1. GENERAL

The Company is incorporated as an exempted company with limited liability in the Cayman Islands on 21 October 2002 under the Companies Law of the Cayman Islands. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's ultimate holding company is Fu Teng Global Limited ("Fu Teng"), a company incorporated in the British Virgin Islands. The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The Company is an investment holding company. The principal activities of the Group are the manufacture and sale of tinplate cans for the packaging of food and beverage in the People's Republic of China (the "PRC"), and provision of tinplate lacquering and printing services.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("INT(s)") (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 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented. The impact on basic and diluted earnings per share is discussed in note 12.

Share-based payments

In the current year, the Group has adopted 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"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of the directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the adoption of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. As the share options of the Group were granted after 7 November 2002 and had vested before 1 January 2005, the Group has not applied HKFRS 2 retrospectively in accordance with the relevant transitional provisions. Accordingly, no comparative figures have been restated.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(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. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Convertible notes

HKAS 32 requires an issuer of a compound financial instrument (that contains both financial liability and equity components) to separate the compound financial instrument into its liability and equity components on its initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. HKAS 39 requires derivatives embedded in a non-derivative host contract to be accounted for separately when the economic risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. The principal impact of HKAS 32 and HKAS 39 on the Group is in relation to the convertible notes issued by the Company on 13 December 2004. Previously, certain portion of the convertible notes was considered to constitute equity component and therefore recognised as a capital reserve. Deferred tax liabilities thereon were also recognised. According to HKAS 32, the conversion option should be classified as equity component only if the option can be converted by exchanging a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. Upon application of HKAS 32 and HKAS 39, the Group re-visited the terms of the convertible notes and determined that the convertible notes do not contain any equity components because the conversion price for the convertible notes is subject to change and the convertible notes cannot be converted into a fixed number of the Company's shares. Instead the convertible notes contain an embedded conversion option which is not closely related to the host contract and is required to be separately accounted for under HKAS 39. Comparative figures have been restated to derecognise the capital reserve of RMB861,000 and the corresponding deferred tax liabilities of RMB178,000 and resulted in an increase in profit for the year ended 31 December 2004 amounting to RMB23,000 (net of decrease in finance costs of RMB27,000 and increase in income tax expense of RMB4,000).

Derivative financial instrument

From 1 January 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The Group has applied the relevant transitional provisions in HKAS 39. The conversion option embedded in the convertible notes is separately accounted for and recorded as derivative financial instrument in the balance sheet. It was measured at fair value as at 1 January 2005 and the Group recognised the fair value amounting to RMB1,016,000. During the current year, there is a change in the fair value of the derivative financial instrument amounting to RMB389,000 (included in other operating income) recognised in the income statement.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

Owner-occupied leasehold interest in land

In previous periods, 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. The unamortised prepaid lease payments for property interest in land has been separately shown in the consolidated balance sheet.

The cumulative effects of the application of the new HKFRSs as at 31 December 2004 and 1 January 2005 are summarised below:

	At 31.12.2004 RMB'000 (originally stated)	Effect of applying HKAS 17 RMB'000	Effect of applying HKAS 32 RMB'000	At 31.12.2004 RMB'000 (restated)	Effect of applying HKAS 39 RMB'000	At 1.1.2005 RMB'000 (restated)
Non-current assets						
Property, plant and equipment	128,010	(2,110)	—	125,900	—	125,900
Prepaid lease payments	—	2,063	—	2,063	—	2,063
Current assets						
Prepaid lease payments	—	47	—	47	—	47
Non-current liabilities						
Convertible notes	(30,784)	—	(1,016)	(31,800)	1,016	(30,784)
Derivative financial instrument	—	—	—	—	(1,016)	(1,016)
Deferred tax liability	(178)	—	178	—	—	—
Total effects on assets and liabilities	97,048	—	(838)	96,210	—	96,210
Capital and reserves						
Capital reserve	861	—	(861)	—	—	—
Retained profits	185,947	—	23	185,970	—	185,970
Total effects on equity	186,808	—	(838)	185,970	—	185,970

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

1 Effective for annual periods beginning on or after 1 January 2007.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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 and by the Companies Ordinance.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved where the Company has the power to govern financial and operating policies of an entity so as to obtain benefits from its activities.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Basis of consolidation *(Cont'd)*

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.

