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LAUNCH

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LAUNCH

深圳市元征科技股份有限公司
LAUNCH TECH COMPANY LIMITED

(於中華人民共和國註冊成立之股份有限公司)

(a joint stock limited company incorporated
in the People's Republic of China with limited liability)

(Stock Code: 8196)

(股份代號: 8196)

年報 2005 Annual Report

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This annual report, for which the directors (the “Directors”) of Launch Tech Company Limited collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Launch Tech Company Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— (1) the information contained in this annual report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this annual report misleading; and (3) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

香港聯合交易所有限公司(「聯交所」)創業板(「創業板」)之特色

創業板為帶有高投資風險之公司提供一個上市之市場。尤其在創業板上市之公司毋須有過往盈利記錄，亦毋須預測未來盈利。此外，在創業板上市之公司可因其新興性質及該等公司經營業務之行業或國家而帶有風險。有意投資之人士應了解投資於該等公司之潛在風險，並應經過審慎周詳之考慮後方作出投資決定。創業板之較高風險及其他特色表示創業板較適合專業及其他資深投資者。

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香港聯合交易所有限公司對本年報之內容概不負責，對其準確性或完整性亦不發表任何聲明，並明確表示概不就因本年報全部或任何部份內容而產生或因倚賴該等內容而引致之任何損失承擔任何責任。

深圳市元征科技股份有限公司之董事(「董事」)對本年報(包括為遵守香港聯合交易所有限公司創業板證券上市規則而在提供深圳市元征科技股份有限公司之資料方面所透露之詳情)共同及個別承擔責任。各董事於作出一切合理查詢後，據彼等所知及確信：(1)本年報內所載之資料在各重要方面均屬準確及並無誤導成份；(2)本年報並無遺漏其他事實，以致其任何聲明有所誤導；及(3)本年報內所發表之意見乃經審慎周詳之考慮，並按公平合理之準則與假設而作出。

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Our Mission 企業使命

With an aim to be the pioneer of the automotive aftermarket in the PRC, Launch Tech Company Limited (the "Company" or "Launch") and its subsidiaries (the "Group") is committed to the provision of the most superior and advanced products, technologies and services to the automobile service and manufacturing industry as well as car owners in the PRC and the world.

Capitalizing on its strong research and development team and market sensitivity, and the cost competitiveness of manufacturing in the PRC, Launch aims at being a new driving force of the world's automotive aftermarket.

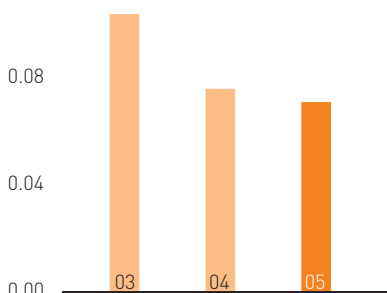
深圳市元征科技股份有限公司(「本公司」或「元征」)及其附屬公司(「集團」)秉著中國汽車後市場先鋒的理念，要為中國及全球汽車服務和製造行業以及廣大車主提供最優質和先進的產品、技術和服務。

憑藉著元征雄厚的研發力量和市場觸覺，以及中國在製造業的成本優勢，我們矢志要成為世界汽車後市場後來居上的強大驅動力。

Highlights 摘要

SHAREHOLDERS RETURNS 股東回報

RMB Cents
人民幣仙



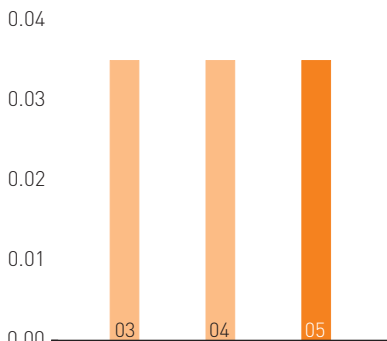
EPS
每股盈利

7.1
cents

Launch's prudent financial control leads to a relatively stable EPS.

元征審慎之財務控制令每股盈利相對穩定。

RMB Cents
人民幣仙



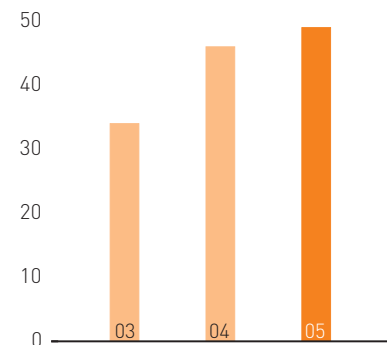
Dividend
股息

3.5
cents

Launch's Board proposed a final dividend of RMB3.5 cents for year 2005

元征董事會建議就二零零五年度派發末期股息人民幣3.5仙。

%



Payout %
派息率

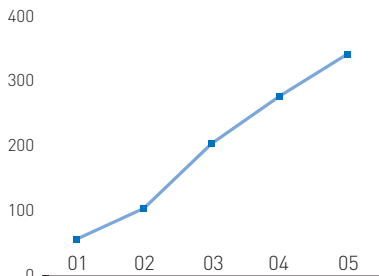
49%

Launch's consistently high payout % showing Company's commitment to maintain high shareholders' returns

元征貫徹高派息比率顯示本公司對股東保持高回報之承諾。

OUR PERFORMANCE 本公司的業務表現

RMB'M
 人民幣百萬元



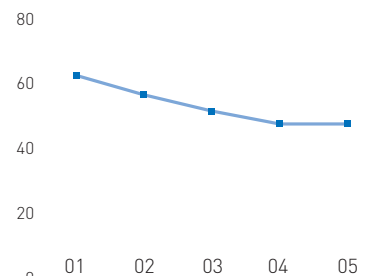
Revenue
 收入

↑23.4%

Maturing overseas sales network enabling Launch to reach new height

元征之海外銷售網絡發展成熟令本公司屢創新高

%
 百分比



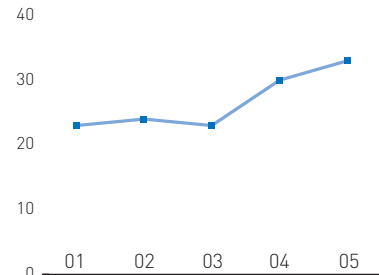
Gross Margin%
 毛利率

48%

High GP % from Launch's high-end dynostic products compensating increasing volume sales of relatively low GP mechanical products

從元征之高端診斷產品所得較高邊際利潤彌補低邊際利潤機械產品之銷量增加

%
 百分比



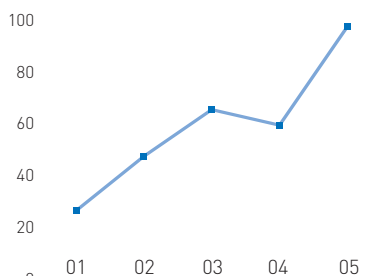
Operating Expenses to Sales
 經營開支對銷售額

33%

Launch strengthened local branches sales force leading to higher operating expenses

元征增加當地分公司營業人員數目導致經營費用較高

RMB'M
 人民幣百萬元



EBITDA
 未計息稅折舊攤銷前盈利

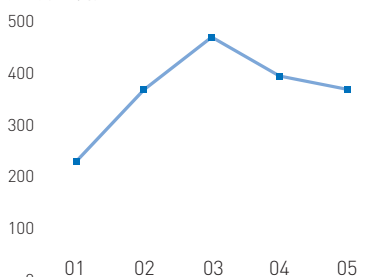
↑63.3%

Excluding special loss of RMB24 m about disposal of assets, investment and inventory written off, Launch's EBITDA raises so significantly

不包括關於出售資產、投資及存貨撇銷之特殊虧損人民幣二千四百萬元，元征未計息稅折舊攤銷前盈利大幅上升

4

RMB'M
 人民幣百萬元



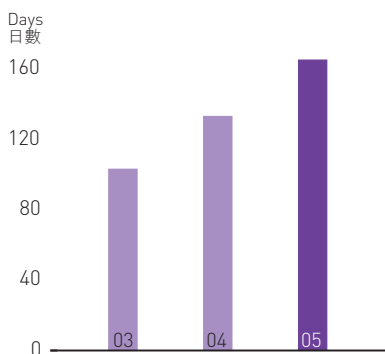
Net Profit After Tax
 除稅後淨利潤

↓6.5%

Low EIT rate of 7.5% provides a good business environment for Launch's development. Decrease in Net Profit primarily due to the special loss of RMB24 m

7.5%之低企業所得稅率為元征之發展提供有利之經營環境。除稅後淨利潤之下降主要由於有特殊虧損

RATIOS 比率

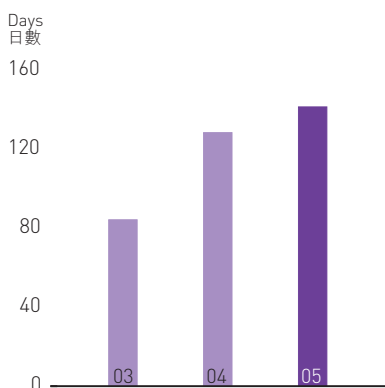


Debtors Turnover
 應收款項週轉期

165
 DAYS

Increased by 20% in line with increase in revenue. Launch generally offers 90 to 180 days credit term to customers

增長20%與收益增長一致。元征通常向客戶提供90至180日之信貸期。

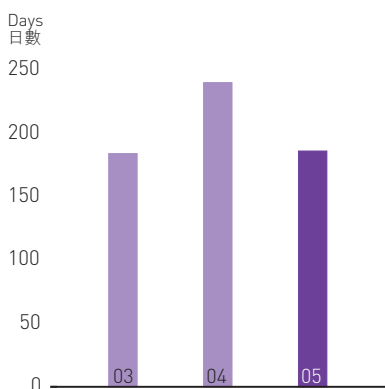


Creditors Turnover
 應付款項週轉期

141
 DAYS

A relatively longer creditors turnover getting closer to the equilibrium of creditors and debtors turnover.

應付款項週轉期較長，使應付款項與應收款項週轉期差不多取得平衡。

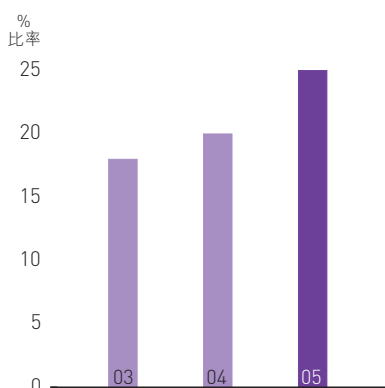


Inventory Turnovers
 存貨週轉期

186
 DAYS

Low level of inventory revealing better control over the inventory.

低存貨水平反映存貨有較佳之控制。



Borrowings to Total Assets
 借貸對總資產

25%

The Management decided to maintain low level of borrowings in 2006 to reduce interest expenses.

管理層決定於二零零六年維持低水平借貸以削減利息開支。

Chairman's Statement 主席報告

*"To become the world's number one
in terms of 4 key directions and
6 series of products within 5 years"*

**「在五年來在四大方向
六大系列成為世界第一」**

Liu Xin (Louis Liu) 劉新 (劉易之)
Chairman 董事長



In 2005, turnover of Launch amounted to approximately RMB343 million, a 23% growth compared to last year. The Board will propose, on the forthcoming Annual General Meeting on 24th May 2006 (Wednesday), a final dividend of RMB3.5 cent per share for the year ended 31st December 2005.

With a maturing overseas distribution channel, Launch achieved good overseas sales volume in 2005 with generous returns. Overseas sales revenue reached RMB 190 million, a 55% of total sales revenue in 2005, compared to 44% in 2004. Launch's strategy of proactively tapping overseas markets was justified by this excellent performance.

BUSINESS REVIEW

Launch remains in the R&D, manufacturing and sales of automotive diagnosis, testing, mechanic and maintenance equipment. We are committed to enhancing and upgrading the automobile repair and maintenance market in China in terms of technological leadership and professionalism, as to provide consumers of automobile aftermarket with more exquisite product and service.

二零零五年財政年度，元征之營業額約為人民幣343,000,000元，與去年相比，增長約23%。董事會將於二零零六年五月二十四日(星期三)召開之股東週年大會上建議派發截至二零零五年十二月三十一日止年度股息，每股人民幣3.5仙。

二零零五年年度元征之海外銷售情況良好，海外銷售渠道日漸成熟，為元征帶來豐厚收入，海外銷售達人民幣1.9億，佔二零零五年總銷售額之55%，去年為44%，證實了元征積極拓展海外市場之策略方向正確。

業務回顧

元征繼續從事汽車診斷、檢測、機械及養護設備的研究、開發、制造及銷售，致力於提升和改進中國汽車維修市場之先進性和專業性，為汽車後市場用戶提供更優秀的設備及更完善的服務。

In 2005, Launch's vigorously initiatives in sales and marketing were echoed by a consistent and prudent financial policy in financial controls. Hence, the management made three special write-offs led to a total of approximately RMB 24 million special loss as detailed below:

- (1) A loss of RMB 7.8 million from loss on disposal of assets from the closure of the automobile electronics business division;
- (2) Approximately RMB 10 million inventory was written off;
- (3) An RMB 5.4 million investment in a software development company was written off.

二零零五年度，元征一方面於市場銷售市積極進取，一方面在財務控制作出了穩建保守之政策。因此年來管理層共作出了三項特殊撇銷，共造成特殊虧損約人民幣二千四百萬，分別為：

- (一) 結束汽車電子事業部之生產帶來資產損失人民幣七百八十萬元；
- (二) 存貨撇銷共約人民幣一千萬元；
- (三) 撇銷就投資一家軟件公司約共人民幣五百四十萬元。



The automotive electronics business division commenced production in the second half of 2004, as a trial-manufacturing base, with a total investment of approximately RMB 10 million. The division primarily produced automotive HiFi and positioning equipments. Launch management decided to terminate the division in middle 2005 due to stagnant R&D progress in positioning products and tough competition in the automobile HiFi market. Yet net proceeds from liquidation and disposal of manufacturing facilities and inventory amounted to RMB 7.8 million, and management took it as a right decision. Launch management will take a more prudent approach when making future investment decisions. In the year, Launch conducted a detailed inventory evaluation and made an impairment provision. Slow-moving inventory was scrapped or disposed of with a special loss of approximately RMB 10 million for Launch.

汽車電子事業部原為公司生產電子產品之部門，於二零零四年下半年開始生產，投資約為人民幣一千萬元，主要生產汽車音響設備及汽車定位設備產品，鑒於汽車音響產品市場環境競爭激烈，以及在汽車定位的研發上進展速度未如理想，元征管理層決定並落實在二零零五年中停止生產，並開始進行清理，扣除變賣生產設備及存貨後，仍錄得人民幣七百八十萬元，但管理層認為判斷正確，並汲取經驗及教訓，使將來拓展新業務時加以審慎處理。元征於年內就存貨量作出了詳細評估，年內將部份積存之原材料作出減值、報廢及變賣，為元征帶來特殊虧損約人民幣一千萬。

In 2003, Launch intended to develop automobile information database service, therefore made an approximately RMB 5.4 million to a software development company. Shareholders unanimously agreed to liquidate the company as it has recurring loss. Launch also wrote off the prepaid investment cost of RMB5.4 million.

In 2005, X431 Electronic Eye, Launch's core product, recorded global sales of approximately 20,000 units, among the top computerized diagnostic brands. X431 Electronic Eye has won ever-increasing recognition and reputation in overseas markets, with cutting-edge technology and fledging functions since its debut in 2002. It was a designated training equipment by local government in Holland, and was selected as the Top Products 2005 by PMM (Professional Motor Mechanic), a reputable journal in England.

In 2005, lifts products became the new profit centres for the domestic and international markets. In October this year, Launch successfully entered into a purchasing and marketing alliance agreement with Challenger Lifts, Inc. ("Challenger") of a substantial scale, and tapped into the US market, the biggest lift market in the world. According to the agreement, 31,500 units of 2-Post Hydraulic Lifts will be provided to Challenger in 65 months commencing on 1 August 2005, plus an additional minimum 20,000 units in the further 24 months foreseen in the Agreement.

Sales in other series of Launch's product also recorded continuous growth. The software for 4-Wheel Aligner for Large Vehicles has been translated into nearly 10 different languages. Automotive cooling agent injector under the cleaning series for automotive air conditioning equipment recently launched, successfully tapped into Korean and Southeast Asian market.

By adhering to the strategy of "developing key customers with strategic cooperation relationship", more efforts were devoted to the development of business with key customers. In 2005, Launch continued to develop business and maintained good strategic cooperation relationship with more than 20 major automotive manufacturing enterprises in the PRC, such as Chery Automobile, Shanghai GM Wuling, Beijing Mercedes-Benz, Shenyang Brilliance, Hainan Mazda and Hafei Auto. At the same time, new key projects acquired by Launch in 2005 included lifts from Dongfeng-Honda, downstream inspection of commercial general assembly factory for Dongfeng, commercial common track system inspection equipment from Dongfeng, military devices for Beijing Jeep, overseas projects from No. 1 Automobile-Toyota, 長豐獵豹 and Hebei Greatwall, as well as the repair equipment of major automobile manufacturers such as 長安鈴木、波導汽車、一汽進出口、天津華利、曙光汽車. Hence, breakthrough in domestic market is highly expected.

元征於二零零三年曾就擬計劃發展汽車信息管業務而向一家軟件公司作出約人民幣五百四十萬元之投資，後因該公司經營出現長期虧損，股東一致決定將該公司清盤，元征亦就此對此項預付投資款人民幣五百四十萬進行一次性撇賬。

二零零五年，元征之核心產品汽車診斷電腦X431電眼睛，全球年銷量約20,000台，步入全球汽車診斷電腦銷售之前列。X431電眼睛作為元征的核心暢銷產品，自2002年面市後，隨著技術的不斷提高及性能的日漸完善，在海內外市場獲得了同行的認可和贊譽。在荷蘭，被當地政府指定為技師培訓專用設備；在英國，被當地權威行業雜誌PMM (Professional Motor Mechanic) 評為「2005年度最佳產品」。

二零零五年，舉升機產品成為元征國內市場及海外市場新的銷售增長點。於本年十月份元征成功與北美一家相當有規模之舉升機銷售商Challenger Lifts, Inc (Challenger) 合作簽訂了一份採購及市場聯盟協議，成功地進入了美國市場這一全球最大的舉升機的市場。根據該協議，元征將在由二零零五年八月一日起的65個月內向Challenger提供不少於31,500台的雙柱舉升機，並如該協議所預期將於其後24個月內額外提供最少20,000台的雙柱舉升機。

元征其他系列產品的銷售都得到了持續的增長。如檢測系列產品四輪定位儀的軟件已翻譯成近十個國家的語言，新推出的清洗系列產品汽車空調系統設備—汽車冷媒加注機器成功地進入了韓國及東南亞市場。

元征秉承「發展具有戰略合作夥伴關係重點客戶」的策略，繼續大力發展重點客戶業務。二零零五年，元征與奇瑞汽車、上汽通用五菱、北京奔馳克萊斯勒、瀋陽華晨、海南馬自達和哈飛汽車等20多家國內大型汽車製造廠繼續發展業務，保持良好的戰略合作夥伴關係。同時，二零零五年，元征新增之重點項目有：東風本田舉升機、東風商用總裝廠下線檢測、東風商用柴油共軌系統檢測設備、北吉普軍用儀錶，以及一汽豐田、長豐獵豹、河北長城海外項目、長安鈴木、波導汽車、一汽進出口、天津華利、曙光汽車等大型汽車製造廠家的維修設備。因此，國內市場發展定能有所突破。

PROSPECTS

In accordance with the development strategies as determined in 2005, "to become the world's number one in terms of four key directions and six series of products within five years as the famous brand in global automotive aftermarket", Launch will enhance its effort in promote better brand awareness and corporate image in 2006. We will focus on various trade expos to make breakthrough in the key client base. Emerging and potential market will be tapped with exhibitions, specialty presentations and seminars that ultimately lead to better Launch profitability and market share.

In 2006, Launch's research and development activities will develop around its core product, so as to maintain the technological advantage and further pursue the research and development capacity of Launch. Launch will further apply advanced production technologies such as modular production, just-in-time production, lean production to reduce manufacturing cost and increase efficiency in delivery as well as reducing the delivery lead time. This will increase the competitiveness of the products in the market, so that the product quality will become more stable and the functions will become more reliable.

Looking ahead, Launch will reinforce the competitive muscles of its core Products by consolidating resource on hand to leverage its industrial leadership and powerful R&D strength. Diligent expansion of business at home and overseas alike, by means of a superb marketing and sales network, will secure even better returns for our shareholders.

I take this opportunity to thank our shareholders, the Board, our employees and business partners for your consistent support to Launch, and hand in hand we expect Launch Tech will record an even more splendid result in the new year.

前景

二零零六年，元征管理工作將繼續根據元征二零零五年確定的發展策略：「在5年內成為全球汽車後市場之著名品牌，在四大方向和六個系列產品成為世界第一。」而展開，繼續圍繞「重點市場、精耕細作」，大力拓展國內及海外市場業務，參加全球重要的行業展會，開發更多有實力之經銷商，塑造元征良好之品牌形象。

二零零六年，元征研發工作將圍繞核心產品展開，提升元征研發能力，保持產品之技術優勢，進一步優化生產結構，運用先進的生產制造技術，模塊化生產、及時生產、精益生產，降低制造成本，提高交貨效率，縮短交貨周期，使產品質量更加穩定，性能更加可靠。

展望將來，元征將集中精力整合現有資源，借助領先的行業優勢，以及雄厚的研發實力，提升核心產品的競爭力，運用優秀的銷售服務網絡，努力拓展海內外業務，以為股東爭取更佳的回報。

本人藉此機會感謝各股東、董事會、全體員工及業務伙伴對元征一直以來的支持，並期望與大家繼續攜手，在來年共創新里程。我們將竭盡所能，令元征科技在二零零六年持續邁進，合力共創更加輝煌的新一年。

Business Review

業務回顧

MARKETS

In 2005, Launch adopted the strategy of “focusing in major markets with sophistication” for its domestic market, and further segmented key markets in Jiangsu, Zhejiang and Shandong. Offices were established in Wuxi, Suzhou, Ningbo, Wenzhou, Taizhou and Yantai. At the same time, in order to facilitate marketing development, Launch fully utilized various marketing tools and means including advertisement, promotion, exhibition, promotional seminar, training session, industry forum and public relation activities, substantially boosted the brand image and secured remarkable results.

In the latter half of 2005, our domestic marketing department conducted promotion seminars in cities such as Guangzhou, Haikou, Beijing, Shenyang, Harbin, Lanzhou, Xian, Wenzhou, Yaan, Kunming, Shentou and Wuxi.

The domestic marketing department of Launch had also participated in the “43rd and 44th National Exhibition of Automobile Maintenance, Repair, Testing and Diagnostic Equipment and Automobile Tool Services and Products”.

In July 2005, the annual “Forum of High New Technology of the Launch Automotive Aftermarket” sponsored by Launch was held in Shenzhen. The forum broke its historical record in terms of its form, number of participants, target and turnover. The forum has already become a pageant in the domestic automotive aftermarket, which also has a great brandname value.

In 2005, Launch accelerated its pace of expansion in the international market. Launch currently has acquired distributors in over 50 countries and regions around the world. At the same time, in order to facilitate business development in the international market, Launch participated several exhibitions including the International Exhibition of Automobile Maintenance, Repair, Testing and Diagnostic Equipment and Automobile Tool Services and Products held in Paris in November 2005. Launch mainly adopted means including participation in exhibition, and publishing magazine advertisement, website advertisement, and promotional pamphlets for promotion, which substantially boosted the brand image in the international market and secured remarkable results.

市場

二零零五年，元征在國內市場採取「重點市場、精耕細作」之渠道策略，對江蘇、浙江、山東等重點市場進行了細分，分別增設了無錫、蘇州、寧波、溫州、台州、烟台等辦事處。同時，為推進市場業務之發展，元征採取了包括廣告、促銷、展覽會、推廣會、培訓會、行業論壇、公共關係等在內的多種宣傳形式及手段，進一步提升元征品牌，並取得了良好的效果。

二零零五年下半年，國內市場中心陸續在廣州、海口、北京、瀋陽、哈爾濱、蘭州、西安、萬州、雅安、昆明、汕頭、無錫等重點市場舉行了巡迴推廣會。

二零零五年，元征的國內推廣部門參加了包括在北京舉行的第43屆和44屆全國汽車保修檢測診斷設備及汽車工具服務用品展。

二零零五年七月，由元征主辦的每年一次的國內汽車後市場高新技術論壇在深圳舉行。本屆論壇從形式、參加人次、檔次、成交額等方面，均取得了超歷史的成績。元征主辦的後市場論壇已成為行業盛會，是元征寶貴的無形資產。

二零零五年，元征加快了海外市場拓展步伐。目前元征在海外已發展經銷商遍布世界各地50多個國家和地區，同時，為推進海外市場業務之發展，元征參加了於二零零五年十月在巴黎舉行的國際汽車保修檢測診斷設備及汽車工具服務用品展等多場次展覽會，採取了參與各類行業展覽會及發布雜誌廣告、網站廣告、軟文宣傳等形式進行廣告宣傳，擴大了公司品牌在國際影響力，並取得了良好的效果。

RESEARCH AND DEVELOPMENT

In 2005, as to secure Launch's competitiveness and a sustainable growth, we persisted our stress on R&D and new products unveiled met market demands.

