reliant on borrowings. Accordingly, despite (i) the continuous expansion of the Group's Shenzhen production plant; (ii) the commencement of construction of the Group's new Suzhou production plant in the latter half of 2005 and (iii) the increase in market interest rates in the second half of 2005, the finance costs of the .Group for the second half of 2005 decreased to approximately HK$3,011,000 as compared to that of approximately HK$3,661,000 for the first half of 2005. The finance costs of the Group for the entire year ended 31 December 2005 totaled HK$6,672,000.

Income tax expense

Yihe Precision Hardware (Shenzhen) Co., Ltd., the Group's principal subsidiary in the PRC, is subject to PRC enterprise income tax at a rate of 15%. However, it is fully exempted from PRC enterprise income tax for two years starting from its first year of profitable operations, followed by a 50% reduction in PRC enterprise income tax for the next three years. The tax exemption period of Yihe Precision Hardware (Shenzhen) Co., Ltd. ended on 31 December 2004 and it was subject to a tax rate of 7.5% during the year ended 31 December 2005. Coupled with the increase in the Group's profit before income tax, the Group experienced an increase in income tax expense for the year ended 31 December 2005 as compared to the previous year.

Profit attributable to equity holders of the Company

Despite an increase in finance and income tax expenses and the decrease in overall gross profit margin which was primarily caused by the change in the respective percentage of revenue from mould and component production to total turnover as mentioned above, the overall profit attributable to equity holders of the Company increased by approximately 26.5% from approximately HK$65,763,000 for the year ended 31 December 2004 to approximately HK$83,215,000 for the year ended 31 December 2005, which was primarily attributable to the continuous increase in the Group's turnover during the year.

LIQUIDITY, FINANCIAL RESOURCES AND RATIOS

Following the Company's initial public offering on 11 May 2005, the Group received net proceeds of approximately HK$125,080,000 which are intended to be used to finance the future expansion of the Group's Shenzhen operations and repayment of loans. For the year ended 31 December 2005, the Group recorded net cash generated from operating activities amounting to approximately HK$75,772,000, representing an increase of approximately 44.7% as compared to that of approximately HK$52,356,000 for the year ended 31 December 2004. The increase in net cash generated from operating activities was in line with increase in the turnover and profit of the Group during the year ended 31 December 2005. Net cash used for investing activities which was primarily related to the purchases of fixed assets and amounted to approximately HK$92,952,000 for the year ended 31 December 2005, increased by approximately 90.3% as compared that of approximately HK$48,854,000 for the year ended 31 December 2004 due to the continuous expansion of the Group's scale of operations. In addition, the Group recorded an increase in net cash generated from financing activities from approximately HK$5,166,000 for the year ended 31 December 2004 to approximately HK$34,222,000 for the year ended 31 December 2005 which was a result of the combination of (i) the receipt of the net proceeds from the Company's initial public offering during the year ended 31 December 2005 and (ii) the increase in repayment of borrowings during the year ended 31 December 2005 as the Group had become less reliant on borrowings for its daily operations and business expansion as mentioned above.

Bank loans as at 31 December were denominated in Hong Kong dollars with fixed or floating interest rates and were used to finance the Group's operations and expansion. Treasury activities are controlled by senior management members with an objection of achieving a balance between the Group's expansion needs and its financial stability. An analysis of the Group's key liquidity and capital adequacy ratios as at 31 December 2005 are as follows:

	31 December 2005	31 December 2004
Inventory turnover days *(Note 1)*	**67**	71
Debtors' turnover days *(Note 2)*	***73***	*99*
Creditors' turnover days (*Note 3)*	**85**	126
Current ratio *(Note 4)*	**1.02**	0.81
Net debt-to-equity ratio *(Note 5)*	**0.29**	1.39

Note:

1. Calculation of inventory turnover days is based on the ending inventories divided by cost of goods sold and multiplied by the number of days during the year.

2. Calculation of debtors' turnover is based on the ending balance of trade receivables divided by turnover and multiplied by the number of days during the year.

3. Calculation of creditors turnover is based on the ending balance of trade payables divided by cost of goods sold and multiplied by the number of days during the year.

4. Current ratio is calculated based on the Group's total current assets divided by total current liabilities.

5. Net debt-to-equity ratio is calculated based on the total balance of bank borrowings, finance lease obligations and amount due to related parties less cash and bank balances divided by shareholders' equity.