Revenue recognition

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

Service income is recognised when services are rendered.

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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Impairment

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

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight line method.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Group 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 the income statement.

Financial assets

Loans and receivables

Loans and receivables (including trade and other receivables 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 initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method, less any identified impairment losses. An impairment loss is recognised in the income statement 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments 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 Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial liabilities and equity *(Cont'd)*

Convertible notes

Convertible notes are regarded as compound instruments, consisting of a liability component and an equity component, or in the case that the conversion options are not settled by the exchange of a fixed amount for fixed number of equity instrument, the issuer recognises the compound financial instrument in the form of financial liability with embedded derivatives. Derivatives embedded in a financial instrument are treated as separated derivatives when their economic risks and characteristics are not closely related to those of the host contract (the liability component) and the host contract is not carried at fair value through profit or loss. At the date of issue, both the conversion option derivative and liability component are recognised at fair value.

Issue costs are apportioned between the liability component and the conversion option derivative of the convertible notes based on their relative fair value at the date of issue. The portion relating to the conversion option derivative is charged directly to profit or loss.

The liability component is subsequently measured at amortised cost, using the effective interest rate method. The interest charged on the liability component is calculated by applying the original effective interest rate. The difference between this amount and the interest paid is added to the carrying amount of the liability component. The conversion option derivative is subsequently measured at fair value at each balance sheet date.

Derivative financial instrument

Derivative financial instrument is initially measured at fair value on the contract date, and is remeasured to fair value at subsequent reporting dates.

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the host contracts are not measured at fair value through the income statement.

Other financial liabilities

Financial liabilities other than derivative financial instrument including trade and other payables, bills payable, amount due to ultimate holding company, amounts due to directors and bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. 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 and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

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

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 and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially 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 profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of 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 profits 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 realised. Deferred tax is charged or credited to 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Foreign currencies

The individual financial statements of each group entity and the consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which these entities operate (their functional currency), which is the same as the functional currency of the Company.

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

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

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the income statement in the period in which they are incurred.

Operating leases

Leases are classified as operating leases whenever, the terms of the lease do not transfer substantially all the risks and rewards of ownership to the leases.

Rentals payable under operating leases are changed to the income statement on a straight line basis over the period of the respective leases.

Share-based payments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Retirement benefit cost

Payments to the state-managed retirement benefit schemes or the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

4. 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.

Fair value of derivative financial instrument

Derivative financial instrument is initially measured at fair value on the contract date, and is remeasured to fair value at subsequent reporting dates.

The fair value of derivative financial instrument is subject to the limitation of the Binomial model that incorporated market data and involved uncertainty in estimates used by management in the assumptions. Because the Binomial model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate. Details of the assumptions disclosed in note 25.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include pledged bank deposits, bank balances and cash, trade receivables, trade and bills payables, amount due to ultimate holding company, amounts due to directors, bank loans, convertible notes and derivative financial instrument. 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.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses, if any, are made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because majority of the counterparties are banks of high credit quality in Hong Kong and state-owned banks with good reputation in the PRC.

The Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties and customers.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities. Interest bearing financial assets are mainly balances with banks which are all short term in nature. Interest bearing financial liabilities are mainly bank loans with fixed and floating interest rates, so expose the Group to fair value and cash flow interest rate risk respectively. The Group maintains the proportion of bank loans in fixed and floating interest rates within an appropriate range.

6. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold and services rendered during the year.

Business segments

For management reporting purposes, the Group is currently organised into two divisions - (a) manufacture and sale of tinplate cans; and (b) provision of tinplate lacquering and printing services in the PRC.