Launch's major research and developments in 2005 were as follows:

In 2005, Launch's core products, X431 Electronic Eye, a computerized automotive diagnostic system was further developed in its scope and functions. The software was upgraded to 465 versions and broke the world's record in terms of speed. It was extensively appreciated by the customers.

In 2005, Launch enhanced the series and functions for X431 products. X431 Infinite is the latest multi-function multi-language automotive diagnostic system based on Linux operating system introduced by Launch. The automotive diagnostic function for X431 Super Electronic Eye was upgraded generally. It was also the first system to adopt Bluetooth wireless communication technology in automotive diagnostic system. The hardware structure of X431 was further upgraded by using a colour monitor. In 2005, Launch also completed the research and development in Creader 2.0 for the decoder of the diagnostic system, as well as the research and development in Codelink, the Mini Electronic Eye.

In 2005, Launch further improved the lift products mainly through the design of 2-Post Hydraulic Lifts. Research and development in the new 4-Post Hydraulic Lifts was completed. The function of the new products will be more stable. Research and development in digital life was completed. This in turn added a new high value-added product to the lift series and laid a solid foundation to the development of the lift business.

In 2005, the research and development of other mechanical products intended to better fulfill demand in the market and obtained good progress. The wheel installer and detacher researched and developed by Launch proprietarily pursuant to the different demand in Asia, Europe and US was the most outstanding products. The development is wheel balancer also became fundamentally mature. There was also major breakthrough in product design with advanced industrial concepts applied to the wheel balancer. This did not only make the product structure simpler but the production technique became very simple and laid a sound foundation to scale of production.

研發

二零零五年，元征繼續加大研究與開發力度，針對市場需求研發新產品，以增強元征市場競爭力及持續發展能力。

元征在二零零五年的主要研究與開發工作如下：

二零零五年，元征之核心產品汽車診斷電腦X431電眼睛的軟件在深度和廣度方面進一步得到拓展，軟件升級達到465個版本，創造了世界最快升級的記錄，被用戶大加贊譽。

二零零五年，元征加強了X431產品的系列化和功能擴展。X431Infinite是元征推出的最新一代的基於LINUX操作系統開發的多功能、多語言環境的汽車診斷電腦，她全面升級X-431超級電眼睛的汽車故障診斷功能，同時率先將藍牙無線通訊技術應用在汽車診斷設備上，並進一步提升了X431的硬件結構，採用了彩色的顯示屏。二零零五年，元征同時還完成了診斷系列產品讀碼卡Creader.2.0版本的研發，以及迷你電眼睛CODELINK新版本的研發。

二零零五年，元征進一步完善了舉升機產品主要是二柱舉升機系列產品的設計；完成了新款四柱舉升機的研發，新款產品性能將更加穩定；完成了數字式舉升機的研發工作，為舉升機產品系列增加了新的高附加值的產品，為舉升機業務的發展奠定了基礎。

二零零五年，元征的其他機械產品研發工作更加貼近市場需求，取得了良好的進展。由元征自主研發的輪胎拆裝機根據亞洲、歐洲及美洲市場的不同需求，成為最全面的系列產品之一；輪胎平衡機產品亦基本成熟，並且在產品設計上有了重大的突破，將先進的工業設計思想應用到了輪胎平衡機，使得產品不僅結構簡單，而且生產工藝也非常簡單，為規模生產打下了良好基礎。

In 2005, R&D of other products was market-oriented with pleasant momentum. Differentiated to the varying demands in Asian, the EC as well as North America markets, tire changers developed by Launch has grown into the most extensive series. A maturing wheel balancer series received leading industrial designs that resulted in simplicity in both structure and manufacturing techniques, laying firm groundwork for mass production.

In 2005, Launch completed the research and development for its new 3D 4-Wheel Aligner, which adopted an integrated concept, and applied CCD and Bluetooth technologies so that the functions became more steady, reliable at a lower costs. It is intended to replace the existing 3D 4-Wheel Aligner with this new version.

In 2005, Launch completed the research and development in expanding the function and creating a series of automotive cooling agent injector under the automotive air conditioning equipment as a new series for automotive maintenance. The functions of the new series of product will be more comprehensive and better fulfill the market demand. Meanwhile, the research and development in automatic gear box cleaning device and automatic fuel oil cleaning device were completed.

MANAGEMENT

In 2005, Launch increased its investment and efforts in information system. Enterprise resources planning system and office automation system were implemented successively to achieve a full-scale digitized business operation of higher efficiency.

To ensure a healthy Launch financial status, we will tighten financial management, prudently process cost, inventory and investment; streamline various internal control framework and upscale managerial efficiency.

PROSPECTS

Launch aggregate emphasis will still be "focusing in major markets with sophistication".

In 2006, with respect to sales and customers management, Launch will adopt CRM and call centre. It is expected that the standard of customer management will be improved significantly. Sales will be increased to a significant extent.

於二零零五年，其他產品之研發進展理想。由元征開發的輪胎拆裝機根據亞洲、歐洲共同體及北美市場的不同需求成為最大系列。輪胎平衡機系列從先進的工業設計發展成熟，使得產品不僅結構及生產工藝簡單，為規模生產打下良好基礎。

二零零五年，元征完成了檢測產品新款四輪定位儀的研發，新款四輪定位儀採用一體化的設計理念，應用了CCD和藍牙通訊技術，性能更加穩定、可靠，成本也更加低廉，是現有的四輪定位儀的換代產品。

二零零五年，元征完成了汽車養護產品新款式的系列汽車空調系統設備—汽車冷媒加注機功能擴展和產品系列化的研發，使該系列產品功能更加全面，能更好的滿足各類市場需求。同時還完成了自動變速箱清洗機、自動燃油清洗機新款產品的研發。

管理

二零零五年，元征加強了在信息系統方面的投入和工作力度，先後實施了企業資源管理ERP系統和自動化辦公OA系統。

元征將加強財務管理，審慎處理成本、存貸及資金投資，完善各項內控制度，提高管理效率，使元征財務保持良好穩健的發展。

展望

二零零六年，元征市場工作的總體思路是還是「重點市場、精耕細作」。

二零零六年，元征在銷售及客戶管理方面，將採用CRM與Call Center系統，客戶管理水平相信會有極大地改善，銷售業務也會有較大的提高。

In 2006, focus with sophistication will be made on key markets such as Beijing and Shanghai for the domestic market. The leading position of the diagnostic products will be further consolidated. Additional efforts will be devoted to marketing of core products such as lifts and 4-Wheel Aligner. Existing sales model, organization structure, establishment as well as motivation and appraisal policies for sales staff will be adjusted and optimized. The management of sales force will be strengthened. Efficiency in the sales team will be enhanced. More efforts will be devoted to fee-based after sales services, so that such fee-based services will become the profit source and centre. Business promotion and expansion will be implemented through new products road shows, exhibitions, forum, and various forms of advertising.

Launch will further expand its international market by participating in important exhibitions of the industry, acquiring more competent distributors and moulding Launch's brand image.

In 2006, Launch's research and development activities will develop against its core product. The core will mainly be comprised of X431 Electronic Eye and related diagnostic products, 4-Wheel Aligner, wheel installer and detacher, lifts, and automotive maintenance products. Launch will concentrate its human and material resources to improve the function and reliability of the products, so as to maintain the technological advantage and further pursue the research and development of high end products for replacing its existing products.

In 2006, the manufacturing business of Launch will focus on the concept of "cost control, quality enhancement, and production management level enhancement". Launch will further adjust its production entities and apply advanced production technologies such as modular production, just-in-time production, lean production to reduce manufacturing cost and increase efficiency in delivery as well as reducing the delivery lead time. This will increase the competitiveness of the products in the market, so that the product quality will become more stable and the functions will become more reliable.

In 2006, Launch will enhance its effort in promote better brand awareness and corporate image. We will focus on various trade expos for breakthroughs in the key client base. Emerging and potential market will be tapped by means of exhibitions, specialty presentations and seminars that ultimately lead to better Launch profitability and market share.

二零零六年，在國內市場將加強對北京、上海等重點市場的精益化耕作力度。繼續鞏固診斷產品的市場領導地位，加大舉升機、四輪定位儀等核心產品的市場推廣力度；調整、優化現有的銷售模式、組織構架、人員結構和銷售人員激勵考核政策，加強對銷售隊伍的管理，提高銷售團隊的效率；加大售後服務收費力度，將服務收費作為利潤來源和增長點；通過新產品巡迴推廣會、展覽會、年會、各類廣告等多種方式進一步宣傳推廣，拓寬業務。

二零零六年，元征將進一步拓展海外市場業務，參加全球重要的行業展會，開發更多有實力之經銷商，塑造元征之品牌形象。

二零零六年，元征研發工作將圍繞「核心產品」展開，主要以X431電眼睛及相關診斷產品、四輪定位儀、輪胎拆裝機、輪胎平衡機、舉升機、汽車養護設備等六系列產品為核心。元征將集中人力物力，提升產品性能和可靠性，保持產品之技術優勢，並深入研發相關的高端換代型產品。

二零零六年，元征製造業務的核心思路是「控制成本、提高質量及提高生產管理水平」。元征將進一步調整生產組織，運用先進的生產製造技術，如模塊化生產、及時生產、精益生產，降低製造成本，提高交貨效率，縮短交貨周期，使產品更加具有市場競爭力，產品質量更加穩定，性能更加可靠。

二零零六年，元征將更加加強品牌知名度及公司形象的推廣力度，以各行業典型展會為主要參加對象，尋求重點業務的進一步突破。同時開拓新市場及有潛力市場，採取展品推廣、專業展會及研討會等形式，發揮元征品牌優勢，提高元征盈利能力及市場佔有率。

Financial Review

財務概覽

FINANCIAL RESOURCES AND LIQUIDITY

The Group adopts to a prudent financial management policy and has a healthy financial position. As at 31 December 2005, The Group had cash and bank balances of approximately RMB102 million. As at 31 December 2005, shareholders' equity of the Group amounted to approximately RMB338 million. Current assets was approximately RMB452 million. The Group's current liabilities of approximately RMB277 million, comprised of short-term bank borrowings of approximately RMB155 million, and the rest were mainly account payables and accruals. The Group's net asset value per share was approximately RMB0.65. The Group's gearing ratio, which represented the percentage of bank borrowings over gross asset value, was approximately 25%.

財務資源與流動資金

集團採取審慎的理財政策，擁有穩健的財務狀況，於二零零五年十二月三十一日，持有現金及銀行存款約人民幣102,000,000元。於二零零五年十二月三十一日，集團的股東權益約為人民幣338,000,000元。流動資產約為人民幣452,000,000元。集團之流動負債約為人民幣277,000,000元，當中包括銀行短期借貸約人民幣155,000,000元，其它主要為應付帳款及預提費用。集團的每股資產淨值為人民幣0.65元。集團以銀行借貸與總資產值的百分比為杠杆比率，該比率為25%。



For the year ended 31 December 2005, most of the Group's income was denominated in RMB whereas all overseas sales were transacted in USD, and expenses were paid in RMB. Therefore, the Directors consider that the Group was not under substantial foreign exchange risk exposure.

截至二零零五年十二月三十一日止年度，由於集團國內銷售收入乃以人民幣結算，而所有海外銷售乃以美元進行交易，而開支則以人民幣支付，故董事認為，集團毋須面對重大外幣匯兌風險。

EMPLOYEES

As at 31 December 2005, the Group had 1,366 and 11 employees (2004: 1,950 and 10 respectively) based in the PRC and overseas respectively. Staff costs, excluding directors' and supervisors' emoluments, were approximately RMB58 million (2004: approximately RMB50 million).

員工

於二零零五年十二月三十一日，集團於國內及海外分別有1,366名及11名員工（二零零四年為1,950名及10名）。扣除董事及監事酬金後之員工成本約為人民幣58,000,000元（二零零四年約為人民幣50,000,000元）。

The Group remunerates employees by their performance and experience. It has adopted a share option scheme whereby employees of the Group may be granted options to acquire shares. The Group also offers staff benefits such as professional training programs enhance staffs' skills, knowledge and sense of belonging.

OTHERS

In 2005, the Group made certain adjustments to its existing business and divested business that are not part of our core assets, details of which are as follows: In an effort to better consolidate its current resources so as to concentrate on the development of core business, strengthen the research and market development of the Group's core products, in November 2005, the Group transferred its 70% of equity interests in Shenzhen Yuanhe Electronic Material Co., Ltd (which is principally engaged in production and sales of electronic components

集團按員工表現及經驗計算薪金報酬，集團設有購股權計劃以給予集團員工透過購股權計劃購股。集團亦提供福利，如給予員工專業培訓計劃以提高員工之技術、知識及歸屬感。

其他

於二零零五年集團對現有的業務進行了一定的調整，將不屬於核心資產的業務進行了剝離，於二零零五年十一月，集團將持有的深圳市元和電子材料有限公司（主營各類電子元器件的加工與銷售，註冊資本為人民幣500萬元）70%、深圳市致和汽車用品



with registered capital of RMB5 million), 70% of equity interests in Shenzhen Zhihe Automobile Accessories Co., Ltd. (which is principally engaged in provision of instant auto repairs with registered capital of RMB0.5 million), 90% of equity interests in Shanghai Gongjidazhen Yuan Automobile Technology Co., Ltd. (which is principally engaged in automobile diagnosis, R&D and manufacturing of machine repair and maintenance equipments, with registered capital of RMB1 million) to parties independent of the Group for a consideration of RMB5.53 million, RMB0.05 million and RMB1.70 million, respectively.

In 2005, 上海元征愛思開汽車服務有限公司, a joint venture between the Group and SK Networks Co., Ltd., a Korean company, was incorporated in Shanghai. The Group invested RMB 1.35 million, representing 30% of the registered capital. By leveraging on the advanced technologies of the Group in auto repair and maintenance and the partner's superior expertise in repair service coaching, managerial experience, the joint venture is engaged in the provision of professional auto repair, maintenance and decorations to its customers.

In 2005, apart from the part of the business adjustment and investment of the Group as referred to above, the Group did not hold any material investments, so as on 31st December 2004.

In 2005, the China Securities Regulatory Commission approved the Group's proposed increase of registered capital via an additional issue of 38,000,000 H shares. The issue was completed by January 2006, with new shares entirely subscribed by the International Finance Corporation with a net proceeds of approximately HK\$ 58 million, which will be applied to the establishment of the Launch Science and Technology Industry Park (元征科技工業園).

As at 31 December 2005, apart from the pledged bank deposits of approximately RMB12.0 million (2004: approximately RMB138.0 million), the Group had no other significant assets pledged, so as on 31st December 2004.

有限公司(主營業務為提供汽車快修服務, 註冊資本為人民幣50萬元)70%, 及上海工技大振源汽車科技有限公司(主營業務為汽車檢測、機械維修設備的研發及生產, 註冊資本為人民幣100萬元)90%的股權分別以人民幣553萬元、5萬元及170萬元的價格轉讓給集團外人士, 以更好的整合集團現有資源, 發展核心業務, 加強集團核心產品的研發及市場拓展。

於二零零五年, 由集團與韓國SK networks Co., Ltd.共同出資的上海元征愛思開汽車服務有限公司在上海成立。集團總投資額為人民幣1,350,000元, 佔註冊資本30%。此項合作將利用集團先進的汽車維修技術以及韓國SK公司優秀的維修服務培訓、管理經驗, 向客戶提供專業的汽車維修、保養、裝飾等服務。

於二零零五年, 除上述部分業務調整及投資之外, 集團並無持有重大投資, 而於二零零四年十二月三十一日亦如是。

於二零零五年, 本公司擬增資發行38,000,000股新H股並於十二月獲得中國證監會批准。該項增發已於二零零六年一月完成, 發行之新股全部由世界銀行國際金融公司(International Finance Corporation)認購, 發行股份所得款項淨額約為58,000,000港元, 將全部用於元征科技工業園的建設。

於二零零五年十二月三十一日, 除了已抵押銀行存款約人民幣12,000,000元(二零零四年: 約人民幣138,000,000元)外, 集團並沒有抵押其他重要資產, 而於二零零四年十二月三十一日亦如是。

Directors, Supervisors and Senior Management 董事、監事及高級管理人員

DIRECTORS

Executive Directors

Mr. Liu Xin (劉新), also known as **Liu Yi Zhi (劉易之)**, aged 37, is an executive Director and the chairman of the Company. Mr. Liu is the founder of the Company and has around 10 years of experience in corporate management, business development, product development and marketing in the computer and automotive diagnostic and testing industries. He is a graduate of Chengdu Technology University (成都科技大學) (currently known as Sichuan University (四川大學)) with a bachelor's degree in applied physics. Mr. Liu is mainly responsible for the strategic planning, overall management, establishment of strategic alliances and development of overseas marketing and sales channel. Mr. Liu Xin is the brother of Mr. Liu Jun and Ms. Liu Yong.

Mr. Liu Jun (劉均), also known as **Liu Zheng Zhi (劉正之)**, aged 35, is an executive Director and the chief executive officer of the Company. Mr. Liu is the co-founder of the Company and is the brother of Mr. Liu Xin and Ms. Liu Yong. Mr. Liu has around 10 years of experience in corporate management, business development and product development in automotive diagnostic and testing industries. He is a graduate of Tsinghua University (清華大學) with a bachelor's degree in radio electronics engineering. Mr. Liu once served as the head of the Company's R&D department and headed the development of the first generation of Electronic Eye in November 1994, and was honoured as one of the Shenzhen Ten Outstanding Young Technology Experts in 1998 (1998年深圳市青年科技專家). He is currently responsible for the day-to-day operations of Company, and also supervises the Company's R&D and finance.

Professor Wang Xue Zhi (王學志), aged 69, is an executive Director and chief engineer of the Company. Professor Wang is an expert in automotive diagnostic and testing engineering with approximately 30 years of experience in related studies and research works, and has published 20 related books and academic papers. Prior to joining the Company in May 1998, Professor Wang served as a professor of Xian Highway Transportation Institute (西安公路交通大學) (currently known as Changan University (長安大學)) and the vice principal of the board of experts of the China Automobile Maintenance and Repair Equipment Industry Association under the Ministry of Transportation (交通部屬下《中國汽車保修設備行業協會》). He heads the Company's overall product development, and was responsible for leading the development of IVIEW-100 wheel alignment system and other similar large-scale automotive diagnostic and testing systems.

董事

執行董事

劉新先生，又名**劉易之**，現年37歲，本公司執行董事兼董事長。劉先生乃本公司之創辦人，彼在電腦及汽車診斷及測試系統行業之企業管理、業務發展、產品開發及市場推廣方面擁有約十年經驗。劉先生在成都科技大學(現稱四川大學)畢業，擁有應用物理學士學位。劉先生主要負責策略性規劃、整體管理、建立策略性聯盟及發展海外市場推廣及銷售渠道之工作。劉新先生與劉均先生及劉庸女士為兄弟及姊弟之關係。

劉均先生，又名**劉正之**，現年35歲，本公司執行董事兼行政總裁。劉先生乃本公司創辦人之一，亦為劉新先生及劉庸女士之胞弟。劉先生在汽車診斷及測試系統行業之企業管理、業務發展及產品開發方面擁有約十年經驗。劉先生在清華大學畢業，擁有電子工程學士學位。劉先生曾出任本公司研發部門主管一職，並於一九九四年十一月領導開發第一代電眼睛，並榮獲一九九八年深圳市青年科技專家。劉先生現時負責本公司之日常業務運作，亦肩負本公司之研發及財務監督工作。

王學志教授，現年69歲，本公司執行董事兼總工程師。王教授乃汽車診斷及測試工程專家，在相關研究工作方面擁有約30年經驗，曾發表20本相關書籍及學術論文。於一九九八年五月加入本公司前，王教授出任西安公路交通大學(現稱長安大學)之教授，並為交通部屬下《中國汽車保修設備行業協會》之專家委員會副會長。王教授領導本公司之整體產品開發工作，亦曾負責領導開發IVIEW-100四輪定位儀及其他類似大型汽車診斷及測試系統。

DIRECTORS (continued)

Non-executive Directors

Ms. Liu Yong (劉庸), aged 43, is a non-executive Director since June 1997, and is the sister of Mr. Liu Xin and Mr. Liu Jun. Ms. Liu once studied in Dalian Foreign Language Institute (大連外國語學院), and served in the sales department and public relations department of Guilin Holidays Inn (桂林賓館) and Guilin Rong Hu Hotel (桂林榕湖飯店), respectively, and as the general manager of Sunshine Travel Agency (陽光旅行社). Ms. Liu has extensive experience in corporate management, sales and marketing and public relations management. She is currently a director of Shenzhen De Shi Yu.

Independent non-executive Directors

Mr. Zhang Xiao Yu (張小虞), aged 61, is an independent non-executive Director since March 2002. Mr. Zhang is the vice-chairman of China Machinery Industrial Association since April 2001, and prior to April 2001, he served as the vice commissioner of the State Machinery Industry Bureau (國家機械工業局), the chief of Automobile Industry Division (汽車工業司) of the Ministry of Machinery Industry (機械工業部).

Professor Hu Zi Zheng (胡子正), aged 68, is an independent non-executive Director since March 2002. Mr. Hu is currently the professor and doctoral student mentor of automotive studies of the school of mechanics at Jilin Industrial University (吉林工業大學). Mr. Hu is also the appointed specialist of China Automobile Engineering Association (中國汽車工程學會) and member of the board of editors of "Mechanical Engineering Paper" (機械工程學報). He also served as the vice principal of the State Key Laboratory of Dynamic Automotive Simulation (模擬國家重點實驗室學術委員會) and dean of automotive school at the Jilin Industrial University. Mr. Hu graduated from the Jilin Industrial University with a degree in automobile engineering, and has around 30 years of experience in automotive science research and teaching.

董事 (續)

非執行董事

劉庸女士，現年43歲，自一九九七年六月起擔任非執行董事，亦為劉新先生及劉均先生之胞姊。劉女士曾就讀於大連外國語學院，曾分別為桂林賓館及桂林榕湖飯店之銷售及公關部門，以及陽光旅行社之總經理。劉女士在企業管理、銷售、市場推廣及公共關係管理方面擁有豐富經驗。彼現時擔任深圳得時域之董事。

獨立非執行董事

張小虞先生，現年61歲，自二零零二年三月起擔任獨立非執行董事。張先生於二零零一年四月至今一直出任中國機械工業協會副會長，於二零零一年四月前，彼曾擔任國家機械工業局副局長、機械工業部汽車工業司司長。

胡子正教授，現年68歲，自二零零二年三月起擔任獨立非執行董事。胡先生現時為吉林工業大學機械學院汽車研究之教授及博士生導師。胡先生亦獲中國汽車工程學會委任為專業顧問及吉林工業大學《機械工程學報》編輯委員會成員。彼亦曾出任汽車動態模擬國家重點實驗室學術委員會之副會長及吉林工業大學汽車學院院長。胡先生於吉林工業大學畢業，取得汽車工程學位，在汽車科學研究及教學方面積約30年經驗。

DIRECTORS (continued)

Independent non-executive Directors (continued)

Mr. Yim Hing Wah (嚴慶華), aged 41, has more than 15 years experience in auditing, accounting, taxation, business consulting and financial management. He had worked for Deloitte Touche Tohmatsu as manager for 9 years from July 1992 to December 2000. After that, he was the financial controller of Jiangsu Nandasoft Company Limited and Chinasoft International Limited, the companies listed on GEM. Currently, he is a partner of Chan, Yim, Cheng & Co., an accounting firm in Hong Kong. Mr. Yim is a graduate of Hong Kong Polytechnic University and holds a Bachelor Degree in Accounting. He is a member of the Hong Kong Society of Accountants, a fellow member of Association of Chartered Certified Accountants and a member of Hong Kong Securities Institute. Mr. Yim also serves as the independent non-executive director of Artel Solutions Holdings Limited (listed on Main Board) and Jiangsu NandaSoft Company Limited (listed on GEM).

MEMBERS OF SUPERVISORY COMMITTEE

Supervisory committee in the PRC has similar functions as audit committee, which mainly reviews the financial results of the Company and the decisions made by the Board. Supervisors can represent the interest of shareholders or employees, and independent supervisors are recruited from outside and not related to any of the directors, supervisors, promoters and employees of the Company. Mr. Wang Xi Lin is appointed as a Supervisor through the recommendation of the Company's employees. Ms. Hou Wen Tao and Mr. Guo Jian Yuan are appointed as independent Supervisors.