Inventory turnover days

Substantially all of the Group's Japanese customers have their own designated raw material suppliers. These Japanese customers generally require the Group to purchase raw materials from their designated suppliers for the manufacture of metal and plastic components and delivery and pricing of raw materials are negotiated based on three-way communications among the Group, its customers and suppliers. This practice enables the Group to manage its inventories in an efficient manner despite a continuous increase in its turnover and business scale. The Group's inventory turnover days for the year ended 31 December 2005 was approximately 67 days, which decreased by 4 days as compared to that for the year ended 31 December 2004 owing to a continuous improvement of the Group's inventory management.

Debtors' and creditors' turnover days

During the year ended 31 December 2005, the Group's debtors' and creditors' turnover days decreased from approximately 99 days and 126 days for the year ended 31 December 2004 to approximately 73 days and 85 days respectively owing to the continuous improvement of the Group's cash flow management during the year.

Current ratio and net debt-to-equity ratio

During the year ended 31 December 2005, the Group received net proceeds from initial public offering amounting to approximately HK$125,080,000. Consequently the Group had become less reliant on borrowings for its daily operations and business expansion. Coupled with the continuous inflow of cash from operations, the Group's current ratio and net debt-to-equity ratio improved and changed from approximately 0.81 and 1.39 as at 31 December 2004 to approximately 1.02 and 0.29 as at 31 December 2005.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2005, the charges on the Group's assets included (i) pledge of bank deposits of approximately HK$111,131,000; (ii) pledge of leasehold land and buildings located in Hong Kong with net book value of approximately HK$7,163,000 and HK$1,874,000, respectively, and (iii) mortgage of equipment under finance lease obligations with net book value of HK$106,116,000. Such charges are used for securing the Group's bank borrowings and finance lease obligations.

OUTLOOK

Management sees great potential in both the global and regional markets taking into account (i) the global and the PRC mould markets grew by 7.2% and 20.3% in 2004, respectively; (ii) in 2004, only 50% of the demand for high quality and high precision mould products in the PRC had been met by domestic production, with the remaining portion being satisfied by imported moulds, indicating a strong potential for the growth in demand for domestically-produced high precision moulds in the PRC; (iii) the PRC is expected to become a more visible and key electronics production base in Asia Pacific, sharing 42% of the region's electronic equipment production by 2007; and (iv) outsourcing by Japanese manufacturers to non-Japanese suppliers is still fairly new with a majority of the components used by the Group's customers still being manufactured by suppliers with Japanese background, whose operating costs are generally higher than those of the domestic companies. Taking into account the above factors, management believes that the Group is poised to achieve future growth as a result of the expansion in mould and electronic equipment markets in the PRC as well as market share gains.

Management considers 2005 and 2006 to be the years of investment. During the year ended 31 December 2005, the Group had made investments to transform itself from a metal mould and component suppliers to a comprehensive service provider covering metal and plastic moulds and components and related assembly services with a view to reducing the costs of the Group's customers in logistic and quality control aspects that arise from their current practices of outsourcing the production of metal and plastic components and related assembly services to different suppliers. As part of the Group's expansion plan, a new No.3 factory building adjacent to the Group's existing plants in Shenzhen commenced commercial operations on 18 July 2005. The new No.3 factory building serves as the Group's production base for design and fabrication of plastic injection moulds, plastic injection components and assembly services currently with a monthly production capacity of approximately 55 sets of plastic moulds and 2,700,000 units of plastic components. Management believes that the horizontal expansion into the plastic injection mould and component manufacturing business is critical to the Group's transformation into a comprehensive service provider and will also provide the Group with the momentum for growth in the coming years.

The Group's Shenzhen plant is currently serving the production factories of its customers, which primarily comprises top-tier Japanese brand names for office automation equipment and consumer electronic products, located within the Pearl Delta Region. During the year ended 31 December 2005, Konica Minolta (one of the major customers of the Group) had indicated to the Group that it was constructing a new production plant in the Wuxi city of the Yangtze Delta region which would be in addition to their production base in the Pearl Delta Region. This new plant of Konica Minolta, which had commenced production in late 2005, would also require the same type of products and services currently provided by the Group in Shenzhen. Further, a number of other existing customers of the Group have established their production bases in the Yangtze Delta Region which include Canon in Suzhou and Fuji-Xerox and Ricoh in Shanghai. In addition, the Yangtze Delta Region has become a production hub for various other multi-national manufacturers which are also target customers of the Group taking into account (i) the credibility of these multi-national manufacturers; (ii) the potential scale of their future sale orders and (iii) the higher profitability which is likely to be obtained by serving multi-national manufacturers than small scale local manufacturers owing to the higher quality and production requirements of multi-national manufacturers. As such, with a view to capturing the business opportunities that have arisen from the expansion of business of its existing and target customers in the Yangtze Delta Region and strengthening the Group's relationship with its existing customers, management resolved to establish a new production plant in Suzhou, the PRC, during the year ended 31 December 2005. Supported by the Group's Shenzhen and Suzhou factories, management believes that the Group will be able to enlarge its coverage of customers in Southern and Eastern China, whilst maximising economies of scale.