The Group's operation by business segment is as follows:

	2005 RMB'000	2004 RMB'000 (restated)
Income statement		
Turnover - external		
Manufacture and sale of tinplate cans	**416,283**	371,444
Tinplate lacquering and printing services	**54,506**	54,272
	470,789	425,716
Segment result		
Manufacture and sale of tinplate cans	**95,587**	101,879
Tinplate lacquering and printing services	**26,108**	23,970
	121,695	125,849
Unallocated corporate expenses	**(8,512)**	(8,472)
Finance costs	**(5,351)**	(2,717)
Profit before taxation	**107,832**	114,660
Income tax expense	**(14,491)**	(24,502)
Profit for the year	**93,341**	90,158

6. TURNOVER AND SEGMENT INFORMATION *(Cont'd)*

Business segments *(Cont'd)*

	2005	2004
	RMB'000	RMB'000
		(restated)
Balance sheet		
Assets		
Segment assets		
Manufacture and sale of tinplate cans	**217,355**	197,416
Tinplate lacquering and printing services	**14,853**	9,520
Assets in common use	**22,053**	21,025
Unallocated corporate assets	**357,204**	258,148
Total assets	**611,465**	486,109
Liabilities		
Segment liabilities		
Manufacture and sale of tinplate cans	**62,486**	30,972
Tinplate lacquering and printing services	**—**	—
Liabilities in respect of assets in common use	**4,439**	2,351
Unallocated corporate liabilities	**110,061**	99,099
Total liabilities	**176,986**	132,422
Other information		
Capital additions:		
Manufacture and sale of tinplate cans	**14,036**	81,201
Tinplate lacquering and printing services	**—**	—
Assets in common use	**2,367**	4,605
Unallocated corporate assets	**34**	2,063
	16,437	87,869
Depreciation of property, plant and equipment:		
Manufacture and sale of tinplate cans	**10,437**	5,398
Tinplate lacquering and printing services	**—**	—
Assets in common use	**2,833**	2,306
Unallocated corporate assets	**609**	405
	13,879	8,109

No geographical segment analysis is shown as the Group's operating businesses are substantially carried out in the PRC.

7. FINANCE COSTS

	2005 RMB'000	2004 RMB'000 (restated)
Interest on borrowings wholly repayable within five years		
- bank borrowings	**3,428**	2,602
- convertible notes	**1,788**	67
	5,216	2,669
Bank charges	**135**	48
	5,351	2,717

8. PROFIT BEFORE TAXATION

	2005 RMB'000	2004 RMB'000 (restated)
Profit before taxation has been arrived at after charging:		
Directors' remuneration	**2,755**	2,695
Other staff costs	**8,274**	7,896
Retirement benefit cost, other than directors	**70**	60
Total staff costs	**11,099**	10,651
Auditors' remuneration	**1,053**	879
Depreciation of property, plant and equipment	**13,879**	8,109
Minimum lease payments in respect of:		
- land and buildings	**1,583**	1,114
- machinery and equipment	**1,500**	1,500
Release of prepaid lease payments	**48**	42
and after crediting:		
Interest income	**2,142**	1,027
Gain on decrease in fair value of derivative financial instrument	**389**	—
Net foreign exchange gain	**177**	—

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

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

	Year ended 31 December 2005								
	Yang Zongwang	Xue Xi	Xue De Fa	Ng Kin Sun	Liu Zhi Qiang	Tong Hing Wah	Ng Wai Man	Chong Hoi Fung	Total
	RMB$'000	RMB$'000	RMB$'000	RMB$'000	RMB$'000	RMB$'000	RMB$'000	RMB$'000	RMB$'000
Fees	—	—	—	—	—	126	126	126	378
Other emoluments									
Salaries and other benefits	1,044	193	184	630	126	—	—	—	2,177
Contributions to retirement benefits schemes	14	1	1	13	—	—	—	—	29
Performance related incentive payments (Note)	64	22	23	52	10	—	—	—	171
Total emoluments	1,122	216	208	695	136	126	126	126	2,755