Ms. Hou Wen Tao (侯文濤), aged 66, is a Supervisor since March 2002. Ms. Hou retired from the Shenzhen Science and Technology Bureau (深圳市科學技術局) since August 2001, where she served as its vice commissioner, vice principal and inspector since 1991. Prior to July 1986, she served as a senior engineer at the Changchun Applied Chemistry Research Institute of the China Science Academy (中國科學學院長春應用化學研究所) and a visiting scholar of Proyaume de Belgique in Belgium between April 1981 and February 1982. Ms. Hou obtained a bachelor's degree in atomic physics from Jilin University (吉林大學).

董事 (續)

獨立非執行董事 (續)

嚴慶華先生，現年41歲，於核數、會計、稅務、商業諮詢及財務管理方面擁有逾15年經驗。一九九二年七月至二零零零年十二月之九年期間，嚴先生於德勤會計師行擔任經理，其後加盟於創業板上市之江蘇南大蘇富特軟件股份有限公司及中軟國際有限公司，出任財務總監一職。目前，彼為香港一家會計師事務所Chan, Yim, Cheng & Co.之合夥人。嚴先生畢業於香港理工大學，持有會計學學士學位。彼為香港會計師公會會員、英國特許公認會計師公會資深會員及香港證券學會會員。嚴先生亦獲委任為宏通集團控股有限公司(聯交所主板上市公司)及江蘇南大蘇富特軟件股份有限公司(創業板上市公司)之獨立非執行董事。

監事會成員

國內監事會之職能類似審核委員會，主要負責審核財務業績及董事會所作之決定。監事可代表股東或僱員之權益，而獨立監事均從公司以外聘請，並獨立於本公司之任何董事、監事、發起人及僱員。王希琳先生透過本公司僱員推薦獲委任為監事，而侯文濤女士及郭健源先生則獲委任為獨立監事。

侯文濤女士，現年66歲，自二零零二年三月起擔任監事。侯女士於一九九一年起服務於深圳市科學技術局，先後出任副局長、副主任及調查人員職位，並於二零零一年八月榮休。於一九八六年七月前，彼曾任職中國科學學院長春應用化學研究所高級工程師，於一九八一年四月至一九八二年二月在比利時Proyaume de Belgique進修。侯女士取得吉林大學頒發之原子物理學士學位。

MEMBERS OF SUPERVISORY COMMITTEE **(continued)**

Mr. Guo Jian Yuan (郭健源), aged 58, is a Supervisor since March 2002. Mr. Guo is currently the chairman of Shenzhen Cosber Industrial Co., Ltd. (深圳市康士柏實業有限公司), a distributor of automobile maintenance equipment in the PRC, vice-chairman of China Automobile Maintenance and Repair Equipment Industry Association (中國汽車保修設備行業協會) and chairman of Shenzhen Automobile and Motorcycle Maintenance and Repair Industry Association (深圳市汽車摩托車維修行業協會), in charge of their overall management. He also served as the director and president of Shenzhen Tellus Holding Co., Ltd. (深圳市特力(集團)股份有限公司), a developer of mechanical tools in the PRC, in charge of their overall management. Mr. Guo has extensive experience in corporate management.

Mr. Wang Xi Lin (王希琳), aged 42, is the general manager of the Company's automotive diagnostic product division and a Supervisor since March 2002. Mr. Wang graduated from the China Mining Industry University (中國礦業大學) in Beijing with a master's degree in engineering. Prior to joining the Company in October 2000, Mr. Wang served as a senior engineer at several state-owned companies and led the R&D works in relation to large electronic control and electronic automation systems. Mr. Wang was formerly the head of the Company's R&D department, and had successfully led the development of the ADC2000 auto diagnostic computer.

SENIOR MANAGEMENT

Mr. Peter Toland, aged 49, is the vice president and overseas market officer of the Company. He graduated from Wulfrun College and received a MBA degree from Ashridge Management College. Before joining the Company in 2003, he was a vice president in a large motor maintenance and manufacture company and a general manager of the branch of that company. Besides, he had worked in an international petro-chemical company. He has much experience in enterprise management, market development and promotion. Mr. Peter Toland mainly takes charge of the development, promotion and planning of our overseas markets.

監事會成員(續)

郭健源先生，現年58歲，自二零零二年三月起擔任監事。郭先生現時為國內汽車保養設備分銷商深圳市康士柏實業有限公司董事長、中國汽車保修設備行業協會副會長及深圳市汽車摩托車維修行業協會會長，負責該等公司或組織之整體管理。彼亦曾出任國內機械工具開發商深圳市特力(集團)股份有限公司董事兼總裁，負責該等公司之整體管理。郭先生在企業管理方面具豐富經驗。

王希琳先生，現年42歲，本公司汽車診斷事業部總經理，自二零零二年三月起擔任監事。王先生畢業於北京中國礦業大學，擁有工程碩士學位。於二零零零年十月加入本公司前，王先生曾在多家國有企業擔任高級工程師，領導大型電子控制及電子自動系統相關之研發工作。王先生曾擔任本公司研發部門總監，並成功領導ADC2000汽車診斷電腦之開發工作。

高級管理人員

Peter Toland先生，現年49歲，本公司副總裁兼海外市場中心主管。Peter Toland先生畢業於Wulfrun College，後獲得Ashridge Management College MBA學位。於二零零三年加入本公司前，曾在一家世界大型的汽車維修設備製造公司擔任副總裁及歐洲分公司總經理，並曾擔任英國一家國際石油化工公司經理，在企業管理、市場開拓與推廣方面有著豐碩的經驗。Peter Toland先生現時主要負責本公司海外市場的開拓、推廣及策劃之工作。

SENIOR MANAGEMENT (continued)

Ms. Huang Zhao Huan (黃兆歡), aged 33, is the head of the Company's domestic marketing centre. Ms. Huang is a graduate of Nanchong Teaching University (南充師範學院) with a bachelor's degree in mathematics. She is currently responsible for the development and management of the Company's domestic sales network and marketing activities and customer relationships of its major customers. She joined the Company in 1996.

Mr. Hu Kai (胡凱), aged 32, is the head of the Company's production and procurement department. Mr. Hu has a degree in economic management for Guangxi Teaching University (廣西師範大學) and joined the Company as a manager of purchase division in 1995. He is mainly responsible for overseeing the Company's production planning and management.

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Liu Chun Ming (廖俊明), aged 30, is the financial controller and company secretary of the Company. Mr. Liu is a qualified accountant and obtained a bachelor's degree (Honours) in accountancy from the City University of Hong Kong in 1997. He is an associate member of the Association of Chartered Certified Accountants, and, prior to joining the Company in March 2002, acquired over four years of experience with an international audit firm.

COMPLIANCE OFFICER

Mr. Liu Jun (劉均), executive Director, compliance officer and authorised representative. Mr. Liu will be advising on and assisting the Board in implementing procedures to ensure that the Company complies with the GEM Listing Rules and other relevant laws and regulations applicable to the Company and responding efficiently to all inquiries directed to the Company by the Stock Exchange.

高級管理人員 (續)

黃兆歡女士，現年33歲，本公司國內市場中心主管。黃女士畢業於南充師範學院，擁有數學學士學位。彼現時負責發展及管理本公司之國內銷售網絡及市場推廣活動，以及本公司主要客戶之客戶關係。黃女士於一九九六年加入本公司。

胡凱先生，現年32歲，本公司生產及採購部門主管。胡先生持有廣西師範大學之經濟管理學位，於一九九五年加入本公司，擔任採購分部經理。彼主要負責監管本公司之生產規劃及管理。

合資格會計師及公司秘書

廖俊明先生，現年30歲，本公司之財務總監兼公司秘書。廖先生乃合資格會計師，於一九九七年在香港城市大學取得會計(榮譽)學士學位。彼為特許會計師公會會員，於二零零二年三月加入本公司前，已在一家國際核數師行汲取超過四年經驗。

監察主任

劉均先生乃執行董事、監察主任兼授權代表。劉先生負責向董事會提供意見，並協助董事會採取步驟，確保本公司遵守創業板上市規則及其他適用於本公司之相關法規，以及有效率地回覆聯交所對本公司之詢問。

AUDIT COMMITTEE

The audit committee was established by the Company on 21 March 2002, with written terms of reference in compliance with the requirements as set out in Rules 5.23 to 5.25 of the GEM Listing Rules. The principal duties of the committee are the review and supervision of the Company's reporting process and internal control. The Group's audit committee has held five meeting since early 2003. The members of the audit committee are as follows:

審核委員會

本公司已於二零零二年三月二十一日根據創業板上市規則第5.23至第5.25條所載之規定成立具有明確職權範圍之審核委員會。審核委員會之主要職責為審核本公司之財務申報及內部監控工作。集團之審核委員會於二零零五年年初至今曾召開五次會議。審核委員會之成員如下：

Name 姓名	Position in the audit committee 審核委員會職銜	Position in the Board 董事會職銜
Mr. Zhang Xiao Yu 張小虞先生	chairman 主席	independent non-executive Director 獨立非執行董事
Professor Hu Zi Zheng 胡子正教授	member 成員	independent non-executive Director 獨立非執行董事
Mr. Yim Hing Wah 嚴慶華先生	member 成員	independent non-executive Director 獨立非執行董事

Corporate Governance Report 企業管治報告

CORPORATE GOVERNANCE PRACTICE

The Group commits to maintaining and ensuring a high level of corporate governance standards and continuously reviews and improves our corporate governance and internal controls practices. Set out below are the principles of corporate governance as adopted by the Company during the reporting year.

DISTINCTIVE ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board is responsible for leading the Board of Directors in establishing and monitoring the implementation of strategies and plans to create values for shareholders.

The Chief Executive Officer is responsible for managing the operation of the Group's businesses, proposing strategies to the Board and the effective implementation of the strategies and policies adopted by the Board.

THE BOARD

As of 31 December 2005, there were seven members on the Board, which are the Chairman, two other Executive Directors, a Non-Executive Director ("NED") and three Independent Non-Executive Directors ("INEDs").

The INEDs are considered by the Board to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgments. The Board considered that each of the INEDs brings his own relevant expertise to the Board and its deliberations.

None of the INEDs has any business or financial interests with the Group nor has any relationship with other directors and confirmed their independences to the Group pursuant to Rule 5.09 of the GEM Listing Rules.

The Board met regularly during the year and on ad hoc basis as required by business needs. The Board's primary purpose is to set and review the overall strategic development of the Group and to oversee the achievement of the plans to enhance shareholders' value. Daily operational decisions are delegated to the Executive Directors. The Board met 6 times during the year and the Directors' attendance is shown in the table on page 26. The NED and INEDs may take independent professional advice at the Company's expense in carrying out their functions. The Board has arranged for appropriate insurance coverage for the Directors

企業管治常規

本集團一直致力確保企業管治標準維持於高水平，並持續檢討及改善企業管治及內部監控常規。以下為本公司於報告年度內採納的企業管治原則。

主席及行政總裁的分工

董事會主席負責領導董事會制訂及監控業務策略與計劃的推行，務求為股東締造更高的企業價值。

行政總裁負責管理集團業務運作、向董事會提呈策略方針，以及落實推行獲董事會採納的策略及政策。

董事會

於2005年12月31日，董事會由七位成員組成，分別為主席及其他兩位執行董事、一位非執行董事（「非執行董事」）及三位獨立非執行董事（「獨立非執行董事」）。

董事會認為，各獨立非執行董事均為與管理層並無關係的獨立人士，其獨立判斷不會受到影響。此外，董事會認為，各獨立非執行董事均為董事會事務及其決策貢獻本身的相關經驗。

獨立非執行董事並無涉及本集團的任何業務及財務利益，且與其他董事亦並無任何關係，並已根據創業板上市規則第5.09條向本集團確認彼等為獨立人士。

年內，本集團定期及按業務所需不時舉行會議。董事會的主要功能為制訂及檢討本集團的整體策略發展，以及監督業務計劃成效以提升股東價值。日常營運決策乃授予執行董事。年內，董事會舉行了6次會議，而董事的出席記錄見第26頁所載表內。非執行董事及獨立非執行董事在執行彼等的職務時，可諮詢獨立專業人士的意見，費用概由本公司承擔。

The Company appointed each of the Non-Executive directors during the Annual General Meeting or by the Board for new appointment during the year. The term of each of these appointments shall be expired up to the forthcoming Annual General Meeting and can offer for re-election in the Annual General Meeting.

AUDIT COMMITTEE

The Audit Committee ("Committee") comprises the three INEDs, Mr. Zhang Xiao Yu, Professor Hu Zi Zheng and Mr. Yim Hing Wah with Mr. Zhang Xiao Yu serving as the chairman of the Committee. Each member brings to the Committee his valuable experience in reviewing financial statements and evaluating significant control and financial issues of the Group. He is a member of the Hong Kong Society of Accountants, a fellow member of Association of Chartered Certified Accountants and a member of Hong Kong Securities Institute. Mr. Yim has more than 15 years experience in auditing, accounting, taxation, business consulting and financial management. He possesses the appropriate professional qualification on accounting or related financial management expertise as required under Rule 5.05 (2) of the GEM Listing Rules. Member's attendance at the five meetings held during the year is set out in the table on page 26.

The Committee is required to assist the Board to fulfill its responsibilities related to external financial reporting, associated announcements and system of internal control. During the year, the Committee reviewed the quarterly and annual reports. Additional meetings may also be held by the Committee from time to time to discuss special projects or other issues that the Committee considered necessary.

The Committee is also responsible for the development, implementation and monitoring of the Groups' policy on external audit. The Committee recommended the appointment and reappointment of the Group's external auditors.

每名非執行董事均由本公司於股東週年大會委任或由董事會於年內新委任。此類委任之任期均須於應屆股東週年大會屆滿，並可於同屆股東週年大會重選連任。

審核委員會

審核委員會（「委員會」）由三位獨立非執行董事，即張小虞先生、胡子正教授及嚴慶華先生組成，其中張小虞先生擔任委員會主席。在審閱財務報表、評估本集團重大監控及財務事宜方面，各成員均為委員會貢獻本身的相關寶貴經驗。嚴先生為香港會計師公會會員、英國特許公認會計師公會資深會員及香港證券學會會員。於核數、會計、稅務、商業諮詢及財務管理方面擁有逾15年經驗。彼具備創業板上市規則第5.05(2)條所規定的合適專業會計資格或相關財務管理專才。於年內舉行的5次會議的成員出席記錄見第26頁所載表內。

委員會須協助董事會履行其就對外財務申報、相關公佈及內部監控制度的職責。年內，委員會已審閱各季度報告及年報。此外，委員會亦會不時因應需要，就商討特殊項目或其他事宜舉行額外會議。

此外，委員會亦負責發展、執行及監控本集團的外部審核政策，並就外聘核數師的委聘及續聘作出推薦。

REMUNERATION COMMITTEE

The Company has not established a Remuneration Committee. The Board is responsible for determining the Company's policy on remuneration of directors and reviewing all remuneration packages of directors. The Company currently does not have any plan to set up a Remuneration Committee considering the small size of the Board.

In determining the remuneration of each Director, the Board looks into individual competence and his/her contributions to the Company, together with the benchmark of the similar executive positions in the market.

NOMINATION OF DIRECTORS

The Board is responsible for considering the suitability of an individual to act as a Director, and approving and terminating the appointment of a Director. The Company has not established a Nomination Committee. The Company currently does not have any plans to set up a Nomination Committee considering the small size of the Board.

The Chairman is responsible for identifying suitable candidates for member of the Board when there is a vacancy or an additional director is considered necessary. The Chairman proposes the appointment of such candidates to each member of the Board for consideration. Each member of the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of his or her qualifications, experiences and background.

During the year under review, the Chairman recommended three candidates for the appointments to the Board. Each member of the Board had reviewed the qualifications of these candidates and agreed to their appointments.

LOOKING FORWARD

The Group will keep on reviewing its corporate governance standards on a timely basis and the Board endeavors to take the necessary actions to ensure the compliance with the provisions of the Code on Corporate Governance Practices introduced by the Stock Exchange.

薪酬委員會

本公司並無成立薪酬委員會。董事會負責釐定本公司的董事薪酬政策，並檢討所有董事薪酬組合。鑒於董事會成員人數不多，本公司目前並無計劃成立薪酬委員會。

在釐定每位董事的薪酬時，董事會會考慮個別董事的能力及其對本公司的貢獻，以及類似行政職位的市場薪酬指標。

董事提名

董事會負責考慮個別人士是否勝任董事一職，並負責批核及終止董事委任。本公司並無成立提名委員會。鑒於董事會成員人數不多，本公司目前並無計劃成立提名委員會。

董事會主席負責物色合適人選出任董事，以填補空缺或在有需要時的新增董事名額。主席會向董事會各成員建議合資格人選作考慮。董事會各成員將根據候選人的資歷、經驗及背景評估有關人士是否切合本集團的要求。

於本年度，主席向董事會提名三位候選人。董事會每名成員均審核了此三名候選人之資格，並同意對彼等之委任。

展望

本集團將繼續適時檢討其企業管治水平，而董事會將竭力採取所需措施，以確保遵守聯交所頒佈的企業管治常規守則條文。

MEETINGS ATTENDANCE

會議出席記錄

		Board 董事會	Audit Committee 審核委員會
Number of Meetings	會議次數	6	5
Executive directors	執行董事		
Mr. Liu Xin	劉新先生	6	N/A 不適用
Mr. Liu Jun	劉均先生	6	N/A 不適用
Professor Wang Xue Zhi	王學志教授	6	N/A 不適用
Non-executive director	非執行董事		
Ms. Liu Yong	劉庸女士	4	N/A 不適用
Ms. Xu Xin, Kathy (resigned on 4 February 2005)	徐新女士 (於二零零五年二月五日辭任)	-	-
Independent non-executive directors	獨立非執行董事		
Mr. Zhang Xiao Yu	張小虞先生	4	5
Professor Hu Zi Zheng	胡子正教授	4	5
Mr. Yim Hing Wah	嚴慶華先生	4	5

CONFIRMATION OF INDEPENDENCE OF INEDS

The Company had received from each of the INEDs an annual confirmation of his independence. The Company considered all of the INEDs are independent.

CONFIRMATION OF COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions. The Directors have confirmed, following specific inquiry by the Company that they have complied with the required standard set out in the Model Code during the year under review.

AUDITORS' REMUNERATION

The Audit Committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Group is required to pay an aggregate of approximately RMB1,540,000 to the external auditors for their services including audit and non-audit services.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out on page 38.

獨立非執行董事的獨立確認書

本公司已接獲各獨立非執行董事分別發出的年度獨立確認書。本公司認為所有獨立非執行董事均為獨立人士。

確認遵守標準守則

本公司已採納創業板上市規則第5.48至第5.67條所載列的上市發行人董事進行證券交易的標準守則(「標準守則」)作為董事進行證券交易的操守守則。經本公司作出特定查詢後，全體董事已確認彼等於回顧年度內均已遵守標準守則載列的所需標準。

核數師酬金

本公司審核委員會負責外部核數師的委聘事宜及檢討外部核數師執行的任何非審核職能，包括該等非審核職能會否對本公司構成任何潛在重大不利影響。於回顧年度內，本集團須就外部核數師所提供的服務(包括審計及非審計服務)向其支付合共約人民幣1,540,000元。

董事及核數師就賬目的責任

董事就賬目的責任及外部核數師就股東的責任載列於第38頁。

Report of the Directors

董事會報告書

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The Company is engaged in the provision of products and services serving the automotive aftermarket and the automobile industry in the PRC and certain overseas countries. The principal activities of its subsidiaries are set out in note 18 to the financial statements.

RESULTS AND APPROPRIATIONS

Details of the results of the Group and appropriations of the Company for the year are set out in the consolidated income statement and consolidated statement of changes in equity on page 40 and page 45 respectively and the accompanying note 32 to the financial statements.

The Directors recommend the payment of a final dividend of RMB3.5 cents per Share to the shareholders on the register of members on 30 June 2005 amounting to RMB20 million and the retention of the remaining profit for the year of approximately RMB17 million.

SHARE CAPITAL

No movement during the year in the registered and issued share capital of the Company.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group expended an aggregate of approximately RMB17 million on property, plant and equipment. Details of these and other movements in the property, plant and equipment of the Group and the Company during the year are set out in note 15 to the financial statements.

董事會提呈本公司截至二零零五年十二月三十一日止年度的年報及經審核財務報表。

主要業務

本公司業務為向中國及若干海外國家的汽車後市場及汽車行業提供產品及服務。其附屬公司的主要業務載於財務報表附註18。

業績及分配

集團本年度業績及本公司本年度分配的詳情分別載於第40頁及第45頁綜合收益表及綜合權益變動報表以及財務報表附註32。

董事建議派付末期股息每股人民幣3.5仙予於二零零六年六月三十日名列於股東名冊的股東，合共約人民幣20,000,000元，並保留本年度剩餘溢利約人民幣17,000,000元。

股本

本公司註冊及已發行股本於年內並無變動。

物業、廠房及設備

年內，集團於物業、廠房及設備上合共支出約人民幣17,000,000元。集團及本公司物業、廠房及設備於年內的該等及其他變動詳情載於財務報表附註15。

DIRECTORS AND SUPERVISORS

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

Executive directors:

Mr. Liu Xin (*Chairman*)
Mr. Liu Jun (*Chief Executive Officer*)
Professor Wang Xue Zhi

Non-executive directors:

Ms. Liu Yong
Ms. Xu Xin, Kathy

Independent non-executive directors:

Mr. Zhang Xiao Yu
Professor Hu Zi Zheng
Mr. Yim Hing Wah

Supervisors:

Ms. Hou Wen Tao
Mr. Guo Jian Yuan
Mr. Wang Xi Lin

All Directors and Supervisors have entered into service contracts with the Company, for a term of three years.

In accordance with the provisions of the Company's Articles of Association, the term of office of the Directors shall be three years commencing from the date of appointment or re-election and renewable upon re-appointment or re-election. In accordance with the provisions of the Company's Articles of Association and the PRC Company Law, the term of office of supervisors shall also be three years and renewable upon re-appointment or re-election.

None of the Directors or Supervisors has a service contract with the Company which is not determinable by the Company within one year with payment of compensation, other than statutory compensation.

董事及監事

本年度及至本報告日期，本公司的董事及監事為：

執行董事：

劉 新先生 董事長
劉 均先生 行政總裁
王學志教授

非執行董事：

劉 庸女士
徐 新女士

獨立非執行董事：

張小虞先生
胡子正教授
嚴慶華先生

監事：

侯文濤女士
郭健源先生
王希琳先生

各董事及監事已與本公司訂立服務合約，任期為三年。

根據本公司組織章程條文，董事任期自委任或連任日期起計三年，並可經重新委任或重選續任。根據本公司組織章程及中國公司法條文，監事任期也是三年，並可經重新委任或重選續任。

董事或監事概無訂立本公司不可於一年內在毋須支付賠償（法定賠償除外）的情況下終止的服務合約。

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

董事、監事及主要行政人員於證券的權益

(a) Interests and short positions of Directors, Chief Executives and Supervisors of the Company in the share capital of the Company and its associated corporations

As at 31 December 2005, the Directors, Chief Executives and Supervisors of the Company have the following interests and short positions in the shares, debentures or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which have been required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which have been required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in Shares

Domestic Shares

(a) 本公司董事、主要行政人員及監事於本公司及其相關法團之股本中之權益及短倉

於二零零五年十二月三十一日，本公司以下董事、主要行政人員及監事擁有本公司或其相聯法團(定義見證券及期貨條例(「證券及期貨條例」)第XV部)根據證券及期貨條例第XV部第7及8分部須知會本公司及聯交所之任何股份、債券或相關股份中之權益或短倉(包括根據證券及期貨條例有關條文被視為或當作由董事擁有之權益及短倉)，或須載入根據證券及期貨條例第352條而存置之登記冊內或根據創業板上市規則第5.48至第5.67條規定須就董事之證券交易知會本公司及聯交所之權益或短倉：

股份長倉

內資股

Name of Director 董事姓名	Nature and Types of shares held 持股性質及類別	Number of domestic shares 內資股數目	Approximate percentage of the Company's issued domestic shares	Approximate percentage of the Company's total issued shares
			佔本公司已發行內資股概約百分比	佔本公司已發行股份總數概約百分比
Mr. Liu Xin 劉新先生	(1) Beneficiary owner (1)實益擁有人	132,000,000	40.00%	25.39%
	(2) Interest in controlled company (2)受控公司權益	138,864,000	42.08% (Note 1) (附註1)	26.70%
	(3) Interest in controlled company (3)受控公司權益	10,261,000	3.11% (Note 2) (附註2)	1.97%
Mr. Liu Jun 劉均先生	Interest in controlled company 受控公司權益	138,864,000	42.08% (Note 3) (附註3)	26.70%
Professor Wang Xue Zhi 王學志教授	Beneficiary owner 實益擁有人	9,636,000	2.92%	1.85%

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES (continued)

Notes:

- (1) Mr. Liu Xin holds 60.00% interest in 深圳市浪曲科技開發有限公司 ("Shenzhen Langqu") which holds approximately 42.08% interest in the issued domestic shares of the Company. The corporate interest of Mr. Liu Xin in the Company duplicates with that held by Mr. Liu Jun in the Company. By virtue of Mr. Liu Xin's holding more than one-third interest in Shenzhen Langqu, Mr. Liu Xin is deemed, under Part XV of the SFO, to be interested in approximately 42.08% interest in the issued domestic shares of the Company apart from his personal interest of 40.00% interest in the issued domestic shares of the Company.
- (2) Mr. Liu Xin holds 40.00% interest in 深圳市得時域投資有限公司 ("Shenzhen De Shi Yu") which holds 3.11% interest in the issued domestic shares of the Company. By virtue of Mr. Liu Xin's holding more than one-third interest in Shenzhen De Shi Yu, Mr. Liu Xin is deemed, under the Part XV of the SFO, to be interested in 3.11% interest in the issued domestic shares of the Company apart from his personal interest of 40.00% interest in the issued domestic shares of the Company.
- (3) Mr. Liu Jun holds 40.00% interest in Shenzhen Langqu which holds approximately 42.08% interest in the issued domestic shares of the Company. The corporate interest of Mr. Liu Jun in the Company duplicates with that held by Mr. Liu Xin in the Company. By virtue of Mr. Liu Jun's holding more than one-third interest in Shenzhen Langqu which holds approximately 42.08% interest in the issued domestic shares of the Company, Mr. Liu Jun is deemed, under Part XV of the SFO, to be interested in approximately 42.08% interest in the issued domestic shares of the Company.