The construction of the Group's new production plant in Suzhou was completed in January 2006. Currently the Group's new production plant in Suzhou was under trial production stage and management members of the Group's new production plant in Suzhou are currently working with certain of the Group's existing customers which include Konica Minolta, Ricoh and Canon for fine-tuning the production process. The Group's new production plant in Suzhou will commence commercial production in May 2006. At its initial stage of operations, the Group's new production plant in Suzhou will focus on tapping potential businesses from the Group's existing customers located in the Yangtze Delta Region but at the same time it will also strive to expand and obtain businesses from other reputable multi-national manufacturers at the later stage.

Apart from the new production plant in Suzhou, management also plans to expand the production capacity of the Group's existing production plant located in Shenzhen during the year ending 31 December 2006 in order to handle the continuous increase in future customer orders. With a view to financing the expansion of production capacity, a top-up placement was executed in March 2006 for the placement of 80,000,000 shares to institutional investors. Net proceeds of approximately HK$107,462,000 was obtained from the placement and management intends to apply the proceeds to expand the production capacity of the Group as to approximately HK$92,000,000 for the acquisition of new machineries and as to approximately HK$15,462,000 for general working capital of the Group.

Under the current business model of the Group, the metal stamping and plastic injection moulds produced by the Group are primarily consigned in the Group's production plant and used for the subsequent production of metal stamping and plastic injection components. This business model provides a stable income stream for the Group since the production cycles of moulds normally last for three to four years. However, at the same time, management also sees the potential in manufacturing and selling the moulds on standalone basis taking into account (i) the growing demand for moulds in the PRC market and (ii) the demand for high precision moulds from the Group's existing customers and other multi-national manufacturers for use in their factories located outside Hong Kong and the PRC. Accordingly, as mentioned in the Prospectus dated 29 April 2005, the Group intends to establish a mould research and development centre in Shenzhen. The purpose of establishing the mould research and development centre is to expand the production capacity and improve the technical expertise for the manufacture of moulds with a view to (i) capturing the potential businesses from the selling of moulds on standalone basis and (ii) supporting the continuous expansion of component production under the existing business model.

As described above, one of the key characteristics of the Group's existing Japanese customers is their strong emphasis on quality and production management. Accordingly, apart from the expansion of production capacity, the Group also devoted substantial resources in strengthening its product quality and management and, in return, the Group continued to receive accreditations from its customers which included (i) the "Very Valuable Vendor" Award granted by Canon; (ii) an "Acclamation Ceritificate (表彰狀)" granted by Konica Minolta; (iii) an approval certificate for chemical substances management (CMS) standard granted by Ricoh and (iv) "Excellent Supplier" Award granted by Toshiba. Management believes that the Group's commitment to product quality and management, coupled with the investments made for providing more comprehensive services to its customers, will strengthen its customer relationships which will in turn transform into economic benefits for the Group.

Currently the Group is primarily serving as a mould and component supplier to reputable Japanese manufacturers engaging in the production of office automation equipment which includes copiers, fax machines and printers. Taking into account (i) the Group primarily focused on the production of metal stamping moulds and components previously with other business opportunities relating to the office automation equipment market which include the manufacture of relevant plastic injection components and moulds and the provision of assembly services to office automation equipment manufacturers remained unexplored and (ii) outsourcing by Japanese manufacturers to non-Japanese suppliers is still fairly new with a majority of the components used by the Group's customers still being manufactured by suppliers with Japanese background, management believes that there are still ample opportunities for the continuous expansion of the Group in the office automation equipment market. However, at the same time, the Group continuously searches for other growth opportunities and, as part of such exploration, the Group successfully passed the TS16949:2002 accreditation, an international quality accreditation for the manufacture of automobile parts in January 2006 and the Group had started to obtain small scale orders for the production of automobile parts on trial basis. However, taking into consideration (i) there are still ample opportunities for the expansion of the Group in the existing office automation equipment market and (ii) the substantial time that may be required for the successful establishment of solid business relationship with reputable automobile manufacturers, management will continue to focus a majority of its resources in the office automation equipment market and expects a substantial portion of its customer orders continues to come from office automation equipment manufacturer in near future.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

The Company's shares were listed on the Main Board of The Hong Kong Stock Exchange on 11 May 2005. Save for the above, neither the Company nor any of its subsidiaries purchases, sold or redeemed any of the Company's shares during the year ended 31 December 2005.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK2.6 cents per ordinary share, totaling approximately HK$15,600,000. Subject to the approval of the Directors' recommendation by the Shareholders at the annual general meeting to be held 24 May 2006, the final dividend will be payable on or about 30 May 2006. Including the interim and special dividends paid on 20 October 2005 in respect of the six months ended 30 June 2005, the total dividends declared for the year ended 31 December 2005 will be HK$31,200,000.