	Year ended 31 December 2004								
	Yang Zongwang	Xue Xi	Xue De Fa	Ng Kin Sun	Liu Zhi Qiang	Tong Hing Wah	Ng Wai Man	Chong Hoi Fung	Total
	RMB$'000	RMB$'000	RMB$'000	RMB$'000	RMB$'000	RMB$'000	RMB$'000	RMB$'000	RMB$'000
Fees	—	—	—	—	—	127	37	127	291
Other emoluments									
Salaries and other benefits	1,069	195	177	636	127	—	—	—	2,204
Contributions to retirement benefits schemes	14	1	1	13	—	—	—	—	29
Performance related incentive payments (Note)	65	22	20	53	11	—	—	—	171
Total emoluments	1,148	218	198	702	138	127	37	127	2,695

Note:

The performance related incentive payment is determined with reference to the operating results, individual performance and comparable market statistics during both years.

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Cont'd)*

Employees' emoluments

For the year ended 31 December 2005, the five highest paid individuals included four (2004: four) directors of the Company, details of whose emoluments are included above. The emoluments of the remaining one (2004: one) highest paid individual(s) are as follows:

	2005	2004
	RMB'000	RMB'000
Salaries, allowances and other benefits	**252**	254
Retirement benefit cost	**12**	13
Performance related incentive payments	**21**	21
	285	288

The emoluments of each of the aforesaid employees were less than HK$1,000,000 (equivalent to RMB1,040,000).

No emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during both years.

10. INCOME TAX EXPENSE

	2005	2004
	RMB'000	RMB'000
		(restated)
The charge comprises:		
Income tax calculated at the rates prevailing in the PRC	**14,491**	24,502

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

A PRC subsidiary has operations in the Fujian province which located at coastal cities and economic development zones. The applicable income tax rate for productive enterprises located at coastal cities is 24%, and a reduced rate of 15% for the operational profits derived from the relevant economic development zones, with a local surtax of 3%. According to the letter issued by Fuqing State Tax Bureau on 28 March 2003, the local surtax of 3% is exempted. In addition, another PRC subsidiary operating in the Shanxi province is exempted from PRC Foreign Enterprise Income Tax commencing in 2005 for three years and thereafter a 50% tax relief for the next two years and the local surtax of 3% is exempted according to local preferential policy.

10. INCOME TAX EXPENSE *(Cont'd)*

The charge for the year can be reconciled to the profit before taxation for the year as follows:

	2005	2004
	RMB'000	RMB'000
		(restated)
Profit before taxation	**107,832**	114,660
Tax at PRC income tax rate of 24% (2004: 24%)	**25,880**	27,518
Tax effect of expenses that are not deductible in determining taxable profit	**2,263**	1,677
Tax effect of income that is not taxable in determining taxable profit	**(116)**	(1)
Tax effect of income that is under tax holiday	**(5,188)**	(5,034)
Tax effect of income that is under preferential tax rate	**(8,695)**	—
Others	**347**	342
Tax charge for the year	**14,491**	24,502

The Group did not have any significant unprovided deferred taxation arising during the year or at the balance sheet date.

11. DIVIDEND

	2005	2004
	RMB'000	RMB'000
Ordinary shares:		
Interim, paid - nil	**—**	—
Final, proposed - RMB0.025 (2004: RMB0.030) per share	**10,553**	12,549
	10,553	12,549

The final dividend for the year ended 31 December 2005 of HK$0.024 (equivalent to approximately RMB0.025) (2004: HK$0.028 (equivalent to approximately RMB0.030)) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

12. EARNINGS PER SHARE

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

	2005	2004
	RMB'000	RMB'000
		(restated)
Earnings:		
Profit for the year for the purposes of basic earnings per share	**93,341**	90,158
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	**1,788**	67
Gain on decrease in fair value of derivative financial instrument	**(389)**	—
Profit for the year for the purpose of diluted earnings per share	**94,740**	90,225

	2005	2004
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**422,800,000**	404,767,213
Effect of dilutive potential ordinary shares:		
Convertible notes	**46,705,805**	1,557,377
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**469,505,805**	406,324,590

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of these options is higher than the average market price for the Company's shares for both years.