Save as disclosed above, as at the 31 December 2005, none of the Directors, Chief executives or Supervisors of the Company has any personal, family, corporate or other interests or short positions in any shares, debentures or underlying shares of the Company or any of its associated corporations as defined in the SFO.

董事、監事及主要行政人員於證券的權益 (續)

附註：

- (1) 劉新先生持有深圳市浪曲科技開發有限公司(「深圳浪曲」)之60.00%權益，而深圳浪曲則持有本公司已發行內資股約42.08%權益。劉新先生於本公司之公司權益與劉均先生於本公司所持之權益重複。由於劉新先生持有深圳浪曲三分之一以上權益，故根據證券及期貨條例第XV部，劉新先生除擁有本公司已發行內資股中40.00%之個人權益外，亦被視作擁有本公司已發行內資股約42.08%權益。
- (2) 劉新先生於深圳市得時域投資有限公司(「深圳得時域」)持有40.00%權益，而深圳得時域則持有本公司已發行內資股約3.11%之權益。除劉新先生於本公司已發行內資股擁有40%之個人權益外，由於其亦持有深圳得時域三分之一以上權益，故根據證券及期貨條例第XV部，劉新先生被視作擁有本公司已發行內資股約3.11%之權益。
- (3) 劉均先生持有深圳浪曲之40.00%權益，而深圳浪曲則持有本公司已發行內資股約42.08%權益。劉均先生於本公司之公司權益與劉新先生於本公司所持之權益重複。由於劉均先生持有深圳浪曲(深圳浪曲持有本公司已發行內資股約42.08%權益)三分之一以上權益，故根據證券及期貨條例第XV部，劉均先生被視作擁有本公司已發行內資股約42.08%權益。

除上文所披露以外，於二零零五年十二月三十一日，本公司各董事、主要行政人員或監事概無於本公司或其任何相聯法團(定義見證券及期貨條例)之股份、債券或有關股份之權益或短倉中擁有任何個人、家族、公司或其他權益。

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES (continued)

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders

So far as known to the Directors, as at 31 December 2005, the following (not being a Director or supervisor of the Company) have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long positions in shares and underlying shares in the Company

(i) Domestic Shares

Name 名稱	Nature and types of shares held 持股性質及類別	Number of domestic shares 內資股數目	Approximate percentage of the Company's issued domestic shares 佔本公司已發行內資股概約百分比	Approximate percentage of the Company's total issued shares 佔本公司全部已發行股份概約百分比
Shenzhen Langqu 深圳浪曲	Interest in controlled company 受控公司權益	138,864,000	42.08% (Note 1) (附註1)	26.70%

Note:

(1) The legal and beneficial interests in the shares of Shenzhen Langqu are owned by Mr. Liu Xin as to 60% and by Mr. Liu Jun as to 40% respectively. Mr. Liu Xin and Mr. Liu Jun are therefore deemed to be interested in all Domestic Shares registered in the name of Shenzhen Langqu under Part XV of the SFO.

董事、監事及主要行政人員於證券的權益 (續)

(b) 擁有根據證券及期貨條例第XV部第2及3分部須予披露權益或短倉之人士及主要股東

於二零零五年十二月三十一日，就董事所知，以下人士（非本公司董事或監事）於本公司股份或有關股份中擁有根據證券及期貨條例第XV部第2及3分部之條文須向本公司披露之權益或短倉，或直接或間接於附有在所有情況下於集團任何其他成員公司股東大會上投票之權利之任何類別股本中擁有10%或以上之權益：

於本公司股份及相關股份之長倉

(i) 內資股

附註：

(1) 深圳浪曲股份之法定及實際權益分別由劉新先生及劉均先生擁有60%及40%。因此，根據證券及期貨條例第XV部，劉新先生及劉均先生被視為擁有以深圳浪曲名義註冊之所有內資股之權益。

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES (continued)

董事、監事及主要行政人員於證券的權益 (續)

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders (continued)

(b) 擁有根據證券及期貨條例第XV部第2及3分部須予披露權益或短倉之人士及主要股東 (續)

(ii) H Shares

(ii) H股

Name 名稱	Nature and types of shares held 持股性質及類別	Interests in H shares H股長倉權益	Approximate percentage of the Company's issued H shares 佔本公司已發行H股概約百分比	Approximate percentage of the Company's total issued shares 佔本公司全部已發行股份概約百分比
Baring Asia II Holdings [20] Limited	Interest in controlled company 受控公司權益	45,755,000	24.08%	8.80%
Baring Asia Private Equity Fund II L.P.1	Interest in controlled company 受控公司權益	45,755,000	24.08%	8.80% (Note 1) (附註1)
Genesis Asset Managers, LLP	Interest in controlled company 受控公司權益	38,000,000	20.00%	7.30%
Jayhawk China Fund (Cayman) Ltd. (「Jayhawk」)	Interest in controlled company 受控公司權益	31,256,000	16.45%	6.00%
McCarthy Kent C.	Beneficiary owner 實益擁有人	31,256,000	16.45%	6.00% (Note 2) (附註2)
Genesis Smaller Companies SICAV	Interest in controlled company 受控公司權益	22,651,000	11.92%	4.36%
Atlantis Investment Management Ltd	Interest in controlled company 受控公司權益	16,485,000	8.68%	3.17%
Citigroup Inc.	Interest in controlled company 受控公司權益	15,349,000	8.08%	2.95%
United Technologies Corporation Master Trust	Interest in controlled company 受控公司權益	15,349,000	8.08%	2.95%

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES (continued)

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders (continued)

(ii) H Shares (continued)

Name 名稱	Nature and types of shares held 持股性質及類別	Interests in H shares H股長倉權益	Approximate percentage of the Company's issued H shares 佔本公司已發行H股概約百分比	Approximate percentage of the Company's total issued shares 佔本公司全部已發行股份概約百分比
APAC Capital Advisors Ltd sub a/c APAC Greater China Fund (Cayman) Ltd	Interest in controlled company 受控公司權益	12,790,000	6.73%	2.46%
Carlson Fund Equity Asian Small Cap	Interest in controlled company 受控公司權益	12,180,000	6.41%	2.34%
GAM Hong Kong Limited	Interest in controlled company 受控公司權益	12,000,000	6.32%	2.31%
Value Partners Limited ([VPJ])	Interest in controlled company 受控公司權益	10,000,000	5.26%	1.92%
Cheah Cheng Hye	Beneficiary owner 實益擁有人	10,000,000	5.26%	1.92% (Note 3) (附註3)

Note:

- Baring Asia Private Equity Fund II L.P. 1 is interested in 47.14% of the issued share capital of Baring Asia Holdings (20) Limited. Therefore, by virtue of Part XV of the SFO, the H Shares in which Baring Asia II Holdings (20) Limited is shown as being interested are included in and duplicate with interest in the H Shares held by Baring Asia Private Equity Fund II L.P. 1.
- McCarthy Kent C is interested in 100% of the issued share capital of Jayhawk. Therefore, by virtue of Part XV of the SFO, the H Shares in which Jayhawk is shown as being interested are included in and duplicate with interest in the H Shares held by McCarthy Kent C.
- Cheah Cheng Hye is interested in 32.77% of the issued share capital of VP. Therefore, by virtue of Part XV of the SFO, the H Shares in which VP is shown as being interested are included in and duplicate with interest in the H Shares held by Cheah Cheng Hye.

董事、監事及主要行政人員於證券的權益 (續)

(b) 擁有根據證券及期貨條例第XV部第2及3分部須予披露權益或短倉之人士及主要股東 (續)

(ii) H股 (續)

Name 名稱	Nature and types of shares held 持股性質及類別	Interests in H shares H股長倉權益	Approximate percentage of the Company's issued H shares 佔本公司已發行H股概約百分比	Approximate percentage of the Company's total issued shares 佔本公司全部已發行股份概約百分比
APAC Capital Advisors Ltd sub a/c APAC Greater China Fund (Cayman) Ltd	Interest in controlled company 受控公司權益	12,790,000	6.73%	2.46%
Carlson Fund Equity Asian Small Cap	Interest in controlled company 受控公司權益	12,180,000	6.41%	2.34%
GAM Hong Kong Limited	Interest in controlled company 受控公司權益	12,000,000	6.32%	2.31%
Value Partners Limited ([VPJ])	Interest in controlled company 受控公司權益	10,000,000	5.26%	1.92%
Cheah Cheng Hye	Beneficiary owner 實益擁有人	10,000,000	5.26%	1.92% (Note 3) (附註3)

附註：

- Baring Asia Private Equity Fund II L.P. 1於Baring Asia Holdings (20) Limited之已發行股本擁有47.14%之權益。因此，按證券及期貨條例第XV部，Baring Asia II Holdings (20) Limited據顯示擁有之該等H股權益乃包括於並與Baring Asia Private Equity Fund II L.P. 1持有之H股權益重覆。
- McCarthy Kent C於Jayhawk已發行股本擁有100%之權益，因此，按證券及期貨條例第XV部，Jayhawk據顯示擁有之該等H股權益乃包括於並與McCarthy Kent C持有之H股權益重覆。
- Cheah Cheng Hye於VP已發行股本擁有32.77%之權益。因此，按證券及期貨條例第XV部，VP據顯示擁有之該等H股權益乃包括於並與Cheah Cheng Hye持有之H股權益重覆。

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2005.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate turnover attributable to the Group's five largest customers was approximately 25.7% of the Group's total turnover and the Group's largest customer accounted for approximately 5.6% of the Group's turnover.

The aggregate purchases during the year attributable to the Group's five largest suppliers was approximately 8.3% of the Group's total purchases and the Group's largest supplier accounted for approximately 4.7% of the Group's total purchases.

None of the Directors, or Supervisors, their associates or any shareholder of the Company (which to the knowledge of the directors and supervisors own more than 5% of the Company's issued share capital) had any interest in any of the five largest customers or suppliers of the Group.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's Articles of Association or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules during this year.

董事於合約及關連交易的權益

本公司董事概無於本公司或其任何附屬公司所訂立直至本年度結束或於截至二零零五年十二月三十一日止年度期間任何時間仍然存續之任何重大合約中直接或間接擁有重大權益。

主要客戶及供應商

年內，集團五大客戶應佔的營業總額約為集團總營業額的25.7%，而集團最大客戶則佔集團總營業額約5.6%。

年內，集團五大供應商應佔的採購總額約為集團總購買額的8.3%，而集團最大供應商則佔集團總購買額約4.7%。

就董事所知，擁有超過本公司已發行股本5%權益的本公司董事、監事、彼等的聯繫人士或任何股東，概無擁有集團五大客戶或供應商中任何一間的任何權益。

購買、出售或贖回本公司已上市證券

年內，本公司或其任何附屬公司概無購買、出售或贖回本公司任何已上市證券。

優先認購權

本公司之公司組織章程或中國法例並無訂明本公司須按比例向現有股東發售新股的優先認購權條文。

董事會慣例及程序

本公司於本年度遵照創業板上市規則第5.34至5.45條所載董事會慣例及程序。

AUDIT COMMITTEE

An audit committee was established on 21 March 2002 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises the three independent non-executive directors, Mr. Zhang Xiao Yu, Professor Hu Zi Zheng and Mr. Yim Hing Wah.

Five audit committee meetings were held in 2005 and up to the date of this announcement to perform the following duties:

- review the 2004 and 2005 annual reports and first to third quarterly reports of 2005 of the Company; and
- review and supervise the internal control system of the Group.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry to all Directors and the Company is not aware of any non-compliance with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the year.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had an interest in a business which causes or may cause significant competition with the business of the Group.

AUDITORS

The financial statements of the Company for the years ended 31 December 2004 and 2005 were audited by Grant Thornton.

A resolution will be submitted to the annual general meeting of the Company to re-appoint Grant Thornton as auditors of the Company.

The financial statements of the Company for the year ended 31 December 2003 were audited by Deloitte Touche Tohmatsu.

By order of the Board
Launch Tech Company Limited
Liu Xin
Chairman

Shenzhen, the PRC
31 March 2006

審核委員會

本公司已於二零零二年三月二十一日，根據創業板上市規則第5.28至5.33條，成立具有明確職權範圍之審核委員會。審核委員會的主要職責為審核及監督集團的財務申報過程及內部控制制度。審核委員會之成員包括三名獨立非執行董事張小虞先生、胡子正教授及嚴慶華先生。

審核委員會於二零零五年度及至本公佈日期，曾召開五次審核委員會會議，以履行以下職責：

- 一 審閱本公司二零零四年及二零零五年年報及二零零五年第一至三季報告；以及
- 一 審閱及監督集團的內部控制制度。

董事進行證券交易

本公司已採納一套有關董事進行證券交易之操守準則，條款不遜於創業板上市規則第5.48至5.67條所規定之交易標準。經向全體董事作出特別查詢後，本公司並不知悉有任何董事於本年內不遵守所需交易準則及本公司所採納有關董事進行證券交易之操守準則。

競爭權益

本公司董事或管理層股東或彼等各自的聯繫人(定義見創業板上市規則)概無於與集團業務競爭或可能造成與集團激烈業務競爭的業務中擁有權益。

核數師

截至二零零四年及二零零五年十二月三十一日止年度之本公司財務報表乃經均富會計師行審核。

本公司將於本公司股東週年大會提呈決議案重新委任均富會計師行為本公司之核數師。

截至二零零三年十二月三十一日止年度之本公司財務報表乃經德勤•關黃陳方會計師行審核。

承董事會命
深圳市元征科技股份有限公司
董事長
劉新

中國，深圳
二零零六年三月三十一日

Report of the Supervisory Committee

監事會報告書

To: All Shareholders

During the year ended 31 December 2005, the Supervisory Committee of Launch Tech Company Limited has compiled with the Company Law of the PRC and requirements of the relevant laws and regulations of Hong Kong and the Articles of Association of the Company, exercised conscientiously its authority, safeguarded the interests of the shareholders and the Company, followed the principle of honesty and trustworthiness and worked cautiously and diligently.

During the year, we provided reasonable suggestions and advice on the operations and development plans to the Board and strictly and effectively monitored whether the policies and decisions made had conformed with the state laws and regulations and the Articles of Association of the Company or safeguarded the interests of the shareholders.

After investigation, we consider that the financial statements of the Company, audited by Grant Thornton, truly and sufficiently reflect the operating results and asset positions of the Company. We also reviewed the Report of the Directors and the profit distribution proposal. We consider that the above report and proposal meet the requirements of the relevant regulations and associations of the Company. We have attended the meeting of the Board of Directors. We consider that the members of the Board of Directors, the chief executive and other officers have strictly compiled with the principle of honesty and trustworthiness, worked diligently and sincerely acted in the best interests of the Company. Up to now, none of the Directors, chief executive and other officers have abused their powers, caused damages to the interests of the Company and infringed upon the interests of the Company and its staff, nor have they violated any laws, regulations or the Company's Articles of Association.

We are satisfied with the various tasks achieved in the year 2004 as well as the cost-effectiveness gained, and are confident about the prospects of future development of the Company.

On behalf of the Supervisory Committee
Hou Wen Tao
Chairwoman of the Supervisory Committee

Shenzhen, the PRC
31 March 2006

各位股東：

深圳市元征科技股份有限公司監事會(「本監事會」)在截至二零零五年十二月三十一日止年度內遵照《中華人民共和國公司法》、香港有關法律、法規及公司章程的規定，認真履行職權，維護股東權益，維護本公司利益，遵守誠信原則，恪盡職守，合理謹慎、勤勉主動地開展工作。

在本年度內本監事會對本公司的經營及發展計劃向董事會提出合理的建議和意見，對本公司管理層的重大決策及具體決定是否符合國家法律、法規以及本公司章程，是否維護股東利益等，進行了嚴格有效的監督。

本監事會認真審閱並同意董事會擬提呈予本次股東年會的董事會報告、經均富會計師行審核的財務報告以及股利派發方案，認為本公司董事會成員、總裁及其他高級管理人員，嚴格遵守誠信原則，工作克勤盡職，真誠地以公司最大利益為出發點行使職權。至今未發現董事、總裁及高級管理人員濫用職權、損害本公司利益及侵犯本公司股東和本公司員工權益之行為，亦未違反法例、規則或本公司的公司章程。

本監事會對本公司二零零五年度各項工作和取得的經濟效益表示滿意，對公司未來的發展前景充滿信心。

代表監事會
監事會主席
侯文濤

中國，深圳
二零零六年三月三十一日

Auditors' Report

核數師報告書

Certified Public Accountants
Member of Grant Thornton International

To the members of Launch Tech Company Limited

深圳市元征科技股份有限公司

(A joint stock company with limited liability established in the People's Republic of China)

We have audited the financial statements on pages 38 to 98 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

BASIS OF OPINION

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

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

Grant Thornton 
均富會計師行

致：深圳市元征科技股份有限公司股東
(於中華人民共和國成立之股份有限公司)

本行已完成審核載於第38頁至第98頁按照香港普遍採納之會計原則而編製之財務報表。

董事及核數師的個別責任

貴公司之董事須負責編製真實與公平之財務報表。在編製該等真實與公平的財務報表時，董事必須貫徹採用合適的會計政策。

本行之責任乃根據本行審核工作的結果，對該等財務報表表達獨立的意見，並僅向閣下(作為法人)報告。除此之外概無其他用途。本行不會就本報告之內容向任何其他人士負上或承擔任何責任。

意見的基礎

本行是按照香港會計師公會頒佈的核數準則進行審核工作。審核範圍包括以抽查方式查核與財務報表所載數額及披露事項有關的憑證，亦包括評審董事於編製該等財務報表時所作出的重大估計和判斷、所釐定的會計政策是否適合貴公司及貴集團的具體情況，及是否貫徹應用並充份地披露該等會計政策。

本行在策劃及進行審核工作時，均以取得一切本行認為必需的資料及解釋為目標，使本行能獲得充份的憑證，就該等財務報表是否存在重要錯誤陳述，作出合理的確定。在本行表達意見時，亦已評估財務報表所載的資料在整體上是否足夠。本行相信，本行之審核工作已為本行的意見建立合理基礎。

OPINION

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

Grant Thornton
Certified Public Accountants
Hong Kong

意見

本行認為上述的財務報表均真實與公平地反映本公司及本集團於二零零五年十二月三十一日的財務狀況及本集團截至該日止年度的溢利及現金流量，並已按照香港公司條例之披露要求而妥善編製。

均富會計師行
執業會計師
香港

Consolidated Income Statement

綜合收益表

for the year ended 31 December 2005
 截至二零零五年十二月三十一日止年度

		Notes 附註	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Revenue	收益	6	342,586	277,627
Cost of sales	銷售成本		(179,685)	(144,687)
Gross profit	毛利		162,901	132,940
Other operating income	其他經營收入	6	38,157	21,392
Selling expenses	銷售開支		(69,513)	(35,056)
Administrative expenses	行政費用		(44,854)	(47,055)
Research and development expenses	研發費用		(8,500)	(8,008)
Loss on disposal of assets	出售資產虧損	8	(7,807)	-
Write off of payment for other investment	其他投資付款撇銷		(5,400)	-
Inventory written off	存貨撇銷		(10,534)	-
Other operating expenses	其他經營開支		(2,098)	(17,164)
Finance costs	財務成本	10	(11,126)	(8,432)
Profit before income tax	除所得稅前溢利	7	41,226	38,617
Income tax	所得稅項	11	(4,097)	1,085
Profit for the year	本年度溢利	12	37,129	39,702
Attributable to:	應佔:			
Equity holders of the Company	本公司權益持有人權益		37,118	39,591
Minority interests	少數股東權益		11	111
Profit for the year	本年度溢利		37,129	39,702
Dividends	股息	13	19,530	18,200
Earnings per share for profit attributable to the equity holders of the Company during the year	本公司權益持有人年內 應佔每股溢利			
- Basic	- 基本	14	0.071	0.076

Consolidated Balance Sheet

綜合資產負債表

as at 31 December 2005
 於二零零五年十二月三十一日

	Notes 附註	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元 (restated) (重列)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	94,508	101,773
Leasehold land and land use rights	16	25,046	25,834
Goodwill	17	2,636	3,353
Development costs	18	38,918	30,855
Long term financial asset	20	1,350	-
Payment for other investment	21	-	5,456
		162,458	167,271
Current assets			
Inventories	22	69,269	113,672
Trade receivables	23	195,335	118,611
Other receivables, deposits and prepayments	24	84,680	43,268
Amount due from a related company	26	682	3,457
Pledged bank deposits	27	12,350	137,700
Cash at banks and in hand		89,984	195,427
		452,300	612,135
Current liabilities			
Trade payables	28	70,897	70,014
Bills payable	27	30,000	180,621
Receipts in advance, other payables and accrued charges		16,916	45,050
Income tax payable		4,258	9,261
Current portion of borrowings	29	155,167	150,740
		277,238	455,686
Net current assets		175,062	156,449
Total assets less current liabilities		337,520	323,720
Non-current liabilities			
Borrowings	29	-	3,967
Net assets		337,520	319,753
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	31	52,000	52,000
Reserves	32(a)	265,990	249,214
Proposed final dividend	13	19,530	18,200
		337,520	319,414
Minority interests		-	339
Total equity		337,520	319,753

Mr. Liu Xin
 劉新
 Director
 董事

Mr. Liu Jun
 劉均
 Director
 董事

Balance Sheet

資產負債表

as at 31 December 2005
 於二零零五年十二月三十一日

	Notes 附註	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元 (restated) (重列)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	48,559	56,720
Leasehold land and land use rights	16	11,805	11,920
Development costs	18	38,295	30,855
Investments in subsidiaries	19	42,054	9,256
Long term financial asset	20	1,350	-
Payment for other investment	21	-	5,456
		142,063	114,207
Current assets			
Inventories	22	55,379	74,872
Trade receivables	23	186,836	110,503
Other receivables, deposits and prepayments	24	76,477	38,863
Amounts due from subsidiaries	25	16,742	74,030
Amount due from a related company	26	682	3,457
Pledged bank deposits	27	11,000	137,700
Cash at banks and in hand		88,540	193,039
		435,656	632,464
Current liabilities			
Trade payables	28	46,470	39,173
Bills payable	27	25,000	180,621
Receipts in advance, other payables and accrued charges		12,152	39,347
Amounts due to subsidiaries	25	2,610	676
Income tax payable		4,000	9,261
Current portion of borrowings	29	125,167	150,740
		215,399	419,818
Net current assets		220,257	212,646
Total assets less current liabilities		362,320	326,853
Non-current liabilities			
Borrowings	29	-	3,967
		-	3,967
Net assets		362,320	322,886
EQUITY			
Share capital	31	52,000	52,000
Reserves	32(b)	290,790	252,686
Proposed final dividend	13	19,530	18,200
Total equity		362,320	322,886