AUDIT COMMITTEE

The Company has set up an audit committee (the "Committee"), in accordance with the requirements of the Code of Corporate Governance Practices, for the purpose of reviewing and providing supervision on the financial reporting process and internal control system of the Group. The Committee comprises the three independent non-executive directors with Dr. Lui Sun Wing as the chairman. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters with management including a review of the audited consolidated accounts for the year ended 31 December 2005.

SHARE ISSUE AFTER BALANCE SHEET DATE

On 28 February 2006, Prosper Empire Limited entered into a placing agreement pursuant to which Prosper Empire Limited agreed to place 80,000,000 existing ordinary shares with an aggregate nominal value of HK$8,000,000 owned by Prosper Empire Limited at a price of HK$1.38 per share to not less than six independent investors. The placing price represented (i) a discount of approximately 7.38% to the closing price of HK$1.49 per share as quoted on The Stock Exchange of Hong Kong Limited on 23 February 2006, being the last trading day before the terms of the relevant transactions were fixed and (ii) a discount of approximately 7.63% to the average closing price of the shares of approximately HK$1.494 per share over the last five consecutive trading days up to and including 23 February 2006. On the same day, Prosper Empire Limited entered into a subscription agreement with the Company for the subscription of 80,000,000 new ordinary share with an aggregate nominal value of HK$8,000,000 at HK$1.38 which is equivalent to the placing price. The net subscription price, after deducting the costs of the relevant transactions, amounted to approximately HK$1.34 per share. The placing shares represented approximately 15.38% of the then existing issued share capital of the Company and approximately 13.33% of the Company issued share capital as enlarged by the subscription and the consequent issuance of 80,000,000 new shares. The relevant transactions are completed in March 2006 and the net proceeds of approximately HK$107,462,000 were received by the Company.

The purpose of the share issue through the above-mentioned placing and subscription is to expand the production capacity of the Group and the net proceeds of HK$107,462,000 are intended to be utilised as to approximately HK$92,000,000 for the acquisition of new machineries and as to approximately HK$15,462,000 for general working capital purposes. Up to the date of this announcement, approximately HK$9,714,000 and HK$15,462,000 of the net proceeds had been utilised for the acquisition of new machineries and general working capital respectively, whilst the remaining balances are placed on short-term bank deposits for future uses.

MODLE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the code of conduct regarding securities transactions by directors set out in Appendix 10 to the Listing Rules during the year ended 31 December 2005. Having made specific enquiry of all Directors, all Directors confirm that they have complied with the required standard set out in the Model Code regarding securities transactions by the Directors since the listing of the Company's shares on the Main Board of The Hong Kong Stock Exchange on 11 May 2005.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company and the directors confirm, to the best of their knowledge, that the Company has compiled with the Corporate of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules since the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited on 11 May 2005, except that the Group has not held board meetings for at least four times during the year ended 31 December 2005 due to the fact that the Group was listed on the Main Board of the Stock Exchange of Hong Kong Limited only since 11 May 2005 and the Company had encountered difficulties in arranging meetings of all directors during the year. With a view to complying with the Code of the Corporate Governance Practices, the Company had planned in advance four scheduled board meetings for the year ending 31 December 2006. Additional meetings will be held as and when required.

CLOSURE OF REGISTER OF MEMBERS

Subject to the approval of the Directors' recommendation by the Shareholders at the annual general meeting to be held on 24 May 2006, the final dividend will be paid on or about 30 May 2006 to the Shareholders whose names appear on the registers of members of the Company on 24 May 2006. The registers of members of the Company will be closed from Friday, 19 May 2006 to Wednesday, 24 May 2006 (both days inclusive). In order to qualify for the above mentioned proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Service Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. Thursday, 18 May 2006.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the Group's annual results for the year ended 31 December 2005, including the accounting principles and practices adopted by the Group, in conjunction with the Group's external auditors.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 24 April 2006

As at the date of this announcement, the Board comprises four executive directors, being Mr. Zhang Hwo Jie (Chairman), Mr. Zhang Jian Hua (Vice-Chairman), Mr. Zhang Yaohua (Chief Executive Officer) and Mr. Nomo Kenshiro and three independent non-executive directors, being Dr. Lui Sun Wing, Mr. Choy Tak Ho and Mr. Chan Wai Dune.