Changes in the Group's accounting polices during the year are described in detail in note 2. To the extent that those changes have had an impact on results reported for 2005 and 2004, they did not have impact on the amounts reported for earnings per share.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Motor vehicles	Office equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2004	22,292	4,103	52,296	1,293	668	80,652
Additions	14,551	142	70,854	1,473	849	87,869
At 1 January 2005	36,843	4,245	123,150	2,766	1,517	168,521
Additions	12,277	—	3,965	75	120	16,437
At 31 December 2005	49,120	4,245	127,115	2,841	1,637	184,958
DEPRECIATION						
At 1 January 2004	8,020	1,317	24,320	470	385	34,512
Provided for the year	1,279	411	6,156	172	91	8,109
At 1 January 2005	9,299	1,728	30,476	642	476	42,621
Provided for the year	1,703	627	11,081	250	218	13,879
At 31 December 2005	11,002	2,355	41,557	892	694	56,500
NET BOOK VALUES						
At 31 December 2005	38,118	1,890	85,558	1,949	943	128,458
At 31 December 2004	27,544	2,517	92,674	2,124	1,041	125,900

The above items of property, plant and equipment are depreciated over their estimated useful lives and after taking into account their estimated residual values, using the straight line method, at the following rates per annum:

Buildings	5%
Leasehold improvements	10% - 20%
Plant and machinery	10%
Motor vehicles	20%
Office equipment	20%

The buildings of the Group are situated in Fujian and Shanxi, the PRC. The Group is in the process of obtaining the building ownership certificate in respect of buildings with a net book value of RMB10,568,000 (2004 : nil).

14. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent land use rights situated in Fujian, the PRC under medium-term leases. At 31 December 2004, the Group is in the process of obtaining the land use right certificate in respect of certain pieces of land with a net book value of RMB989,000 which was granted during the year.

	2005	2004
	RMB'000	RMB'000
Analysed for reporting purposes as:		
Current portion	**48**	47
Non-current portion	**2,064**	2,063
	2,112	2,110

15. INVENTORIES

	2005	2004
	RMB'000	RMB'000
Raw materials	**11,154**	11,419
Packing materials	**252**	221
Finished goods	**3,801**	2,147
	15,207	13,787

16. TRADE RECEIVABLES

The Group currently requires certain of its customers to settle in cash on delivery and allows an average credit period of two to three months to other trade customers. The trade receivables are aged within 3 months from the balance sheet date. The directors of the Company consider that the carrying amount of trade receivables approximates their fair value.

17. PLEDGED BANK DEPOSITS

The deposits are pledged with banks for banking facilities granted to the Group to the extent of the amount of deposits placed with the banks. They carry at prevailing market interest rates. The carrying amount of these deposits approximates their fair value. The pledged bank deposits will be released upon the settlement of relevant bills payables and bank loans.

18. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less at prevailing market interest rates. The directors consider that the carrying amount of these assets approximate their fair value.

19. TRADE PAYABLES

An aged analysis of trade payables is as follows:

	2005	2004
	RMB'000	RMB'000
Within 3 months	**20,966**	12,712
Over 3 months but not more than 6 months	**—**	9
Over 6 months but not more than 1 year	**10**	2
	20,976	12,723

The directors of the Company consider that the carrying amount of trade payables approximates their fair value.

20. BILLS PAYABLE

Bills payable is aged within six months from the balance sheet date. The directors of the Company consider that the carrying amount of bills payable approximate its fair value.

21. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount due to ultimate holding company represents short term advances made to the Group. It is unsecured, interest-free and repayable on demand. The directors of the Company consider that the carrying amount of amount due to ultimate holding company approximate its fair value. The entire issued share capital of the ultimate holding company, Fu Teng, is owned by a director.

22. AMOUNTS DUE TO DIRECTORS

The amounts at 31 December 2005 represent principally emoluments payable to directors. The amounts at 31 December 2004 represent principally payments made by a director on behalf of the Group. They are unsecured, interest-free and repayable on demand. The directors of the Company consider that the carrying amount of amounts due to directors approximate their fair value.

23. BANK LOANS

	2005 RMB'000	2004 RMB'000
The maturity of the bank loans, which are unsecured and bear interest at prevailing market rates, is as follows:		
Within one year	**53,150**	50,000
After one year, but not exceeding two years	**10,660**	—
After two years, but not exceeding five years	**5,330**	—
	69,140	50,000
Less: Amount due within one year and included in current liabilities	**(53,150)**	(50,000)
Amount due after one year	**15,990**	—

Bank loans of RMB29,640,000 (2004: nil) are denominated in Hong Kong dollars and arranged at floating rate of 2% over HIBOR per annum.

Other bank loans are denominated in RMB and arranged at fixed interest rate of 5.841% (2004: ranged from 5.580% to 5.841%) per annum.

The directors of the Company consider the carrying amount of the Group's bank loans within one year approximate their fair value and estimate the difference between carrying amount and fair value of bank loans due after one year is insignificant.

24. CONVERTIBLE NOTES

The convertible notes in the principal sum of HK$30,000,000 (equivalent to RMB31,800,000) (the "Notes") are denominated in Hong Kong dollars and issued on 13 December 2004. The Notes are convertible into ordinary shares of the Company at any time between the day after the expiry of 6 months from the date of issue of the Notes and their maturity date at an initial conversion price of HK$0.66 (equivalent to approximately RMB0.700) per share, subject to adjustments. The conversion price has been adjusted to HK$0.63 (equivalent to approximately RMB0.655) per share following the approval for a payment of the final dividend on 4 June 2005. No conversion rights was exercised since the date of issue and up to 31 December 2005. The maximum number of ordinary shares of HK$0.10 each in the capital of the Company which may be issued upon full conversion of the Notes is 47,619,047 (2004: 45,454,545) shares.

If the Notes have not been converted, they will be redeemed on 12 December 2006 at par. Interest of 4% per annum will be paid semi-annually in arrears until that maturity date.

24. CONVERTIBLE NOTES *(Cont'd)*

The net proceeds received from the issue of the Notes have been split between the liability element and representing the fair value of the embedded option to convert the liability into equity of the Group, as follows:

	RMB'000
Liability component at 13 December 2004 and 31 December 2004	31,800
Derivative financial instrument (note 25)	(1,016)
Liability component at 1 January 2005	30,784
Interest charged	1,788
Interest accrued	(65)
Interest paid	(1,195)
Effect of foreign exchange rate changes	(585)
Liability component at 31 December 2005	30,727

The interest charged for the year is calculated by applying an effective interest rate of 5.841% to the liability component for the year since 1 January 2005.

The directors of the Company estimate the fair value of the liability component of the Notes at 31 December 2005 to be RMB30,727,000. The fair value has been calculated by discounting the future cash flows at the prevailing market rate.

25. DERIVATIVE FINANCIAL INSTRUMENT

The derivative financial instrument represents an conversion option that is embedded in the convertible notes (note 24) and is carried at fair value at the balance sheet date. During the year, a gain on decrease in its fair value of RMB389,000 is recognised in the income statement.