Mr. Liu Xin
 劉新
 Director
 董事

Mr. Liu Jun
 劉均
 Director
 董事

Consolidated Cash Flow Statement

綜合現金流量表

for the year ended 31 December 2005
 截至二零零五年十二月三十一日止年度

	Notes 附註	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Cash flows from operating activities	經營業務產生之流動現金		
Profit before income tax	除稅前溢利	41,226	38,617
Adjustments for:	經調整：		
Interest expenses	利息支出	10,889	8,224
Interest income	利息收入	(2,354)	(1,681)
Amortisation of development costs	開發成本之攤銷	6,251	3,919
Amortisation of goodwill	商譽之攤銷	-	257
Depreciation of property, plant and equipment	物業、廠房及設備之折舊	13,801	9,052
Annual charges on leasehold land and land use rights	租賃土地及土地使用權年費	788	156
Loss on disposals of property, plant and equipment	出售物業、廠房及設備之虧損	2,484	16
Loss on disposal of assets	出售資產之虧損	7,807	-
Gain on disposals of subsidiaries	出售附屬公司收益	(1,762)	-
Write off of payment for other investment	其他投資付款 撤銷之虧損	5,400	-
Provision for doubtful debts	呆賬撥備	-	544
Provision for slow-moving inventories	滯銷存貨撥備	-	2,706
Inventory written off	存貨撤銷	10,534	-
Operating profit before working capital changes	營運資金變動前之經營流動現金	95,064	61,810
Decrease/(increase) in inventories	存貨減少/(增加)	26,666	(25,818)
Increase in trade receivables	應收貿易賬款增加	(72,591)	(23,234)
(Increase)/decrease in other receivables, deposits and prepayments	其他應收款項、按金及預付款項(增加)/減少	(46,916)	3,213
Increase in trade payables	應付貿易賬款增加	4,709	21,484
Decrease in receipts in advance, other payables and accrued charges	預收款項、其他應付款項及應計費用減少	(23,380)	(20,717)
(Decrease)/increase in bills payable	應付票據(減少)/增加	(150,621)	180,621
Cash (used in)/generated from operations	經營業務(所用)/產生之現金	(167,069)	197,359
Interest paid	已付利息	(10,889)	(8,224)
Income tax paid	已付所得稅	(9,100)	-
Net cash (used in)/generated from operating activities	經營業務(所用)/產生之現金淨額	(187,058)	189,135

Consolidated Cash Flow Statement

綜合現金流量表

for the year ended 31 December 2005
 截至二零零五年十二月三十一日止年度

	Notes 附註	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Cash flows from investing activities	投資活動產生之流動現金		
Payment for other investment	就其他投資付款	-	(2,548)
Acquisition of long term financial asset	收購長期金融資產	(1,350)	-
Purchase of property, plant and equipment	收購物業、廠房及設備 所支付之按金	(16,678)	(62,747)
Additions of development costs	開發成本增加	(13,470)	(10,582)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	收購附屬公司(減收購之現金及現金等價物)	33(a) -	(5,617)
Disposals of subsidiaries (net of cash and cash equivalents disposed of)	出售附屬公司(減出售之現金及現金等價物)	33(b) (270)	-
Advance to a related company	給予一間關連公司之墊款	(682)	(3,748)
Proceeds from disposals of property, plant and equipment	出售物業、廠房及設備 所得款	2,900	-
Additional capital contribution by minority interests on a subsidiary disposed of	已出售一間附屬公司少數投資者之額外出資	1,400	-
Interest received	已收利息	2,354	1,681
<i>Net cash used in investing activities</i>	<i>投資活動所用之現金淨額</i>	(25,796)	(83,561)
Cash flows from financing activities	融資活動產生之流動現金		
Decrease/(increase) in pledged bank deposits	已抵押銀行存款減少/(增加)	125,350	(135,540)
Bank loans raised	新增銀行貸款	155,167	170,000
Repayment of borrowings	償還借貸	(154,707)	(97,784)
Dividends paid	已付股息	(18,200)	(18,200)
<i>Net cash generated from/(used in) financing activities</i>	<i>融資活動產生/(所用)之現金淨額</i>	107,610	(81,524)
Net (decrease)/increase in cash and cash equivalents	現金及現金等價物(減少)/增加淨額	(105,244)	24,050
Cash and cash equivalents at beginning of the year	年初之現金及現金等價物	195,427	171,188
Effect of foreign exchange rate changes	外匯變動之影響	(199)	189
Cash and cash equivalents at end of the year, comprising cash at banks and in hand	年末之現金及現金等價物，計有銀行結餘及現金	89,984	195,427

Consolidated Statement of Changes in Equity

綜合權益變動報表

for the year ended 31 December 2005
 截至二零零五年十二月三十一日止年度

		Attributable to equity holders of the Company 本公司權益持有人應佔								
		股本	股份溢價*	法定* 公積金	法定* 公益金	換算儲備*	累計溢利*	建議之 末期股息	少數 股東權益	權益總額
		Share capital	Share* premium	Statutory* reserve	Statutory* public welfare fund	Translation* reserve	Accumulated* profits	Proposed final dividend	Minority interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January 2004, as previously reported as equity	於二零零四年 一月一日， 如以往呈報 為權益	52,000	169,594	10,118	10,118	-	37,843	18,200	-	297,873
At 1 January 2004, as previously separately reported as minority interests	於二零零四年 一月一日， 如以往另行 呈報為少數 股東權益	-	-	-	-	-	-	-	228	228
At 1 January 2004, as restated	於二零零四年 一月一日，重列	52,000	169,594	10,118	10,118	-	37,843	18,200	228	298,101
2003 final dividend paid	已付二零零三年 末期股息	-	-	-	-	-	-	(18,200)	-	(18,200)
Currency translation differences	貨幣換算差額	-	-	-	-	150	-	-	-	150
Profit for the year	年內利潤	-	-	-	-	-	39,591	-	111	39,702
Total income and expense for the year	年內收入及 支出總額	-	-	-	-	150	39,591	-	111	39,852
2004 proposed final dividend	二零零四年建議之 末期股息	-	-	-	-	-	(18,200)	18,200	-	-
At 31 December 2004 and 1 January 2005	於二零零四年 十二月三十一日 及二零零五年 一月一日	52,000	169,594	10,118	10,118	150	59,234	18,200	339	319,753
Appropriation	分配	-	-	1,441	1,441	-	(2,882)	-	-	-
2004 final dividend paid	已付二零零四年 末期股息	-	-	-	-	-	-	(18,200)	-	(18,200)
Contribution from minority interests	少數股東權益出資	-	-	-	-	-	-	-	1,400	1,400
Currency translation differences	貨幣換算差額	-	-	-	-	(812)	-	-	-	(812)
Profit for the year	年內利潤	-	-	-	-	-	37,118	-	11	37,129
Total income and expense for the year	年內收入及 支出總額	-	-	-	-	(812)	37,118	-	11	36,317
Disposals of subsidiaries	出售附屬公司	-	-	-	-	-	-	-	(1,750)	(1,750)
2005 proposed final dividend	二零零五年建議之 末期股息	-	-	-	-	-	(19,530)	19,530	-	-
At 31 December 2005	於二零零五年 十二月三十一日	52,000	169,594	11,559	11,559	(662)	73,940	19,530	-	337,520

* These reserve accounts comprise the reserves of RMB265,990,000 (2004: RMB249,214,000) in the balance sheet.

此等儲備賬於由人民幣265,990,000元(二零零四年：人民幣249,214,000元)組成。

Notes to the Financial Statements 財務報表附註

for the year ended 31 December 2005
截至二零零五年十二月三十一日止年度

1. GENERAL INFORMATION

The Company was established in Shenzhen, the People's Republic of China (the "PRC") as a joint stock limited company and its overseas listed foreign invested shares ("H Shares") are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since October 2002. The address of the Company's registered office and principal place of business is 2-8 Floors, Xin Yan Building, Bagua Number Four Road, Futian District, Shenzhen, PRC and, its principal place of business is in the PRC.

2. NATURE OF OPERATIONS

The principal activities of the Group are provision of products and services serving the automotive aftermarket and the automobile industry in the PRC and certain overseas countries.

These financial statements on pages 38 to 98 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These financial statements include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The financial statements for the year ended 31 December 2005 were approved by the board of directors on 31 March 2006.

1. 一般資料

本公司為在中華人民共和國(「中國」)深圳成立之股份有限公司。其海外上市外資股(「H股」)自二零零二年十月以來在香港聯合交易所有限公司(「聯交所」)創業板(「創業板」)上市。本公司註冊辦事處及主要營業地點之地址為中國深圳福田區八卦四路新陽大廈2至8樓。

2. 業務性質

本集團之主要業務為向中國及若干海外國家的汽車後市場及汽車業提供產品及服務。

載於第38至98頁之此等財務報表乃根據香港會計師公會(「香港會計師公會」)頒佈之香港財務申報準則(「香港財務申報準則」)。此等財務報表包括香港公司條例及香港聯合交易所有限公司創業板證券上市規則之適用披露規定編製。

截至二零零五年十二月三十一日止年度之財務報表已於二零零六年三月三十一日經董事會批准。

Notes to the Financial Statements

財務報表附註

for the year ended 31 December 2005
 截至二零零五年十二月三十一日止年度

3. ADOPTION OF NEW OR REVISED HKFRS

From 1 January 2005, the Group has adopted the new or revised standards and interpretations of HKFRS, which are relevant to its operations. This includes the following new, revised and renamed standards:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transitional and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations
HK(SIC) Int-15	Operating Leases – Incentives

3. 採納新訂或經修訂香港財務申報準則

由二零零五年一月一日起，本集團已採納新訂或經修訂香港財務申報準則之準則及詮釋，而有關準則及詮釋均與其業務相關。此等準則及詮釋包括以下新訂、經修訂及重新命名之準則：

香港會計準則第1號	財務報表呈報
香港會計準則第2號	存貨
香港會計準則第7號	現金流量表
香港會計準則第8號	會計政策、會計預計項目變動及錯誤更正
香港會計準則第10號	結算日後事項
香港會計準則第12號	所得稅
香港會計準則第14號	分類報告
香港會計準則第16號	物業、廠房及設備
香港會計準則第17號	租賃
香港會計準則第18號	收益
香港會計準則第19號	僱員福利
香港會計準則第21號	匯率變動之影響
香港會計準則第23號	借貸成本
香港會計準則第24號	有關連人士之披露
香港會計準則第27號	綜合及獨立財務報表
香港會計準則第32號	金融工具：披露及呈報
香港會計準則第33號	每股盈利
香港會計準則第36號	資產減值
香港會計準則第37號	撥備、或然負債及或然資產
香港會計準則第38號	無形資產
香港會計準則第39號	金融工具：確認及計量
香港會計準則第39號 (修訂案)	金融資產及金融負債之過渡及初步確認
香港財務申報準則第2號	股份付款
香港財務申報準則第3號	業務合併
香港 (常務詮釋委員會) 詮釋第15號	經營租賃—獎勵

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3. ADOPTION OF NEW OR REVISED HKFRS (Continued)

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment and accordingly the 2004 financial statements and their presentation have been amended in accordance with HKAS 8. Due to the change in accounting policies, the 2004 comparatives contained in these financial statements differ from those published in the financial statements for the year ended 31 December 2004.

Significant effects on current, prior or future periods arising from the first-time application of the standards listed above in respect to presentation, recognition and measurement of accounts are described in the following notes:

3.1 Adoption of HKAS 1

The application of HKAS 1 has resulted in a change in the presentation of the financial statements. Minority interests are now included as a separate line item within equity. Profit and loss attributable to minority interests and that attributable to equity holders of the Company is now presented as an allocation of the net result of the year.

3.2 Adoption of HKAS 17

In previous years, leasehold land and buildings were included in property, plant and equipment and carried at cost less accumulated depreciation and accumulated impairment losses.

Upon the adoption of HKAS 17, the land and buildings elements are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and building 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 leasehold land and land use rights under operating leases, which are carried at cost and subsequently recognised in the income statement on a straight-line basis over the lease term. This change in accounting policy has been applied retrospectively.

3. 採納新訂或經修訂香港財務申報準則 (續)

所有準則已追溯應用，惟倘特定過渡性條文規定使用不同之處理方法，則二零零四年財務報表及其呈列方式已於有需要時根據香港會計準則第8號作修訂。由於會計政策有所更改，本財務報表所載之若干二零零四年比較數字與截至二零零四年十二月三十一日止年度之財務報表所刊發者有所不同。

就首次採用上述有關賬目呈列、確認及計量之準則而對本期間、以往期間及未來期間產生之重大影響於下文附註解釋：

3.1 採納香港會計準則第1號

應用香港會計準則第1號使財務報表之呈報方式須予改變。少數股東權益現計入權益，按獨立項目呈列。少數股東權益及母公司權益持有人應佔損益現列為年內業績淨額之分配。

3.2 採納香港會計準則第17號

於過往年度，租賃土地及樓宇乃計入物業、廠房及設備，並按成本減累計折舊及累計減值虧損列賬。

於採納香港會計準則第17號時，土地及樓宇租賃中土地及樓宇部分乃分開計算，除非租賃款項無法可靠地在土地及樓宇部分之間作出分配，則在該情況下，整份租賃一般作為融資租賃處理。倘租賃款項能夠可靠地在土地及樓宇部分之間作出分配，則土地租賃權益將重新分類為經營租賃項下之租賃土地及土地使用權，該租賃款項乃按成本列賬，並其後於租賃期內以直線法在收益表確認。此項會計政策變動已作追溯應用。

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3. ADOPTION OF NEW OR REVISED HKFRS (Continued)

3.3 Adoption of HKAS 36, HKAS 38 and HKFRS 3

These standards stipulate a prospective change to the accounting policies.

Until 31 December 2004, goodwill was amortised to the consolidated income statement on a straight line basis over its estimated useful life and assessed for an indication of impairment at each balance sheet date. In accordance with the provision of HKFRS 3, the amortisation of goodwill has ceased from 1 January 2005 and the accumulated amortisation at 31 December 2004 was eliminated against the original gross amount of goodwill. Goodwill is now subject only to annual testing for impairment as well as when there is an indication of impairment. The Group has allocated the carrying amount of its goodwill to its cash generating units.

3.4 Adoption of HKFRS 2

Prior to the adoption of HKFRS 2 on 1 January 2005, equity-settled share-based payment transactions were treated as changes in the entity's equity only upon execution. HKFRS 2 requires all goods and services received in the course of share-based payment transactions to be measured at fair value and recognised in the financial statements with a corresponding credit to equity, unless the transaction is settled in cash. When applied to employee share-based compensation, this leads to the recognition of share options which have been granted and are expected to vest as an expense in profit or loss.

According to the transitional provisions of HKFRS 2, all equity-settled share-based payments granted after 7 November 2002 that had not vested at the first application of this standard are required to be recognised retrospectively in the Group's financial statements. However, the adoption of HKFRS 2 has no impact on the Group's financial statements as no options were granted by the Company.

3. 採納新訂或經修訂香港財務申報準則 (續)

3.3 採納香港會計準則第36號、香港會計準則第38號及香港財務申報準則第3號

此等準則訂明會計政策之預期變動。

商譽乃使用直線法以其估計可使用年期於綜合收益表內攤銷，並於每個結算日就是否出現減值跡象作出評估，直至二零零四年十二月三十一日為止。根據香港財務申報準則第3號之條文，由二零零五年一月一日起商譽不再攤銷，而截至二零零四年十二月三十一日之累計攤銷已與原定商譽總額對銷。商譽現時於每年及有跡象顯示出現減值才進行測試。本集團已分配其商譽之賬面值至賺取現金單位。

3.4 採納香港財務申報準則第2號

於二零零五年一月一日採納香港財務申報準則第2號前，股權償付股份付款交易於行使時始視作有關實體之股權變動。香港財務申報準則第2號規定於股份付款交易中獲取之所有貨品及服務須按公平值計量，並於財務報表確認，按相應款額計入股本，除非交易以現金交收。應用於僱員股份付款補償時，則須確認已授出及預期於損益支銷之購股權。

根據香港財務申報準則第2號之過渡條文，所有於二零零二年十一月七日後進行，惟於首次應用此準則時尚未歸屬之股權償付股份付款交易須於本集團財務報表追溯確認。然而，採納香港財務申報準則第2號對本集團財務報表並無影響，原因為本公司從未授出購股權。

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3. ADOPTION OF NEW OR REVISED HKFRS (Continued)

3.5 Other standards adopted

The adoption of HKAS 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 32, 33, 37 and 39 did not result in significant changes to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The adoption of these other standards did not result in any changes to the amounts or disclosures in these financial statements.

3.6 The effect of changes in the accounting policies on consolidated income statement are summarised below:

3. 採納新訂或經修訂香港財務申報準則 (續)

3.5 採納其他準則

採納香港會計準則第2、7、8、10、12、14、16、18、19、21、23、24、27、32、33、37及39號並無導致本集團會計政策出現重大變動。本集團已考慮部分此等準則之特定過渡條文。採納此等其他準則並無對以此等財務報表之數額或披露事項造成任何影響。

3.6 綜合收益表內會計政策變動之影響概述如下：

		HKFRS 3, HKAS 36 & HKAS 38 香港財務申報 準則第3號、 香港會計準則 第36號及香港會計 準則第38號 RMB'000 人民幣千元	HKAS 17* 香港會計準則 第17號 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Year ended 31 December 2005	截至二零零五年十二月三十一日止年度			
Decrease in amortisation of goodwill	商譽攤銷減少	308	-	308
Decrease in depreciation of property, plant and equipment	物業、廠房及設備折舊減少	-	788	788
Increase in annual charge of leasehold land and land use rights	租賃土地及土地使用權年費增加	-	(788)	(788)
Total increase in profit for the year	本年度溢利增加總額	308	-	308
Increase in basic earnings per share (RMB cents)	每股基本盈利增加(人民幣仙)	0.001	-	0.001
Year ended 31 December 2004	截至二零零四年十二月三十一日止年度			
Decrease in depreciation of property, plant and equipment	物業、廠房及設備折舊減少	-	156	156
Increase in annual charge of leasehold land and land use rights	租賃土地及土地使用權每年折舊費用增加	-	(156)	(156)
Total increase/(decrease) in profit for the year	本年度溢利增加/(減少)總額	-	-	-
Increase/(decrease) in basic earnings per share (RMB cents)	每股基本盈利增加/(減少)(人民幣仙)	-	-	-

* adjustment which take effect retrospectively

* 已作出追溯調整

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3. ADOPTION OF NEW OR REVISED HKFRS (Continued)

3.7 The effect of changes in the accounting policies on consolidated balance sheet:

3. 採納新訂或經修訂香港財務申報準則 (續)

3.7 綜合資產負債表內會計政策變動之影響概述如下：

		HKFRS 3, HKAS 36 & HKAS 38 香港財務申報 準則第3號、 香港會計準則 第36號及香港會計 準則第38號 RMB'000 人民幣千元	HKAS 17* 香港會計準則 第17號 RMB'000 人民幣千元	Total 總數 RMB'000 人民幣千元
As at 1 January 2004	於二零零四年一月一日			
Increase/(decrease) in assets	資產增加/(減少)			
Property, plant and equipment	物業、廠房及設備	-	(3,920)	(3,920)
Leasehold land and land use rights	租賃土地及土地使用權	-	3,920	3,920
As at 31 December 2004	於二零零四年十二月三十一日			
Increase/(decrease) in assets	資產增加/(減少)			
Property, plant and equipment	物業、廠房及設備	-	(25,834)	(25,834)
Leasehold land and land use rights	租賃土地及土地使用權	-	25,834	25,834
As at 31 December 2005	於二零零五年十二月三十一日			
Increase/(decrease) in assets	資產增加/(減少)			
Property, plant and equipment	物業、廠房及設備	-	(25,047)	(25,047)
Leasehold land and land use rights	租賃土地及土地使用權	-	25,047	25,047
Goodwill	商譽	308	-	308
Increase in equity	股權增加	308	-	308

* adjustments which take effect retrospectively

* 已作出追溯調整

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3. ADOPTION OF NEW OR REVISED HKFRS (Continued)

3.8 New standards of interpretations that have been issued but are not yet effective

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. The adoption of such standards and interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures ²
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation ²
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions ²
HKAS 39 (Amendment)	The Fair Value Option ²
HKAS 39 & HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts ²
HKFRS 1 & HKFRS 6 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources 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

3. 採納新訂或經修訂香港財務申報準則 (續)

3.8 已頒佈但尚未生效之新訂準則或詮釋

本集團並未提早採納以下已頒佈但尚未生效之準則或詮釋。採用該等準則或詮釋將不會對本集團之會計政策造成任何重大影響。

香港會計準則第1號 (修訂案)	資本披露 ¹
香港會計準則第19號 (修訂案)	僱員福利－精算收益及虧損、集團計劃及披露事項 ²
香港會計準則第21號 (修訂案)	匯率變動之影響－於外國業務之投資淨額 ²
香港會計準則第39號 (修訂案)	預測集團內部交易之現金流量對沖會計法 ²
香港會計準則第39號 (修訂案)	公平值選擇 ²
香港會計準則第39號 及香港財務申報 準則第4號(修訂案)	金融工具：保險合約之確認及計量：財務擔保合約 ²
香港財務申報準則 第1號及香港財務 申報準則第6號 (修訂案)	首次採納香港財務申報準則及開採及評估礦物資源 ²
香港財務申報準則 第6號	開採及評估礦物資源 ²
香港財務申報準則 第7號	金融工具：披露事項 ¹
香港(IFRIC)－詮釋 第4號	釐定一項安排是否包含租賃 ²

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3. ADOPTION OF NEW OR REVISED HKFRS (Continued)

3.8 (Continued)

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. 採納新訂或經修訂香港財務申報準則 (續)

3.8 (續)

香港(IFRIC) – 詮釋第5號	清拆、復修及環境重建基金產生之權益中之權利 ²
香港(IFRIC) – 詮釋第6號	因參與特定市場產生之負債 – 廢料、電力及電子設備 ³
香港(IFRIC) – 詮釋第7號	應用香港會計準則第29號「嚴重通脹經濟之財務報告」之重列方法 ⁴

- ¹ 於二零零七年一月一日或之後開始之年度期間生效。
- ² 於二零零六年一月一日或之後開始之年度期間生效。
- ³ 於二零零五年十二月一日或之後開始之年度期間生效。
- ⁴ 於二零零六年三月一日或之後開始之年度期間生效。

4. SUMMARY OF ACCOUNTING POLICIES

4.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below.

These financial statements have been prepared on the historical cost basis. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

4. 會計政策概要

4.1 編製基準

編製此等財務報表時採納之重大會計政策概述如下。

此等財務報表乃按照歷史成本法編製。計量基準於以下會計政策內詳述。

務請注意，編製財務報表時須作出會計估計及假設。儘管此等估計乃按管理層對現行事件及行動所深知而作出，惟實際結果最終或會有別於該等估計。

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4. SUMMARY OF ACCOUNTING POLICIES (Continued)

4.2 Basis of consolidation

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

4.3 Subsidiaries

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

In addition, acquired subsidiaries are subject to application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

4. 會計政策概要(續)

4.2 綜合賬目之基準

綜合財務報表載有本公司及其附屬公司截至每年十二月三十一日止之財務報表。

4.3 附屬公司

附屬公司為本公司擁有權力控制其財務及營運政策之實體。本集團會於評估本公司是否控制另一家實體時，考慮現時可行使或可兌換之潛在投票權存在與否及其影響。附屬公司之賬目自控制權轉讓予本集團之日起綜合計入，而有關賬目將於該控制權終止之日剔除綜合計入賬目。

此外，所收購附屬公司須應用收購法。此情況涉及按公平值重估於收購日期所有可識別資產及負債，包括該附屬公司之或然負債，而不論該等資產及負債於收購前是否記錄於該附屬公司之財務報表。於初步確認時，該附屬公司之資產及負債會按重估金額計入綜合資產負債表，並將按照本集團之會計政策用作其後計量之基準。商譽指收購成本超逾本集團於收購日期應佔所收購附屬公司可識別資產淨值之公平值之差額。

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4. SUMMARY OF ACCOUNTING POLICIES (Continued)

4.3 Subsidiaries (Continued)

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

4.4 Goodwill

Goodwill arising on acquisition prior to 1 January 2005

Goodwill represents the excess of the cost of an acquisition over the Group's interest in the fair value of identifiable assets and liabilities of the relevant subsidiaries at the date of acquisition. Goodwill is tested for impairment annually and whenever there is indication that the cash generating unit to which the goodwill relates becomes impaired. On subsequent disposal of subsidiaries, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

4. 會計政策概要(續)

4.3 附屬公司(續)

集團內公司間之交易、集團內公司間交易之結餘及未變現收益會作對銷。未變現虧損亦會對銷，惟有證據顯示所轉讓資產出現減值之交易除外。

於本公司之資產負債表中，附屬公司按成本值減去減值虧損列賬。附屬公司之業績由本公司按於結算日已收及可收股息之基準列賬。

4.4 商譽

於二零零五年一月一日收購產生之商譽

商譽指收購成本超出本集團於收購日期分估所有關附屬公司可識別資產及負債公平值之差額。已獲分配商譽的賺取現金單位會每年或出現跡象顯示此現金產生單位可能出現減值時對商譽進行減值檢測。其後出售附屬公司時，資本化商譽的應佔數額須計入出售時所釐定的收益或虧損。

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4. SUMMARY OF ACCOUNTING POLICIES (Continued)

4.5 Research and development expenditure

Expenditure on research activities is recognised as an expense as incurred.

Costs incurred on development projects whereby research findings or other knowledge are applied to a plan or design for the production of new or substantially improved products and processes are recognised as intangible assets, provided that they meet the following recognition requirements :

- (i) demonstration of technical feasibility of the prospective product for internal use or sale;
- (ii) the intangible asset will generate probable economic benefits through internal use or sale;
- (iii) sufficient technical, financial and other resources are available for completion; and
- (iv) the intangible asset can be reliably measured.

The development costs capitalised, which include cost of materials and direct labour, are amortised on a straight line basis over the estimated useful lives of 10 years of the products or processes from the date of commencement of commercial operation. Other development costs are recognised as an expense in the period as incurred.

Capitalised development costs are stated at cost less accumulated amortisation and impairment losses subject to impairment testing as described below in note 4.7.

4. 會計政策概要(續)

4.5 研發費用

研究活動費用於產生時列作開支予以確認。

有關應用作生產新增或持續提升產品及程序之計劃或設計之研究結果或其他知識所產生之開發費用確認為無形資產，惟符合以下確認規定者除外：

- (i) 顯示預期開發以供內部使用或銷售之產品之技術可行性；
- (ii) 無形資產將通過內部使用或銷售使產生可能經濟利益；
- (iii) 具備充足技術、財務及其他資源以供完成；及
- (iv) 無形資產能可靠地估量

撥充資本之開發費用(包括物料成本及直接工資)由開展商業生產當日起按估計可使用年期10年以直線法予以攤銷。其他開發費用於產生時作期內開支予以確認。

撥充資本之開發費用按成本值減去累計攤銷及減值虧損列賬，惟須就下文附註4.7所述之減值測試予以調整。

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4. SUMMARY OF ACCOUNTING POLICIES (Continued)

4.6 Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation and impairment losses. Construction in progress will not be depreciated until it is put into use and accordingly is stated at cost less accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment, other than construction in progress, over their estimated useful lives, taking into account their estimated residual value and using the straight line method, at the following rates per annum :

Buildings	5%
Leasehold improvements	20%
Mould and equipment	10% – 20%
Motor vehicles	20%

The gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

4. 會計政策概要(續)

4.6 物業、廠房及設備

除在建工程外之物業、廠房及設備按成本值減折舊、攤銷及任何累積之減值虧損入賬。在建工程將不予折舊、直至其投入使用並按成本值減任何累積之減值虧損入賬。

物業、廠房及設備經考慮其估計剩餘價值後，按下列年率就其估計可使用年期以直線法撇銷各項成本值計算折舊：

樓宇	5%
租賃物業裝修	20%
模具及設備	10% – 20%
汽車	20%

出售產生之收益或虧損，按銷售所得款項與資產賬面值之差額釐定，並於收益表確認。

其後成本僅於與該項目相關之日後經濟利益有可能流入本集團，且該項目之成本能可靠計算時，計入資產之賬面值或確認為獨立資產(按適用情況)。所有其他維修及保養均於產生之財政期間自收益表扣除。

資產之剩餘價值及可使用年期於每個結算日進行檢討，並(按適用情況)作出調整。

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for the year ended 31 December 2005
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4. SUMMARY OF ACCOUNTING POLICIES (Continued)

4.7 Impairment testing of assets

The Group's goodwill, development costs and property, plant and equipment and the Company's investments in subsidiaries are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

Individual assets or cash-generating units that include goodwill and other intangible assets which are not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

4. 會計政策概要(續)

4.7 減值檢測

本集團之商譽、開發成本及物業、機器及設備及本公司於附屬公司之投資須進行減值檢測。

就評估減值而言，資產按獨立可識別現金流量（現金產生單位）之最低水平歸類。因此，部分資產個別進行減值檢測，而部分則按現金產生單位水平檢測。尤其是商譽分配至預期受惠於相關業務合併所產生協同效益之該等現金產生單位，即本集團內管理層控制有關現金流量之最低水平。

包括商譽及仍未可供使用其他無形資產之個別資產或現金產生單位最少每年進行減值檢測。所有其他個別資產或現金產生單位於顯示賬面值可能不能收回之事件發生或情況有變時進行減值檢測。

減值虧損按資產或現金產生單位之賬面值超出其可收回金額之差額確認。可收回金額為反映市況之公平值減銷售成本與按內部現金流量折現評估法計算之使用價值兩者之較高者。就已分配商譽之現金產生單位確認之減值虧損，初步計入商譽之賬面值。任何剩餘減值虧損按比例自該現金產生單位之其他資產扣除。商譽減值虧損不會於其後期間撥回。就其他資產而言，倘用於釐定資產可收回款額之估計有所改變，則撥回減值虧損，惟以資產之賬面值（扣除折舊後）不得超出假設過往年度該資產未確認減值虧損的情況下本該釐定的帳面值。

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4. SUMMARY OF ACCOUNTING POLICIES (Continued)

4.8 Inventories

Inventories comprise raw materials, supplies and purchased goods. Cost is determined using weighted average method and in the case of work in progress and finished goods, include all expenses directly attributable to the manufacturing process as well as appropriate proportion of related production overheads, based on normal operating capacity. Financing costs are not taken into consideration. At the balance sheet date, inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

4.9 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand as well as bank deposit.

4.10 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax assets are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

4. 會計政策概要(續)

4.8 存貨

存貨包括原料、供品及所採購貨物。成本使用加權平均法釐定，而就在建工程或製成品，則包括根據正常營運力直接應佔製造過程之所有開支，及有關生產間接費用之適當部分。存貨於結算日按成本與可變現淨值之較低者列賬。可變現淨值為日常業務中之估計銷售價減任何適用銷售開支。

4.9 現金及現金等價物

現金及現金等價物包括存放於銀行及手頭現金，以及銀行存款。

4.10 所得稅之會計方法

所得稅包括本期稅項及遞延稅項。

本期所得稅資產及／或負債包括於結算日尚未繳付並與本期或先前申報期有關應付予稅收機關或稅收機關申索之稅務責任。該等稅務責任乃根據其相關財政年度適用稅率及稅法，按應課稅溢利計算。本期稅務資產或負債所有變動於收益表稅務開支項下確認。

遞延稅項指財務報表中資產及負債的帳面值與相應稅基之間的暫時差額，使用負債法計算。遞延稅項資產通常就所有應課稅暫時差額確認。遞延稅項資產通常就所有可扣減暫時差額、可供結轉至下期之稅項虧損，以及其他未動用稅項抵免予以確認，以應課稅溢利可供以對銷可扣減暫時差額、未動用稅項虧損及未動用稅項抵免為限。

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4. SUMMARY OF ACCOUNTING POLICIES (Continued)

4.10 Accounting for income taxes (Continued)

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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 differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement.

4.11 Borrowing costs

Borrowing costs on bank loans are expensed as incurred.

4.12 Foreign currency translation

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

4. 會計政策概要(續)

4.10 所得稅之會計方法(續)

倘該暫時差額源自商譽，或源自不影響稅務及會計盈利的交易中其他資產及負債的首次確認(除業務合併外)，則該等資產及負債不予確認。

遞延稅項負債會為源自於附屬公司投資的應課稅暫時差額確認，惟倘本集團能夠控制該暫時差額的撥回及該暫時差額於可見將來很可能不會撥回則另作別論。

遞延稅項乃按於清償負債或變現資產期間預計適用於結算日為已頒佈或大致上已頒佈之稅率計算(毋須貼現)。

遞延稅項資產或負債之變動於收益表稅務開支項下確認。

4.11 借貸成本

銀行貸款之借貸成本於產生時列作支銷。

4.12 外幣換算

綜合財務報表以人民幣(「人民幣」)呈列，人民幣亦為本公司之功能貨幣。

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財務報表附註

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4. SUMMARY OF ACCOUNTING POLICIES (Continued)

4.12 Foreign currency translation (Continued)

In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

In the consolidated financial statements, all separate financial statements of subsidiaries originally presented in a currency different from the Group's presentation currency, have been converted into Renminbi. Assets and liabilities have been translated into Renminbi at the closing rate at the balance sheet date. Income and expenses have been converted into the Group's presentation currency at the average rates over the reporting period. Any differences arising from this procedure have been charged/(credited) to the currency translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Renminbi at the closing rate.

4.13 Leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the present value of the lease payments plus incidental payment, if any, to be borne by the lessee. A corresponding amount is recognised as a finance lease liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

4. 會計政策概要(續)

4.12 外幣換算(續)

於綜合實體之獨立財務報表內，外幣交易按交易當日之匯率換算為個別實體之功能貨幣。因結算該等交易及按年結日之匯率換算以外幣為單位之貨幣資產及負債所產生匯兌收益或虧損，均分別於收益表確認。

於綜合財務報表內，原本以本集團之呈列貨幣以外之貨幣呈列之附屬公司所有獨立財務報表已轉換為人民幣。資產及負債已按結算日之匯率折算為人民幣。收入及開支已按申報期之平均匯率折算為本集團之功能貨幣。從此程序產生之任何差額已於股本內之貨幣換算儲備內扣除／(計入)。收購海外公司產生之商譽及公平值被視為海外公司之資產及負債，並已按收市匯率折算為人民幣。

4.13 租賃

倘承租人承擔與租賃資產擁有權有關之絕大部分風險及回報，租賃資產之經濟擁有權即轉交承租人。有關資產於租賃開始時，按租賃付款現值加由承租人承擔之附帶費用(如有)確認，並確認相應金額為融資租賃負債，不論該等租賃付款是否部分須於租賃開始時預先支付。

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4. SUMMARY OF ACCOUNTING POLICIES (Continued)

4.13 Leases (Continued)

Subsequent accounting for assets held under finance lease agreement, ie depreciation methods and useful lives correspond to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges, which are expensed to finance costs.

All other leases are treated as operating lease agreements. Operating lease payments are recognised as an expense on a straight-line basis. Affiliated costs, such as maintenance and insurance, are expensed as incurred.

4.14 Pension cost

The employees of the Company and its subsidiary which operate in PRC are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 8.0% to 22.5% of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

4.15 Related parties

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

- (a) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, the Company/Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group or its parent;

4. 會計政策概要(續)

4.13 租賃(續)

根據融資租賃協議持有的資產應用可作比較之所收購資產之相應折舊方法及可使用年期作其後入賬。相應之融資租賃負債會減除扣除財務費用後之租賃付款，並於融資成本列作開支。

所有其他租賃均視作經營租賃協議處理。經營租賃付款按直線法確認為開支，維修及保險等相關費用於產生時列作開支。

4.14 退休金成本

本公司及其於中國經營之附屬公司之僱員，須參與由地方市政府所管理之中央退休金計劃。此附屬公司須向中央退休金計劃以其工資成本之8.0%至22.5%供款。供款於根據中央退休金計劃之規則應付時於收益表扣除。

4.15 有關連人士

以下人士被視為本集團有關連人士：

- (a) 透過一或多個中介實體，該方直接或間接 (i) 控制本公司／本集團，或由本公司／本集團控制，或與本公司／本集團受到共同控制；(ii) 於本集團擁有權益，而該權益可導致其對本集團行使重大影響力；或 (iii) 對本集團擁有共同控制；
- (b) 該方為一名聯繫人士；
- (c) 該方為一共同控制實體；
- (d) 該方為本集團或其母公司主要管理人員之一；

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4. SUMMARY OF ACCOUNTING POLICIES (Continued)

4. 會計政策概要(續)

4.15 Related parties (Continued)

- (e) the party is a close member of the family of any individual referred to in (a) or (d); or
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

4.16 Income recognition

Revenue comprises the fair value for the sale of goods and services, net of rebates and discounts and after eliminated sales within the Group. Revenue is recognised as follows :

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

Revenue from the sale of software systems is recognised when the software system has been delivered and installed and the customer has examined and accepted the software system.

Revenue from technical services is recognised when services are rendered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

4.17 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

4.15 有關連人士(續)

- (e) 該方為(a)或(d)項所述任何個別人士之近親；
- (f) 該方為(d)或(e)項所述任何個別人士所直接或間接、共同控制或可對其行使重大影響力，或於該實體擁有重大投票權；或
- (g) 該方為本集團或屬本集團有關連人士之任何實體為僱員福利而設之僱用後福利計劃成員。

4.16 收入確認

收益包括銷售貨品及服務之公平值，扣除回贈及折扣並經與集團內公司間之銷售對銷。收益按以下方式確認：

貨品銷售額於貨品付運及所有權轉移時確認入賬。

銷售軟件系統所得之收益乃於軟件系統付運及安裝，而客戶已驗收軟件系統時確認入賬。

技術服務收益於提供服務時確認入賬。

利息收入乃參考未償還本金及適用之息率逐日累積計算。

4.17 股本

普通股歸類為權益。股本以已發行股份面值釐定。

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4. SUMMARY OF ACCOUNTING POLICIES (Continued)

4. 會計政策概要(續)

4.18 Financial assets

The Group's classifies its financial assets, into the following categories: loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the financial assets were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

(i) *Available-for-sale financial assets*

Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are initially recognised at fair value and subsequently measured at fair value, unless otherwise disclosed, with changes in value recognised in equity, net of any effects arising from income taxes.

Upon disposal, the cumulative gain or loss previously recognised in equity is transferred to profit or loss. When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss even though the financial asset has not been derecognised. Impairment losses previously recognised in the income statement on equity instruments will not reverse in subsequent period.

4.18 金融資產

本集團將其金融資產按以下類別分類：貸款及應收款項及可供出售之金融資產。金融資產由管理層於首次確認時，視乎購入金融資產之目的，金融資產被劃分為不同類別。於每個申報日重新評估金融資產之指定，選擇分類或會計處理。

(i) 可供出售金融資產

可供出售金融資產包括非衍生金融資產，當中為被劃分入此類別或不符合資格撥入任何其他類別金融資產。除非另有披露，於此類別之所有金融資產初步按公平值確認，而其後按公平價值計算，而變動則於扣除所得稅產生之任何影響後在權益確認。

於出售時，權益內以往已確認之累計收益或虧損轉入損益。當可供出售金融資產之公平值下跌已直接於權益確認時，並有客觀跡象顯示資產已減值，即使金融資產並未不再確認，亦從權益剔除及於損益確認。以往於收益表確認股本工具之減值虧損於其後期間不會撥回。

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4. SUMMARY OF ACCOUNTING POLICIES (Continued)

4. 會計政策概要(續)

4.18 Financial assets (Continued)

4.18 金融資產(續)

(i) *Available-for-sale financial assets (Continued)*

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not reverse in subsequent periods.

(i) 可供出售金融資產(續)

就可供出售之股本投資而言，倘並無活躍市場之市價報價，而其公平價值未能可靠計算及與該等非上市股本工具有關並須以交付該等工具之方式結算之衍生工具，則可供出售之股本投資於首次確認後之各個結算日按成本值減任何已識別減值虧損計算。倘具備客觀證明資產減值，則減值虧損於收益表確認。減值虧損數額按資產賬面值與按類似金融資產之現行市場回報率折現估計未來現金流量之現值間之差額計算。該等減值虧損將不會於其後期間撥回。

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Any changed in their value are recognised in income statement.

(ii) 貸款及應收款項

貸款及應收款項為附帶固定或可釐定付款之非衍生性質金融資產，且並無在活躍市場計算報價。貸款及應收款項初步按公平值確認，而其後採用實際利息法計算之攤銷成本，減任何減值虧損列賬。任何價值變動於收益表確認。

Loan and receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

倘客觀證明本集團未能按照應收款項之原本條款收回欠其之所有款項，則為貸款及應收款項作出撥備。撇減之金額為資產賬面值與估計未來現金流量之現值之差額。

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4. SUMMARY OF ACCOUNTING POLICIES (Continued)

4. 會計政策概要(續)

4.19 Financial liabilities

The Group's financial liabilities include bank loans, trade and other payables and bills payable.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in "finance cost" in the income statement.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

4.20 Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segment be presented as the primary reporting format and geographical segment as the secondary reporting format.

In respect of geographical segment reporting, sales are based on the countries in which the customers are located and total assets and capital expenditure are based on where the assets are located.

4.19 金融負債

本集團之金融負債包括銀行貸款、貿易及其他應付款項及應付票據。

金融負債乃於本集團參與訂立工具合約協議時確認。所有利息相關開支乃於收益表之「財務費用」確認為開支。

借貸初步按公平值(扣除已產生之交易成本)確認。借貸其後按已攤銷成本列賬;所得款項(扣除已產生之交易成本)與贖回價值之任何差額使用實際利息法於借貸期間在收益表確認。

借貸列為流動負債,除非本集團有無條件權利遞延償還負債之期限至結算日後至少十二個月。

貿易應付款項初步乃按其公平值確認,其後使用實際利率法按攤銷成本計量。

4.20 分類申報

按照本集團之內部財務申報形式,本集團決定以業務分類作主要申報形式,地區分類則為次要分類申報形式。

就地區分類申報而言,銷售乃按客戶所在國家分類,資產總值及資本開支則按資產所在地分類。

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5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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 :

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations at the balance sheet date.

Impairment of trade receivables

The Group's management determines the provision for impairment of trade receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassess the provision on each of the balance sheet dates.

5. 重要會計估計及判斷

估計須持續，並根據過往經驗及其他因素(包括在有關情況下相信為合理之對未來事件之預期)進行評估。

5.1 重要會計估計及判斷

本集團就未來作出估計及假設。從推算所得的會計估計通常有別於相關實際結果。以下論述有關具有重大風險導致資產與負債之賬面值於下個財政年度出現重大調整之估計及假設。

存貨之可變現淨值

存貨之可變現淨值乃於日常業務過程中之估計售價，減估計完成成本及銷售開支。該等估計乃以現有市況及銷售同類產品之過往經驗為基準進行，並可因競爭對手因應嚴峻之行業週期而採取之行動而顯著改變。管理層將於結算日前重新評估有關估計。

貿易應收款項減值

本集團之管理層決定定期為貿易應收款項減值。此估計乃按照其客戶之信貸往績及現行市況而釐定。管理層會於結算日評估撥備。

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5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

5.2 Criteria judgments in applying the entity's accounting policies

Research and development activities

Careful judgment by the Group's management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgments are based on the best information available at each balance sheet date. In addition, all internal activities related to the research and developments of new products are continuously monitored by the Group's management.

6. REVENUE, OTHER OPERATING INCOME AND SEGMENT INFORMATION

5. 重要會計估計及判斷 (續)

5.2 應用實體會計政策之準則判斷

研發活動

本集團管理層於決定開發費用是否符合確認規定時運用仔細判斷。由於任何產品開發之經濟成果未能確定，及於確認之時可能受制於未來技術問題，故此屬必要。判斷於每個結算日根據可獲提供之最佳資料作出。此外，有關研發新產品之所有內部活動持續受本集團管理層所監察。

6. 收益、其他經營收入及分類資料

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Revenue	收益	342,586	277,627
Other operating income	其他收入		
Bank interest income	銀行利息	2,354	1,681
VAT refund*	增值稅退稅*	13,163	18,679
Gain on disposal of subsidiaries	出售附屬公司收益	1,762	-
Non-refundable government subsidies	無償政府補貼	6,328	-
Others	其他	14,550	1,032
		38,157	21,392

Revenue, which is also the Group's turnover, represents the net amount received and receivable for goods and software systems sold and services rendered.

收益亦即集團之營業額指就已出售貨品及軟件系統及提供服務所收取及應收取之款項淨額。

*VAT refund relating to sales of certain products during the period from 1 July 2004 to 30 November 2005 (Year 2004: from 1 January 2003 to 30 June 2004) was approved and paid by the PRC tax bureau in the current year.

*增值稅退稅涉及於二零零四年七月一日至二零零五年十一月三十日(二零零四年度:二零零三年一月一日至二零零四年六月三十日)期間之若干銷售,於本年度獲中國稅務局批准及退繳。

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6. REVENUE, OTHER OPERATING INCOME AND SEGMENT INFORMATION (Continued)

The Group's operation is regarded as a single business segment, being an enterprise providing products and services serving the automotive aftermarket and the automobile industry in the PRC and certain overseas countries. As such, no business segment analysis is provided.

The Group's geographical segment analysis is as follows:

Geographical markets:	市場區域：
PRC other than Hong Kong	中國(不包括香港)
Asia other than PRC	亞洲(不包括中國)
Europe	歐洲
Africa and the Middle East	非洲及中東
America	美國
Australia	澳洲

Sales are based on the countries in which the customers are located.

No geographical analysis of the carrying amount of segment assets and capital expenditure is provided as less than 10% of the segment assets and capital expenditure are attributable to markets outside the PRC.

6. 收益、其他經營收入及分類資料(續)

本集團之業務運作被視為一個獨立業務分類，屬一家向中國及若干海外國家之汽車售後市場及汽車業提供技術、產品及服務之企業。因此，概無任業務分類分析予以提供。

本集團之業務按地域分析如下：

		REVENUE	
		收益	
		2005	2004
		二零零五年	二零零四年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
		153,777	157,001
		37,500	29,414
		71,243	40,337
		27,898	13,606
		41,470	29,142
		10,698	8,127
		342,586	277,627

銷售乃按客戶之所在國家計算。

由於源自中國以外市場之分類資產及資本性開支低於10%，因此概無任何分類資產及資本性開支之賬面金額之地域分析予以提供。

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7. PROFIT BEFORE INCOME TAX

7. 除所得稅前溢利

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Profit before income tax has been arrived at after charging/(crediting):	除所得稅前溢利乃經扣除／(計入)下列各項後得出：		
Staff costs	員工成本		
Directors' and supervisors' remuneration (note 9)	董事及監事酬金 (附註9)	928	1,504
Other staff costs	其他員工成本	51,768	46,137
Retirement benefits	退休福利成本	6,695	3,892
		59,391	51,533
Less: Staff costs capitalised as development costs	減：作為開發成本撥作資本之員工成本	(11,927)	(10,582)
		47,464	40,951
Expenditure for current year	本年度開支	2,249	4,089
Add: Amortisation of development costs	加：開發成本之攤銷	6,251	3,919
Research and development expenses	研發費用	8,500	8,008
Depreciation of property, plant and equipment	物業、廠房及設備折舊	13,801	9,052
Operating lease charges on land and buildings	土地及樓宇經營租賃費用	8,841	8,798
Annual charge of leasehold land and land use rights	租賃土地及土地使用權年費	788	156
Loss on disposals of property, plant and equipment	出售物業廠房及設備虧損	2,484	16
Amortisation of goodwill #	商譽攤銷#	-	257
Provision for slow-moving inventories *	滯銷存貨撥備*	-	2,706
Provision bad and doubtful debts*	呆壞賬撥備*	-	544
Pre-operating expenses of branches *	分公司之開辦費用*	-	13,075
Auditors' remuneration	核數師酬金	1,543	2,252
Net exchange loss/(gains)	滙兌虧損／(收益)淨額	1,262	(1,379)

* included in other operating expenses

included in administrative expenses

* 包括於其他經營開支

包括於行政開支

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8. LOSS ON DISPOSAL OF ASSETS

During the year, the Group ceased the operation of a business division which engaged in the manufacture of automotive electronic products. The major reason of the closure was that the director expected the division could not bring the Group revenue and profit.