Its fair values was calculated using the Binomial model. The inputs into the model were as follows:

	31.12.2005
Weighted average share price	HK$0.63
Exercise price	HK$0.63
Expected volatility	20.41%
Expected life	1 year
Risk-free rate	3.91%
Expected dividend yield	3.88%

Because the Binomial model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

26. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2004, 31 December 2004 and 31 December 2005	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2004	382,800,000	38,280
Issue of new shares for cash	40,000,000	4,000
At 31 December 2004 and 31 December 2005	422,800,000	42,280
		RMB'000
Shown in the financial statements		
At 31 December 2005		44,817
At 31 December 2004		44,817

As announced by the Company on 3 June 2004, the Company entered into a placing and subscription agreement dated 1 June 2004 (the "Agreement") with Fu Teng and an independent placing agent (the "Placing Agent"). Pursuant to the Agreement, Fu Teng agreed to place a total of 40,000,000 existing shares of HK$0.10 each in the share capital of the Company at a price of HK$0.65 per share (the "Placing Price") to not less than six independent professional and/or institutional investors through the Placing Agent, and Fu Teng also agreed to subscribe for 40,000,000 new shares of HK$0.10 each of the Company at the price of HK$0.65 per share, which is equal to the Placing Price. The directors of the Company are authorised to issue these new shares pursuant to the general mandates granted by the shareholders of the Company on 2 June 2003.

The Placing Price represents a discount of approximately 4.41% to the closing price of the Company's shares as quoted on the Stock Exchange on 1 June 2004, being the date of the Agreement. The placing became unconditional on 11 June 2004. The new shares subscribed by Fu Teng, representing approximately 10.45% of the then existing issued share capital of the Company and approximately 9.46% of the enlarged share capital of the Company, were issued and allotted on 14 June 2004. Fu Teng's equity interest in the Company was reduced from approximately 57.31% immediately before the placing and the subscription to approximately 51.89% immediate thereafter.

All the shares which were issued by the Company during the year ended 31 December 2004 rank pari passu with each other in all respects.

27. RESERVES

(a) Basis of appropriations to reserves

As stipulated by the relevant laws and regulations in the PRC, Fujian Fuwang Metal Products Co., Ltd. ("Fuwang") and Shanxi Zhanpen Metal Products Co., Ltd. ("Zhanpen") are required to provide for the surplus reserve fund and the enterprise expansion fund. Appropriation to such reserve funds are made out of net profit after taxation as reported in the statutory financial statements of Fuwang and Zhanpen prepared in accordance with PRC Accounting Standards and the amount and allocation basis are decided by their respective board of directors annually. The surplus reserve fund can be used to make up prior year losses of Fuwang and Zhanpen, if any, and can be applied in conversion into capital by means of capitalisation issue. The enterprise expansion fund is used for expanding the capital base of Fuwang and Zhanpen by means of capitalisation issue.

(b) Special reserve

The special reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation taken place in June 2003.

(c) Capital reserve

The capital reserve of the Group previously reported at 31 December 2004 represents the equity component of convertible debt instruments. As a result of the application of HKAS 32, comparative figures have been restated to derecognise the capital reserve of RMB861,000 (note 2).

28. OPERATING LEASE COMMITMENTS

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

	2005			2004		
	Land and buildings RMB'000	**Machinery and equipment RMB'000**	**Total RMB'000**	Land and buildings RMB'000	Machinery and equipment RMB'000	Total RMB'000
Within one year	**1,588**	**1,500**	**3,088**	1,654	1,500	3,154
In the second to fifth year inclusive	**3,026**	**938**	**3,964**	3,898	2,438	6,336
Over five years	**1,440**	**—**	**1,440**	2,033	—	2,033
	6,054	**2,438**	**8,492**	7,585	3,938	11,523

28. OPERATING LEASE COMMITMENTS *(Cont'd)*

The lease payments represent the rental payable by the Group for certain of the premises and machinery and equipment. The lease payments are fixed and no arrangements have been entered into for contingent rental payments.

29. CAPITAL COMMITMENTS

	2005	2004
	RMB'000	RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment		
- contracted for but not provided in the financial statements	**10,081**	2,386
- authorised but not contracted for	**—**	9,905
	10,081	12,291

30. SHARE OPTION SCHEME

Pursuant to the written resolutions passed by all of the shareholders of the Company on 2 June 2003, the Company adopted a share option scheme (the "Scheme"). The purpose of the Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. Under the Scheme, the directors of the Company may, at their absolute discretion, invite any employee (whether full-time or part time, including any executive director), any non-executive director (including independent non-executive director), any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholder, any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or its investee companies to take up options to subscribe for shares in the Company representing up to a maximum 10% of the shares in issue as at the date of commencement of listing of shares of the Company on the Stock Exchange and subject to renewal with shareholders' approval. The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in any one year exceeding the higher of 0.1% of the Company's shares in issue and with a value in excess of HK$5,000,000 must be approved by the Company's shareholders.

Options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 per each grant of options. Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the board of directors but in any event not exceeding 10 years. The exercise price is determined by the directors of the Company and will be not less than the higher of the closing price of the Company's shares on the date of grant, the average closing prices of the shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

30. SHARE OPTION SCHEME *(Cont'd)*

The following table discloses details of the Company's share options held by employees and movements in such holdings during both years:

	Date of grant	Exercise price HK$	Exercisable period	Outstanding at 1.1.2004	Granted during the year ended 31.12.2004	Outstanding at 31.12.2004 and 31.12.2005
Senior management (excluding directors)	10 February 2004	0.81*	10 February 2004 to 9 February 2014	—	11,000,000	11,000,000
Employees	10 February 2004	0.81*	10 February 2004 to 9 February 2014	—	19,000,000	19,000,000
				—	30,000,000	30,000,000

* Equivalent to approximately RMB0.842

The Company received notional consideration for options granted during the year ended 31 December 2004.

The fair value of the Company's share at the date of offer of the above options, being the closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange on the trading day immediately preceding that day, was HK$0.80 (equivalent to approximately RMB0.848).

31. RETIREMENT BENEFITS PLANS

In the PRC, the Group and its employees in the PRC participate in retirement benefit schemes regulated by the local municipal governments, pursuant to which the Group and its PRC employees pay contributions to the schemes. The Group is currently required to pay a monthly contribution at 18% of the respective employees' average monthly salary in the preceding year.

In Hong Kong, the Group has set up a retirement scheme in accordance with the mandatory provident fund requirements prescribed by the Mandatory Provident Fund Schemes Ordinance. The Group is required to contribute 5% of the respective employees' monthly salary (up to a maximum contribution of HK$1,000 (equivalent to approximately RMB1,040) by the Group) on a monthly basis to the fund.

32. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2005	2004
	RMB'000	RMB'000
Short-term benefits	**2,719**	2,705
Post-employment benefits	**34**	35
	2,753	2,740

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

(b) During the year, the Group entered into a tenancy agreement with a director of the Company for the lease of an office unit for a term of three years commencing from 1 December 2005 to 30 November 2008. Rental paid by the Group under the tenancy agreement during the year amounted to RMB3,750 (2004: nil).

(c) Details of new shares issued to Fu Teng during the year ended 31 December 2004 are set out in note 26.

33. SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2005 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operation	Paid-up share/ registered capital	Proportion of nominal value of ordinary issued capital/registered capital held by the Company		Principal activities
			Directly	Indirectly	
Bloxworth Enterprises Limited	British Virgin Islands/Hong Kong	US$1,000	100%	—	Investment holding
Rich Victory Development Limited	Hong Kong	HK$1	100%	—	Inactive
福建福旺金屬製品有限公司 Fuwang	PRC	US$8,000,000	—	100%	Manufacture and sale of tinplate cans for the packaging of food and beverage in the PRC, and provision of tinplate lacquering and printing services
山西展鵬金屬製品有限公司 Zhanpen	PRC	US$1,000,000	—	100%	Manufacture and sale of tinplate cans for the packaging of good and beverage in the PRC

None of the subsidiaries had any debt securities subsisting at 31 December 2005 or at any time during the year.