Upon the closure of the business division, the Group incurred the loss on the disposal of assets as follows:

8. 出售資產虧損

於本年內，本集團終止了一間從事汽車電子產品生產的業務部門。終止的主要原因，乃董事認為該部門無法為本集團帶來收益及溢利。

終止該業務部門時，本集團於出售資產時產生如下虧損：

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Loss on disposal of property, plant and equipment	出售物業、廠房及設備虧損	3,447	-
Development costs written off	開發成本撇銷	2,613	-
Inventories written off	存貨撇銷	1,747	-
		7,807	-

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9. DIRECTORS' AND SUPERVISORS' REMUNERATION

Details of directors' and supervisors' remuneration on a named basis are as follows:

9. 董事及監事酬金

董事及監事之個人酬金詳情如下：

		Salaries, allowances and other benefits	Retirement benefits costs	Total
	Fees 袍金	薪金、津貼 及其他福利	退休金成本	總計
	RMB'000 人民幣	RMB'000 人民幣	RMB'000 人民幣	RMB'000 人民幣
2005	二零零五年			
<i>Executive directors</i>	執行董事			
Mr. Liu Xin	劉新先生	-	203	6
Mr. Liu Jun	劉均先生	-	165	8
Professor Wang Xue Zhi	王學志教授	-	111	-
<i>Non executive director</i>	非執行董事			
Ms. Liu Yong	劉庸先生	15	-	-
Ms. Xu Xin, Kathy (resigned on 4 February 2005)	徐新女士 (二零零五年 二月四日辭職)	-	-	-
<i>Independent non-executive directors</i>	獨立非執行董事			
Mr. Zhang Xiao Yu	張小虞先生	15	-	-
Professor Hu Zi Zheng	胡子正教授	15	-	-
Mr. Yim Hing Wah	嚴慶華先生	5	-	-
<i>Supervisors</i>	監事			
Ms. Hou Wen Tao	候文濤先生	10	-	-
Mr. Guo Jian Yuan	郭健源先生	10	-	-
Mr. Wang Xi Lin	王希琳先生	10	352	3
		80	831	17
				928

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9. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

9. 董事及監事酬金 (續)

		Salaries, allowances and other benefits		Retirement benefits	Total
		Fees	薪金、津貼及其他福利	costs	總計
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣	人民幣	人民幣	人民幣
2004	二零零四年				
<i>Executive directors</i>	<i>執行董事</i>				
Mr. Liu Xin	劉新先生	-	553	5	558
Mr. Liu Jun	劉均先生	-	527	7	534
Professor Wang Xue Zhi	王學志教授	-	121	-	121
<i>Non executive directors</i>	<i>非執行董事</i>				
Ms. Liu Yong	劉庸先生	15	-	-	15
Mr. Zhang Jie (resigned on 27 October 2004)	張杰先生 (二零零四年十月二十七日辭職)	15	-	-	15
Ms. Xu Xin, Kathy (appointed on 17 May 2004 and resigned on 4 February 2005)	徐新女士 (二零零四年五月十七日獲委任，二零零五年二月四日辭職)	-	-	-	-
<i>Independent non-executive directors</i>	<i>獨立非執行董事</i>				
Mr. Zhang Xiao Yu	張小虞先生	15	-	-	15
Professor Hu Zi Zheng	胡子正教授	15	-	-	15
Mr. Yim Hing Wah (appointed on 28 September 2004)	嚴慶華先生 (二零零四年九月二十八日獲委任)	1	-	-	1
<i>Supervisors</i>	<i>監事</i>				
Ms. Hou Wen Tao	候文濤先生	10	-	-	10
Mr. Guo Jian Yuan	郭健源先生	10	-	-	10
Mr. Wang Xi Lin	王希琳先生	10	196	4	210
		91	1,397	16	1,504

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for the year ended 31 December 2005
 截至二零零五年十二月三十一日止年度

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

For the year ended 31 December 2005, the five highest paid individuals of the Group included one supervisor (2004: two directors and one supervisor), details of the emoluments are included above. The emoluments of the remaining four highest paid individuals (2004: two individuals) are as follows:

Salaries, allowances and other benefits	薪金、津貼及其他福利
Retirement benefits cost	退休金成本

The emoluments of each of the above four individuals (2004: two individuals) fall within the band of nil to HKD1,000,000.

No emoluments were paid by the Group to the directors, supervisors or highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2004: Nil). None of the directors waived or agreed to waive any emoluments during the year (2004: Nil).

9. 董事及監事酬金 (續)

截至二零零五年十二月三十一日止年度，本集團五位最高薪人士包括一位監事(二零零四年：兩位董事及一位監事)，有關薪酬資料已於上文披露。其餘四位(二零零四年：兩位)最高薪人士的薪酬如下：

	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
	971	738
	10	4
	981	742

上述四位(二零零四年：兩位)人士各自之酬金界乎零至1,000,000港元。

年內，本集團並無向包括董事、監事或支付任何薪酬，作為其加入或於加入本集團時之獎勵或作為離職之補償(二零零四年：無)。董事及監事於年內概無放棄或同意放棄任何薪酬(二零零四年：無)。

10. FINANCE COSTS

Interest charges on bank loans:	銀行貸款之利息支出：
– wholly repayable within five years	– 須於五年內悉數償還
– not wholly repayable within five years	– 毋須於五年內悉數償還

Bank charges	銀行費用
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10. 財務成本

	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
	10,889	8,108
	–	116
	10,889	8,224
	237	208
	11,126	8,432

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for the year ended 31 December 2005
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11. INCOME TAX

11. 所得稅項

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
The tax charge/(credit) comprises:	稅項支出/(抵免)包括:		
Enterprise income tax – PRC	企業所得稅 – 中國		
– current year	– 現年度	4,097	2,300
Deferred tax (note 30)	遞延稅項(附註30)	–	(3,385)
		4,097	(1,085)

PRC enterprise income tax ("EIT") has been provided based on the estimated taxable income for PRC taxation purposes at the rates of taxation prevailing in the provinces in which the group companies operate. The Company is subject to income tax at the rate of 15% (2004: 15%); the Company's PRC subsidiaries are subject to income tax at the rates of 15% to 33%. The Company's overseas subsidiary is subject to income tax at the rate of 42%.

Pursuant to the relevant laws and regulations in the PRC, the Company has been designated as a new and high technology enterprise. The Company was exempted from PRC enterprise income tax for the financial years 2000 and 2001 and was eligible for and entitled to 50% tax relief for the financial years 2002 to 2004. Upon obtaining the approval from local tax bureau, the Company is eligible and entitled to 50% tax relief for the 3 additional financial years from 2005 to 2007.

上海元征機械設備有限責任公司("Launch Shanghai"), a subsidiary of the Company established in the PRC, is entitled to the tax holiday of "two-year exemption and three-year 50% reduction" from the first profitable year of operation. No provision for EIT has been made for Launch Shanghai as it did not derive any taxable income for the year.

中國企業所得稅乃按集團公司經營所在省份當時稅率就中國稅項之估計應課稅收入作出撥備。本公司須按15%之稅率繳納所得稅(二零零四年: 15%); 本公司之附屬公司須按15%至33%之稅率繳納所得稅。本公司之海外附屬公司須按42%之稅率繳納所得稅。

根據中國相關法例及法規，本公司已被定為高新技術企業。本公司獲豁免繳納二零零零年及二零零一年財政年度之中國企業所得稅，且有資格並有權於二零零二年至二零零四年財政年度獲享50%稅務減免，若地方稅務局批准，本公司亦可於二零零五年至二零零七年三個額外財政年度獲享50%稅務減免。

上海元征機械設備有限責任公司("上海元征")，本公司於中國成立之附屬公司)有權於首個經營獲利年度起計享有「兩年豁免及三年減半」免稅期。由於上海元征於本年度並無任何應課稅收入，故該公司並無就企業所得稅作出任何撥備。

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財務報表附註

for the year ended 31 December 2005
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11. INCOME TAX (Continued)

Reconciliation between income tax charge/(credit) and accounting profit at applicable tax rate is as follows:

11. 所得稅項 (續)

稅項支出／(抵免)與適用稅率之會計溢利之對賬如下：

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Profit before income tax	除所得稅前溢利	41,226	38,617
Tax at PRC income tax rate of 15% (2004:15%)	按中國所得稅稅率15% (二零零四年：15%) 繳納之稅項	6,184	5,793
Tax effect attributable to tax exemption	免稅之稅務影響	(5,099)	(2,219)
Tax effect of non-deductible expenses	不可扣減開支之稅務影響	922	643
Tax effect of non-taxable revenue	毋須課稅收益之稅務影響	(2,344)	(3,158)
Tax effect of prior year's tax losses utilised this year	本年度動用過往年度稅務虧損之稅務影響	(993)	(207)
Tax losses not recognised as deferred tax assets	未確認為遞延稅項資產之稅務虧損	4,753	1,304
Effect of different tax rates of subsidiaries	附屬公司不同稅率之影響	674	(160)
Overprovision of deferred taxation in respect of prior years	過往年度遞延稅項之過度撥備金額	-	(3,385)
Others	其他	-	304
Tax charge/(credit)	稅項支出／(收入)	4,097	(1,085)

The net deferred tax assets are not recognised as it is uncertain whether future taxable profit will be available for utilising the accumulated tax losses. Under the current tax legislation, the tax losses can be carried forward for five years from the year the losses were incurred.

由於未能確定未來有否應課稅溢利以利用累計稅務虧損，因此並未確認遞延稅項資產淨值。根據現行稅務法例，稅務虧損可由產生虧損之年起計結轉五年。

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12. PROFIT FOR THE YEAR

Of the consolidated profit for the year of RMB37,118,000 (2004: RMB39,591,000), a profit of RMB57,634,000 (2004: RMB43,520,000) has been dealt with in the financial statements of the Company.

13. DIVIDENDS

No interim dividend for the year ended 31 December 2005 was declared.

A final dividend of RMB0.035 per share amounting to approximately RMB19,530,000 for the year ended 31 December 2005 has been proposed by the Directors after the balance sheet date. The proposal is subject to approval by the shareholders at the forthcoming annual general meeting. The final dividend proposed has not been recognised as a liability at the balance sheet date, but reflected as an appropriation of accumulated profits for the year ended 31 December 2005.

14. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the company of RMB37,118,000 (2004: RMB39,591,000) and on 520,000,000 shares in issue during the years ended 31 December 2004 and 2005.

No diluted earnings per share has been presented as there had been no dilutive potential shares in both years of 2004 and 2005.

12. 年內利潤

本年度人民幣37,118,000元之綜合利潤(二零零四年: 人民幣39,591,000元)中, 有人民幣57,634,000元(二零零四年: 人民幣43,520,000元)之利潤於本公司財務報表中處理。

13. 股息

本公司並無宣派截至二零零五年十二月三十一日止年度之中期股息。

董事於結算日後建議派發截至二零零五年十二月三十一日止年度之末期股息每股人民幣0.035元, 合共約人民幣19,530,000元。是項建議須待股東於應屆股東週年大會上批准。該建議末期股息於結算日並未確認為負債, 惟已反映為截至二零零五年十二月三十一日止年度之累計溢利分配。

14. 每股盈利

每股基本盈利乃根據本公司股東應佔溢利人民幣37,118,000元(二零零四年: 人民幣39,591,000元)及截至二零零四及二零零五年十二月三十一日止年度已發行股份520,000,000股股份計算。

由於二零零四年及二零零五年兩年並無具攤薄潛力之股份, 故並無呈列每股攤薄盈利。

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15. PROPERTY, PLANT AND EQUIPMENT

15. 物業、廠房及設備

Group		集團					Total 總計
		Construction in progress 在建工程 RMB'000 人民幣千元	Buildings 樓宇 RMB'000 人民幣千元	Leasehold improvements 租賃物業裝修 RMB'000 人民幣千元	Mould and equipment 模具及設備 RMB'000 人民幣千元	Motor vehicles 汽車 RMB'000 人民幣千元	
At 1 January 2004 (Restated)	於二零零四年一月一日(重列)						
Cost	成本	-	20,112	9,482	15,235	7,713	52,542
Accumulated depreciation	累計折舊	-	(3,537)	(2,938)	(6,215)	(2,210)	(14,900)
Net book amount	賬面淨值	-	16,575	6,544	9,020	5,503	37,642
Year ended 31 December 2004 (Restated)	截至二零零四年十二月三十一日止年度 (重列)						
Opening net book amount	期初賬面淨值	-	16,575	6,544	9,020	5,503	37,642
Acquisition of subsidiaries	收購附屬公司	7,593	-	-	8,791	476	16,860
Additions	添置	23,505	2,207	1,857	16,799	11,971	56,339
Disposals	出售	-	-	-	(16)	-	(16)
Depreciation	折舊	-	(1,090)	(1,900)	(3,431)	(2,631)	(9,052)
Transfer	結轉	(30,691)	30,691	-	-	-	-
Closing net book amount	期末賬面淨值	407	48,383	6,501	31,163	15,319	101,773
At 31 December 2004 (Restated)	於二零零四年十二月三十一日 (重列)						
Cost	成本	407	53,010	11,339	40,807	20,160	125,723
Accumulated depreciation	累計折舊	-	(4,627)	(4,838)	(9,644)	(4,841)	(23,950)
Net book amount	賬面淨值	407	48,383	6,501	31,163	15,319	101,773
Year ended 31 December 2005	截至二零零五年十二月三十一日止年度						
Opening net book amount	期初賬面淨值	407	48,383	6,501	31,163	15,319	101,773
Additions	添置	2,198	2,226	363	9,052	2,839	16,678
Disposals of subsidiaries (Note 33b)	出售附屬公司 (附註33b)	-	-	-	(1,176)	(135)	(1,311)
Disposals	出售	-	-	(755)	(6,077)	(1,999)	(8,831)
Depreciation	折舊	-	(2,662)	(836)	(5,857)	(4,446)	(13,801)
Transfer	結轉	(24)	-	-	24	-	-
Closing net book amount	期末賬面淨值	2,581	47,947	5,273	27,129	11,578	94,508
At 31 December 2005	於二零零五年十二月三十一日						
Cost	成本	2,581	55,236	10,716	39,691	19,543	127,767
Accumulated depreciation	累計折舊	-	(7,289)	(5,443)	(12,562)	(7,965)	(33,259)
Net book amount	賬面淨值	2,581	47,947	5,273	27,129	11,578	94,508

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15. PROPERTY, PLANT AND EQUIPMENT (Continued) 15. 物業、廠房及設備(續)

Company		Construction					Total
		in progress	Buildings	Leasehold improvements	Mould and equipment	Motor vehicles	
		在建工程	樓宇	租賃物業裝修	模具及設備	汽車	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January 2004 (Restated)	於二零零四年一月一日 (重列)						
Cost	成本	-	20,112	9,482	13,968	7,429	50,991
Accumulated depreciation	累計折舊	-	(3,537)	(2,938)	(5,953)	(2,120)	(14,548)
Net book amount	賬面淨值	-	16,575	6,544	8,015	5,309	36,443
Year ended 31 December 2004 (Restated)	截至二零零四年十二月三十一日止年度 (重列)						
Opening net book amount	期初賬面淨值	-	16,575	6,544	8,015	5,309	36,443
Additions	添置	14	-	1,858	14,634	11,971	28,477
Depreciation	折舊	-	(966)	(1,900)	(2,749)	(2,585)	(8,200)
Closing net book amount	期末賬面淨值	14	15,609	6,502	19,900	14,695	56,720
At 31 December 2004 (Restated)	於二零零四年十二月三十一日 (重列)						
Cost	成本	14	20,112	11,340	28,602	19,400	79,468
Accumulated depreciation	累計折舊	-	(4,503)	(4,838)	(8,702)	(4,705)	(22,748)
Net book amount	賬面淨值	14	15,609	6,502	19,900	14,695	56,720
Year ended 31 December 2005	截至二零零五年十二月三十一日止年度						
Opening net book value	期初賬面淨值	14	15,609	6,502	19,900	14,695	56,720
Additions	添置	2,130	25	363	5,421	2,839	10,778
Disposals	出售	-	-	(755)	(6,077)	(1,999)	(8,831)
Depreciation	折舊	-	(997)	(836)	(3,952)	(4,323)	(10,108)
Closing net book amount	期末賬面淨值	2,144	14,637	5,274	15,292	11,212	48,559
At 31 December 2005	於二零零五年十二月三十一日						
Cost	成本	2,144	20,137	10,716	25,766	19,067	77,830
Accumulated depreciation	累計折舊	-	(5,500)	(5,442)	(10,474)	(7,855)	(29,271)
Net book amount	賬面淨值	2,144	14,637	5,274	15,292	11,212	48,559

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16. LEASEHOLD LAND AND LAND USE RIGHTS

Group

The Group's interests in leasehold land and land use rights are up-front payments to acquire the leasehold land and land use rights and their carrying amount are analysed as follows :

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Outside Hong Kong held on:	香港以外地區：		
Leases of over 50 years	50年或以上之租約	1,744	1,182
Leases of between 10 to 50 years	10年至50年之租約	23,302	24,652
		25,046	25,834

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Opening carrying amount as at 31 December	於十二月三十一日之賬面值	25,834	3,920
Additions	添置	-	8,156
Acquisition of subsidiary	收購附屬公司	-	13,914
Annual charges of prepaid operating lease payment	預付經營租賃付款之年費	(788)	(156)
Closing carrying amount as at 31 December	於十二月三十一日之期末賬面值	25,046	25,834

16. 租賃土地及土地使用權

集團

本集團於租賃土地及土地使用權之權益乃購入租賃土地及土地使用權所支付之手續費，其賬面淨值分析如下：

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16. LEASEHOLD LAND AND LAND USE RIGHTS (Continued)

Company

The Company's interests in leasehold land and land use are up-front payments to acquire the leasehold land and land use rights and their carrying amount are analysed as follows :

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Outside Hong Kong held on:	香港以外地區：		
Leases of over 50 years	50年或以上之租約	1,744	1,182
Leases of between 10 to 50 years	10年至50年之租約	10,061	10,738
		11,805	11,920

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Opening carrying amount	期初賬面值	11,920	3,920
Additions	添置	-	8,156
Acquisition of subsidiary	收購附屬公司	-	-
Annual charges of prepaid operating lease payment	預付經營租賃付款之年費	(115)	(156)
Closing carrying amount	期末賬面值	11,805	11,920

16. 租賃土地及土地使用權 (續)

公司

本公司於租賃土地及土地使用權之權益乃購入租賃土地及土地使用權所支付之手續費，及其賬面淨值分析如下：

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17. GOODWILL

17. 商譽

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Opening carrying amount	期初賬面值	3,353	836
Acquisition of subsidiaries	收購附屬公司	-	2,774
Disposals of subsidiaries	出售附屬公司	(717)	-
Amortisation charge	攤銷費用	-	(257)
Closing carrying amount	期末賬面值	2,636	3,353
Closing carrying amount	期末賬面值		
Gross carrying amount	賬面總值	2,774	3,893
Accumulated amortisation	累計攤銷	(138)	(540)
Closing net carrying amount	期末賬面淨值	2,636	3,353

The goodwill at 31 December 2005 comprises goodwill arising from the acquisitions of Launch Shanghai and Launch Europe GmbH ("Launch Europe") amounting to approximately RMB1.5 million and RMB1.1 million respectively. Based on the impairment assessment of the recoverable amount of goodwill using the value-in-use calculations, covering a five-year cash-flow projections discounted at bank deposit interest rate, in the opinion of the directors, no impairment provision is considered necessary for the balance of the Group's goodwill.

於二零零五年十二月三十一日之商譽，包括因收購上海元征及Launch Tech GmbH (「Launch Europe」) 而產生之商譽分別約人民幣1,500,000元及人民幣1,100,000元。採取使用價值法對商譽可收回金額作減值測試，對五年的預計現金流量以銀行儲蓄利率進行貼現。依據測試結果，董事認為無須對本集團商譽之餘額作減值撥備。

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18. DEVELOPMENT COSTS

18. 開發成本

2004

二零零四年

		Group 集團	Company 公司
		RMB'000 人民幣千元	RMB'000 人民幣千元
Opening carrying amount	期初賬面值	24,192	24,192
Development labour cost capitalised	開發勞動成本撥作資本	10,582	10,582
Amortisation charge	攤銷費用	(3,919)	(3,919)
Closing carrying amount	期末賬面值	30,855	30,855
Closing carrying amount	期末賬面值		
Gross carrying amount	賬面總值	39,037	39,037
Accumulated amortisation	累計攤銷	(8,182)	(8,182)
Closing carrying amount	期末賬面值	30,855	30,855

2005

二零零五年

		Group 集團	Company 公司
		RMB'000 人民幣千元	RMB'000 人民幣千元
Opening carrying amount	期初賬面值	30,855	30,855
Development labour cost capitalised	開發勞動成本撥作資本	11,927	11,304
Acquisition of development software	購入開發軟件	5,000	5,000
Amortisation charge (note 7)	攤銷費用(附註7)	(6,251)	(6,251)
Write off (note 8)	撤銷(附註8)	(2,613)	(2,613)
Closing carrying amount	期末賬面值	38,918	38,295
Closing carrying amount	期末賬面值		
Gross carrying amount	賬面總值	53,351	52,728
Accumulated amortisation	累計攤銷	(14,433)	(14,433)
Closing carrying amount	期末賬面值	38,918	38,295

All amortisation are included in "research and development expenses" in the income statement.

所有攤銷已包括在收益表「研發費用」內。

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19. INVESTMENTS IN SUBSIDIARIES

19. 於附屬公司之投資

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Unlisted investments, at cost	非上市投資，按成本值	42,054	9,256

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

於二零零五年十二月三十一日，本公司附屬公司之詳情如下：

Name of subsidiary 附屬公司名稱	Form of business structure 商業性質	Place of registration and operations 註冊及營業地點	Registered and fully paid capital 註冊及實收資本	Percentage of registered capital held by the Company 本公司持有註冊資本百分比		Principal activities 主要業務
				directly 直接	indirectly 間接	
上海元征機械設備 有限責任公司 ("Launch Shanghai") (「上海元征」)	Limited liability company	PRC	USD5,751,369 (2004: USD750,000)	50%	50%	Manufacturing of equipment and machines for maintenance of automobiles
上海元征機械設備 有限責任公司	有限責任公司	中國	5,751,369美元 (二零零四年： 750,000美元)	50%	50%	製造汽車售後市場之養護設備
Launch Europe GmbH ("Launch Europe")	Limited liability company	Germany	DM50,000	100%	-	Sales of accessories, equipment and machines for the automotive aftermarket
Launch Europe GmbH ("Launch Europe")	有限責任公司	德國	50,000馬克	100%	-	銷售汽車售後市場之所有配件、設備及機器

20. LONG TERM FINANCIAL ASSET

20. 長期金融資產

Group and Company

集團及公司

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Available-for-sale financial asset Unlisted equity interest, at cost	可供出售之金融資產 非上市股本權益，按成本值	1,350	-

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21. PAYMENT FOR OTHER INVESTMENT

Group and Company

Asia Bridge Inc.

The Company is party to an acquisition agreement and a subscription agreement, both dated 29 September 2003, in respect of the share capital of Asia Bridge Inc. ("Asia Bridge"), a company incorporated in the Cayman Islands. Upon completion of these agreements, the Company would hold approximately 56% equity interest in Asia Bridge. At 31 December 2005, completion of the acquisition agreement had not taken place and the Company had not subscribed for any new shares of Asia Bridge. The aggregate sum of the consideration and advances paid to Asia Bridge amounted to RMB5,456,000 as at 31 December 2005 and 2004. As Asia Bridge did not have revenue in 2005, the directors considered investment cost paid was irrecoverable on 28 December 2005, a special resolution was passed at the special shareholders' meeting for the winding up of Asia Bridge in 2006. The prepayment for the investment amounted to RMB5,400,000 was written off in 2005.

21. 其他投資付款

集團及公司

2005	2004
二零零五年	二零零四年
RMB'000	RMB'000
人民幣千元	人民幣千元

—	5,456
---	-------

本公司為兩份日期為二零零三年九月二十九日、關於Asia Bridge Inc. (「Asia Bridge」，一間於開曼群島註冊成立之公司) 股本之收購協議及認購協議。待此等協議完成時，本公司將持有Asia Bridge股權約56%。於二零零五年十二月三十一日，收購協議並無完成，而本公司並無認購Asia Bridge之任何新股份。代價及已付Asia Bridge之墊款於二零零五年及二零零四年十二月三十一日之總額為人民幣5,456,000元。由於Asia Bridge於二零零五年並無收益，董事於二零零五年十二月二十八日認為已付投資成本為不可收回，及於二零零六年舉行之股東特別大會上通過將Asia Bridge清盤之特別決議案。投資預付之金額人民幣5,400,000元已於二零零五年撤銷。

22. INVENTORIES

Raw materials	原材料
Work in progress	在製品
Finished goods	製成品

22. 存貨

Group		Company	
集團		公司	
2005	2004	2005	2004
二零零五年	二零零四年	二零零五年	二零零四年
RMB'000	RMB'000	RMB'000	RMB'000
人民幣千元	人民幣千元	人民幣千元	人民幣千元
41,760	32,772	35,770	23,465
7,864	11,094	6,186	7,184
19,645	69,806	13,423	44,223
69,269	113,672	55,379	74,872

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23. TRADE RECEIVABLES

The fair values of trade and other receivables are as follows:

		Group 集團		Company 公司	
		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Trade receivables	貿易應收款項	198,388	121,664	189,889	113,556
Less: provision for impairment of receivables	減：應收款項減值撥備	(3,053)	(3,053)	(3,053)	(3,053)
		195,335	118,611	186,836	110,503

The Group allows a credit period of one to six months to its trade customers. The following is the aging analysis of trade receivables as at 31 December 2005:

		Group 集團		Company 公司	
		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Within 6 months	六個月內	89,432	81,171	80,933	73,063
Over 6 months but less than 1 year	六個月以上但少於一年	105,903	37,440	105,903	37,440
		195,335	118,611	186,836	110,503

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in other receivables, deposits and prepayments are advances to the staff by the Group and the Company which amounted to RMB4,447,000 (2004: RMB9,511,000) in aggregate. Such advances are unsecured, interest-free and have no fixed repayment terms.

23. 應收貿易賬款

貿易及其他應收款項之公平值如下：

		Group 集團		Company 公司	
		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Trade receivables	貿易應收款項	198,388	121,664	189,889	113,556
Less: provision for impairment of receivables	減：應收款項減值撥備	(3,053)	(3,053)	(3,053)	(3,053)
		195,335	118,611	186,836	110,503

本集團給予其貿易客戶一至六個月之信貸期。以下為於二零零五年十二月三十一日之賬齡分析：

		Group 集團		Company 公司	
		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Within 6 months	六個月內	89,432	81,171	80,933	73,063
Over 6 months but less than 1 year	六個月以上但少於一年	105,903	37,440	105,903	37,440
		195,335	118,611	186,836	110,503

24. 其他應收款項、按金及預付款

其他應收款項、按金及預付款包括本集團及本公司對僱員所作之墊款，總金額達人民幣4,447,000元(二零零四年：人民幣9,511,000元)。此類墊款並無擔保、免息並無固定償還期限。

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25. AMOUNTS DUE FROM SUBSIDIARIES

The amounts due are unsecured, interest-free and repayable on demand.

25. 附屬公司欠款

該款項為無抵押、免息及於通知時償還。

26. AMOUNT DUE FROM A RELATED COMPANY

Group and Company

Details of amount due from a related company as at 31 December are as follows:

26. 一間關連公司欠款

集團及公司

於二零零五年十二月三十一日應收有關連公司款項詳情如下：

Name of the related company	有關連公司名稱	
Blue Point Software Technology (Shenzhen) Co. Ltd.	藍點軟件技術(深圳)有限公司	
Directors connected with the related company	與有關連公司有關之董事	
Mr. Liu Xin and Mr. Liu Jun	劉新先生及劉均先生	
		RMB'000 人民幣千元
Amount outstanding at 31 December 2005	於以下日期之未償還金額 於二零零五年十二月三十一日	682
31 December 2004	於二零零四年十二月三十一日	3,457
Maximum amount outstanding in 2005	於二零零五年未償還最高金額	<u>5,682</u>

In 2004, the Company entered into an agreement with 藍點軟件技術(深圳)有限公司 ("Blue Point") under which Blue Point is appointed to develop a software system for the Group and the Company. The consideration for the software development as stated in the agreement is RMB5,000,000. As at 31 December 2004, advances of RMB3,457,000 were made to Blue Point. The transaction was completed in 2005 and the remaining contract price of RMB1,543,000 was settled in 2005. Such software development cost is capitalised (note 18) during the year.

於二零零四年，本公司與藍點軟件技術(深圳)有限公司(「藍點」)訂立協議，據此藍點已獲委任為本集團及本公司開發軟件系統。如協議所列軟件開發之代價為人民幣5,000,000元。於二零零四年十二月三十一日，給予藍點之墊款為人民幣3,457,000元。交易已於二零零五年完成，而餘下合約價人民幣1,543,000元已於二零零五年償付。此等軟件開發成本已於本年度撥充資本(附註18)。

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27. PLEDGED BANK DEPOSITS/BILLS PAYABLE

The deposits are pledged to banks to secure the bills and certain borrowings granted to the Group and the Company.

28. TRADE PAYABLES

The aging analysis of trade payables as at 31 December 2005 is as follows:

27. 已抵押銀行存款／應付票據

存款已抵押予銀行，作為授予本集團及本公司票據及若干借貸之抵押。

28. 應付貿易款項及預收款項、其他應付款項及應計費用

於二零零五年十二月三十一日，貿易應付賬款之賬齡分析如下：

	Group 集團		Company 公司	
	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Within 6 months 六個月內	43,044	56,290	20,067	25,449
Over 6 months but less than 1 year 六個月以上 但少於一年	27,853	10,274	26,403	10,274
Over 1 year but less than 2 years 一年以上但少於兩年	-	3,450	-	3,450
	70,897	70,014	46,470	39,173

29. BORROWINGS

Bank loans Secured Unsecured	銀行貸款 有抵押 無抵押				
		-	4,707	-	4,707
		155,167	150,000	125,167	150,000
		155,167	154,707	125,167	154,707
Less: Current portion due within one year included under current liabilities	減：包括於流動 負債項下一年 內到期之即期 部分	(155,167)	(150,740)	(125,167)	(150,740)
Non-current portion included under non-current liabilities	包括於非流動負債項 下之非即期部分	-	3,967	-	3,967

29. 借貸

	Group 集團		Company 公司	
	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Bank loans Secured Unsecured				
	-	4,707	-	4,707
	155,167	150,000	125,167	150,000
	155,167	154,707	125,167	154,707
Less: Current portion due within one year included under current liabilities	(155,167)	(150,740)	(125,167)	(150,740)
Non-current portion included under non-current liabilities	-	3,967	-	3,967

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29. BORROWINGS (Continued)

As at 31 December, the Group's and the Company's borrowings were repayable as follows:

		Group 集團		Company 公司	
		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Within one year	一年內	155,167	150,740	125,167	150,740
In the second year	於第二年	-	510	-	510
In the third to fifth year	由第三年至第五年	-	650	-	650
After the fifth year	五年後	-	2,807	-	2,807
		155,167	154,707	125,167	154,707

Bank borrowings denominated in RMB, interest bearing at fixed rates ranging from 5% to 7% (2004: 5% to 7%) per annum and are repayable in one year since the drawn down date. Certain bank borrowings are secured by fixed deposits.

於十二月三十一日，本集團及本公司之借貸須於下列期限償還：

銀行貸款以人民幣為計值單位，按年息率為5%至7% (二零零四年：5%至7%) 之固定利率計息，並須於提取日後一年後償付。若干銀行貸款以定期存款作抵押。

30. DEFERRED TAX

As at 31 December 2005, the Group and the Company did not have material unprovided deferred tax liabilities.

30. 遞延稅項

於二零零五年十二月三十一日，本集團及本公司概無任何重大未撥備之遞延稅項負債。

31. SHARE CAPITAL

Share capital of RMB0.10 each at 1 January 2004, 31 December 2004 and 31 December 2005

於二零零四年一月一日，二零零四年十二月三十一日及二零零五年十二月三十一日每股面值人民幣0.10元之股本

31. 股本

		Number of shares 股份數目		Registered, issued and fully paid
		Domestic shares and unlisted foreign shares 內資股及非上市外資股	H Shares H股	註冊、已發行 及繳足 RMB'000 人民幣千元
		'000 千股	'000 千股	

330,000 190,000 52,000

Except for the currency in which dividends are paid and the restrictions as to whether the shareholders can be PRC investors or foreign investor, domestic shares, unlisted foreign shares and H shares rank pari passu in all respects with each other.

除支付股息之貨幣及是否限制股東為中國投資者或外國投資者外，內資股、非上市外資股與H股在各方面享有同等權益。

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32. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements. Nature and purpose of the statutory surplus reserve, statutory public welfare fund and accumulated profits are set out in note (b) below.

(b) Company

		Share premium	Statutory surplus reserve	Statutory public welfare fund	Accumulated profits	Total
		股份溢價	法定公積金	法定公益金	累計溢利	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January 2004	於二零零四年一月一日	169,594	10,118	10,118	37,536	227,366
Profit for the year	年度溢利	-	-	-	43,520	43,520
2004 proposed final dividend	二零零四年擬派末期股息	-	-	-	(18,200)	(18,200)
At 31 December 2004 and 1 January 2005	於二零零四年十二月三十一日及二零零五年一月一日	169,594	10,118	10,118	62,856	252,686
Appropriations	分配	-	1,441	1,441	(2,882)	-
Profit for the year	年度溢利	-	-	-	57,634	57,634
2005 proposed final dividend	二零零五年擬派末期股息	-	-	-	(19,530)	(19,530)
At 31 December 2005	二零零五年十二月三十一日	169,594	11,559	11,559	98,078	290,790

Notes:

(i) Share premium

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less the amount of expenses incurred in connection with the issue of the shares.

32. 儲備

(a) 集團

本集團之儲備金額以及本年度及過往年度之儲備變動呈列於財務報表之權益變動綜合報表內。法定公積金、法定公益金及累計溢利之性質及用途於下文附註(b)呈列。

(b) 公司

		Share premium	Statutory surplus reserve	Statutory public welfare fund	Accumulated profits	Total
		股份溢價	法定公積金	法定公益金	累計溢利	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January 2004	於二零零四年一月一日	169,594	10,118	10,118	37,536	227,366
Profit for the year	年度溢利	-	-	-	43,520	43,520
2004 proposed final dividend	二零零四年擬派末期股息	-	-	-	(18,200)	(18,200)
At 31 December 2004 and 1 January 2005	於二零零四年十二月三十一日及二零零五年一月一日	169,594	10,118	10,118	62,856	252,686
Appropriations	分配	-	1,441	1,441	(2,882)	-
Profit for the year	年度溢利	-	-	-	57,634	57,634
2005 proposed final dividend	二零零五年擬派末期股息	-	-	-	(19,530)	(19,530)
At 31 December 2005	二零零五年十二月三十一日	169,594	11,559	11,559	98,078	290,790

附-註：

(i) 股份溢價

股份溢價乃本公司股份以溢價發行時所得資金，撇除發行股份費用後，與股份面值之差異。

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32. RESERVES (Continued)

(b) Company (Continued)

Notes: (Continued)

(ii) Statutory surplus reserve

The Company's Articles of Association requires the appropriation of 10% of profit after taxation each year to the statutory surplus reserve until the balance reaches 50% of the registered share capital. According to the provision of the Company's Articles of Association, under normal circumstances, the statutory surplus reserve shall only be used for making up losses, capitalisation into share capital and expansion of the Company's production and operation. For the capitalisation of statutory surplus reserve into share capital, the remaining amount of such reserve shall not be less than 25% of the registered share capital. The transfer to the statutory surplus reserve is based on the net profit in the financial statements prepared under PRC accounting standards. No appropriation to this reserve was made during the year as the financial statements prepared under PRC accounting standards for the year are not available up to the date of approval of these financial statements.

(iii) Statutory public welfare fund

Statutory public welfare fund represents the appropriation of profit after taxation according to the requirements of the Company's Articles of Association and the PRC Company Law. According to the requirements, the Company shall make allocation from profit after taxation at the rate of 5% to 10% to the statutory public welfare fund. The statutory public welfare fund can only be utilised on capital items for employees' collective welfare. Individual employees only have the right to use these facilities, the titles to which will remain with the Company. The statutory public welfare fund forms part of the shareholders' equity but is not distributable other than in liquidation. The transfer to the statutory public welfare fund is based on the net profit in the financial statements prepared under PRC accounting standards. No appropriation to this reserve was made during the year as the financial statements prepared under PRC accounting standards for the year are not available up to the date of approval of these financial statements.

32. 儲備 (續)

(b) 公司 (續)

附註：(續)

(ii) 法定公積金

本公司公司章程規定每年將除稅後溢利之10%轉撥為法定公積金，直至結餘達到註冊股本之50%為止。根據本公司公司章程之規定，在一般情況下，法定公積金僅可用於彌補虧損、撥充資本至股本及擴充本公司之生產及業務。就將法定公積金撥充資本至股本而言，該等法定公積金之剩餘款項不得少於註冊股本之25%。法定公積金之轉移乃以根據中國會計準則所編製之財務報表中之淨利潤為基準。基於該等根據中國會計準則編製的財務報表未能於本財務報表的批准日期前完成，故年內概無撥用儲備。

(iii) 法定公益金

法定公益金指根據本公司公司章程及中國公司法、撥備除稅後溢利。根據有關規定，本公司須將其除稅後溢利之5%至10%轉撥為法定公益金。法定公益金僅可用於員工集體福利之公益項目。個別員工僅有權使用其項下之設施，而設施之所有權仍屬於本公司。法定公益金構成股東之部分權益，除清盤外不得分派。法定公益金之轉移乃以根據中國會計準則所編製之財務報表中之淨利潤為基準。基於該等根據中國會計準則編製的財務報表未能於本財務報表的批准日期前完成，故年內概無撥用儲備。

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32. RESERVES (Continued)

(b) Company (Continued)

Notes: (Continued)

(iv) Accumulated profits

The reserve available for distribution to shareholders is based on the lower of the aggregate amount of profit after taxation for the year and accumulated profits brought forward determined under PRC accounting regulations and that determined under Hong Kong generally accepted accounting principles after deduction of the current year's appropriations to the statutory surplus reserve and statutory public welfare fund.

32. 儲備 (續)

(b) 公司 (續)

附註：(續)

(iv) 累積溢利

可供分派予股東之儲備乃根據中國會計規定或根據香港普遍採納之會計準則釐定之本年度之除稅後溢利總額及累積結轉溢利，並扣除本年度轉撥為法定公積金及法定公益金之金額(以較低者為準)計算。

33. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

33. 綜合現金流量表附註

(a) 收購附屬公司

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Net assets acquired:	收購之資產淨值：		
Property, plant and equipment	物業、廠房及設備	-	30,774
Inventories	存貨	-	13,267
Trade receivables	應收貿易賬款	-	8,820
Other receivables, deposits and prepayments	其他應收款項、按金及預付款項	-	20,241
Bank balances and cash	銀行結餘及現金	-	1,262
Trade payables	應付貿易賬款	-	(14,057)
Other payables	其他應付賬款	-	(56,202)
Minority interests	少數股東權益	-	-
		-	4,105
Goodwill	商譽	-	2,774
Total consideration	總代價	-	6,879
Satisfied by:	支付方式：		
Cash	現金	-	6,879
Cash flows arising from the acquisition:	收購時產生之現金流量		
Cash consideration	現金代價	-	6,879
Bank balances and cash acquired	銀行結餘及所得現金	-	(1,262)
Net cash outflow in respect of the acquisition of subsidiaries	收購一間附屬公司之現金流出淨額	-	5,617

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33. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

33. 綜合現金流量表附註 (續)

(b) Disposals of subsidiaries

(b) 出售附屬公司

		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Net assets disposed of:	出售之資產淨值：		
Property, plant and equipment	物業、廠房及設備	1,311	-
Goodwill	商譽	717	-
Inventories	存貨	5,456	-
Trade receivables	應收貿易賬款	3,147	-
Other receivables, deposits and prepayments	其他應收款項、按金及預付款項	4,947	-
Bank balances and cash	銀行結餘及現金	270	-
Trade payables	應付貿易賬款	(3,826)	-
Other payables	其他應付賬款	(4,754)	-
Net assets	淨資產	7,268	-
Minority interests	少數股東權益	(1,750)	-
		5,518	-
Gain on disposals of subsidiaries	出售附屬公司收益	1,762	-
Total consideration	總代價	7,280	-
Satisfied by:	支付方式：		
Amounts payable by acquires	收購方應付款項	7,280	-
Cash flows arising from the disposals:	出售時產生之現金流量：		
Bank balances and cash disposed of	銀行結餘及所得現金	(270)	-
Net cash outflow in respect of the disposals of subsidiaries	出售一間附屬公司之現金流出淨額	(270)	-

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34. OPERATING LEASE COMMITMENTS

As at 31 December 2005, the Group and the Company had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

		Group 集團		Company 公司	
		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Within one year	一年內	6,338	9,486	6,338	8,849
In the second to fifth year	第二至第五年	8,691	26,831	8,691	25,945
After the fifth year	五年以上	1,365	-	1,365	-
		16,394	36,317	16,394	34,794

The lease payments are fixed and no arrangements have been entered into for contingent rental payments.

34. 經營租約承擔

於二零零五年十二月三十一日，本集團及本公司根據不可撤銷之經營租約就土地及樓宇須於下列年度支付日後之最低租約承擔如下：

租約款項乃為固定金額，且並無就不確定之租金訂立任何安排。

35. CAPITAL COMMITMENTS

		Group 集團		Company 公司	
		2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元	2005 二零零五年 RMB'000 人民幣千元	2004 二零零四年 RMB'000 人民幣千元
Capital expenditure authorised but not contracted for acquisition of property, plant and equipment	就收購物業、廠房及設備已批准但未定約之資本開支	13,819	13,819	13,819	13,819
Capital expenditure contracted but not provided for in the financial statements:	已定約但未於財務報表中撥備之資本開支：				
- acquisition of property, plant and equipment	- 收購物業、廠房及設備	4,469	9,948	4,469	-
- unpaid capital contribution in respect of investment projects	- 就投資項目－就投資項目之未支付資本貢獻	-	-	-	36,678
- software development	- 軟件開發	-	5,000	-	5,000
		4,469	14,948	4,469	41,678

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36. SHARE OPTION SCHEME

Pursuant to the Company's share option scheme approved by a resolution of the shareholders of the Company dated 21 March 2002 (the "Share Option Scheme"), the Company, for the purpose of encouraging the participants to perform their best in achieving the goals of the Group, may grant options to employees including any directors of the Company or its subsidiaries to subscribe for the H Shares in the Company. An offer for the grant of options must be accepted within 28 days from the date of offer, and a consideration of RMB1.00 is payable by each of the participants on acceptance of the grant of options. The Share Option Scheme will remain valid for a period of ten years commencing on 21 March 2002. An option may be exercised at any time during a period to be notified by the directors of the Company to each grantee provided that the period within which the option must be exercised shall be not less than two years and not more than 10 years from the date of grant. The subscription price for H Shares under the Share Option Scheme will be determined by the directors and notified to each grantee and will be no less than the highest of (a) the closing price of the H Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (b) the average closing price of the H Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a H Share.

However, for employees who are PRC nationals and have taken up any options to subscribe for the Company's H Shares, they shall not be entitled to exercise the options until:

- (i) The current restrictions imposed by the relevant PRC laws and regulations restricting PRC nationals from subscribing for and dealing in H Shares or any laws and regulations with similar effects have been abolished or removed; and
- (ii) The China Securities Regulatory Commission or other relevant government authorities in the PRC have approved the new issue of H Shares upon the exercise of any options which may be granted under the Share Option Scheme.

36. 購股權計劃

根據經本公司股東於二零零二年三月二十一日之決議所通過之本公司購股權計劃(「購股權計劃」)，本公司為鼓勵參與者盡其所能達到本集團之目標，可向僱員(包括本公司或其附屬公司之任何董事)授予購股權，以認購本公司之H股。每各參與者若接納授予購股權之建議必須於建議日期起計二十八日內作出，接納授予購股權時每人須支付代價人民幣1.00元。購股權計劃之有效期於二零零二年三月二十一日起計為期十年。每份購股權可於本公司董事通知每名承授人之時期內隨時行使，惟購股權須予行使之時期由授出之日起計不可短於兩年及長於十年。購股權計劃項下H股之認購價將由董事釐定後通知承授人，認購價不會低於以下三者之最高者：(a) 授出購股權日期(必須為營業日)H股於聯交所之日報表所列之收市價；(b) 緊接授出購股權日期前五個營業日H股於聯交所日報表所列之平均收市價；或(c)H股之面值。

然而，屬於中國國民並已接納可認購本公司H股之僱員直至以下時間方有權行使購股權：

- (i) 中國有關限制其國民認購及買賣H股之法律及法規或具有類似效力之法律及法規現時所施加之限制被廢除或解除；及
- (ii) 中國證券監督管理委員會或中國其他相關之政府機關批准購股權計劃所授購股權獲行使後新發H股。

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36. SHARE OPTION SCHEME (Continued)

The total number of H Shares subject to the Share Option Scheme and any other share option schemes must not, in aggregate, exceed 30% of issued H Shares of the Company in issue from time to time. The total number of H Shares available for issue under options granted under the Share Option Scheme and any other schemes, must not in aggregate, exceed 10% of the number of H Shares of the Company in issue from time to time. The Company may seek approval from shareholders in general meeting for renewing the 10% limit or for granting further options beyond the 10% limit, provided that the options in excess of the 10% limit are granted only to participants specifically identified by the Company before such approval is sought.

No employee of the Company or its subsidiaries shall be granted an option which, if all the options granted to the employee (including both exercised and outstanding options) in any 12-month period up to the date of grant, shall not exceed 1% of the H Shares in issue at the date of grant.

No option has been granted by the Company under the Share Option Scheme since its adoption.

37. RETIREMENT PLANS

As stipulated by the rules and regulations in the PRC, the Group contributes to state-sponsored retirement plans for its employees in the PRC. The Group is required to contribute 8.0% to 22.5% of the basic salaries of its employees to the retirement plans, and has no further obligation for the actual payment of the previous or post retirement benefits. The relevant state-sponsored retirement plans are responsible for the entire present obligation to retired employees.

38. RELATED PARTY TRANSACTIONS

The Group and the Company did not enter into any material related party transactions during the year other than as disclosed in note 26.

36. 購股權計劃(續)

購股權計劃及任何其他購股權計劃所涉及之H股總數合共不可超過本公司不時已發行H股之30%。購股權計劃及任何其他計劃所授購股權而可供發行之H股總數合共不可超過本公司不時已發行H股數目之10%。本公司可於股東大會尋求股東批准更新此10%限額或批准進一步授出超出10%限額之購股權，惟僅可向尋求此項批准前本公司所特別界定之參與者授予超過此10%限額之購股權。

倘於截至授出購股權之日止十二個月期內授予僱員之所有購股權(包括已行使及未行使之購股權)，並不超過授出日期已發行H股之1%，則本公司或其附屬公司之僱員概不可獲授予購股權。

自採納購股權計劃以來，本公司並無按該計劃授出購股權。

37. 退休計劃

根據中國法規及法例之規定，本集團須為其中國僱員向國家資助之退休計劃供款。本集團須支付員工基本薪金8.0%至22.5%之金額作為退休計劃之供款，惟並無義務支付退休前後福利之實際付款。有關之國家資助退休計劃須就有關退休員工承擔所有現行責任。

38. 與關連人士之交易

除附註26所披露者外，年內，本集團及本公司並無訂立任何重大關連人士交易。

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39. POST BALANCE SHEET EVENT

On 10 January 2006, the Company, by means of placing of new H shares to an institutional investor, issued and allotted an aggregate of 38,000,000 new H Shares of RMB0.10 each at a price of HK\$1.72 per H Share. After the completion of the subscription of H Shares, the Company's number of issued share capital and issued H share capital increased to 558,000,000 shares and 228,000,000 respectively.

The net proceeds from the subscription, being approximately HK\$58 million, are intended to be used in consolidating the Company's Shenzhen-based production and facilities into a single new complex at Shenzhen Longgang Banxuegang Hi-Tech Park.

40. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial assets include cash and cash equivalents, deposits, other receivables, trade receivables and amount due from a related company. The Group's financial liabilities include trade payables, deposits received, accrued liabilities and other payables.

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate strategies to manage the Group's exposure to market risk, including changes in interest rates and currency exchange rates. Generally, the Group introduces conservative strategies on its risk management.

40.1 Interest rate risk

The Group has no significant interest bearing assets apart from cash and bank deposits. The Group currently has no financial liabilities with floating interest rates.

39. 結算日後事項

於二零零六年一月十日，本公司以向機構投資者配售新H股之方式，按每股H股1.72港元之價格，發行及配發每股面值人民幣0.10元之新H股合共38,000,000股。於認購H股完成後，本公司已發行股本及已發行H股股本數目分別增至558,000,000股及228,000,000股。

認購所得款項淨額，即約58,000,000港元，擬用於將本公司位於深圳之生產及設施歸納到深圳市龍崗區坂雪崗高科技園區一座新的綜合大樓內。

40. 風險管理目標及政策

本集團之金融資產包括現金及現金等價物、按金、其他應收款項、貿易應收款項及應收一間關聯公司款項。本集團之金融負債包括貿易應付款項、已收按金、應計負債及其他應付款項。

本集團並無書面風險管理政策及指引。然而，董事會會定期舉行會議，以分析及制定策略管理本集團之市場風險，包括利率及匯率變動。一般而言，本集團會為其風險管理引入保守之策略。

40.1 利率風險

除現金及銀行存款外，本集團並無重大計息資產。本集團現時並無以浮動利率計息之金融負債。

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40. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

40.2 Credit risk

The carrying amounts of trade receivables and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets. It is the Group's policy that receivable balances are monitored on an ongoing basis. The allowance for impairment has been made to reduce the exposure to the credit risk in relation to the receivables and hence the Group's exposure to bad debts is not significant. Other than this there are no significant concentrations of credit risk within the Group in relation to other financial assets.

40.3 Foreign currency risk

The Group's exposure to market risk for changes in foreign currency exchange rates relates primarily to certain trade receivables and certain cash and cash equivalents in currencies other than the functional currency of RMB.

40.4 Liquidity risk

The Group exercised prudent liquidity risk management policy by maintaining sufficient cash level and the availability of funding through adequate amount of committed credit facilities.

40.5 Fair values

The fair values of cash and cash equivalents, deposits, other receivables and trade receivables, amount due from a related company, trade payables, deposits received, accrued liabilities and other payables, are not materially different from their carrying amounts because of the immediate or short term maturity of these financial assets and liabilities.

40. 風險管理目標及政策 (續)

40.2 信貸風險

貿易應收款項及其他應收款項之賬面值，即為本集團之金融資產有關之最大信貸風險。本公司政策乃持續對監察應收款項余額，並已作減值撥備減少與應收款項有關之信貸風險，故本集團並無重大壞帳風險。除本處披露者外，本集團內並無與其他金融資產相關之重大信貸風險。

40.3 外匯風險

本集團因外幣匯率變動承擔之市場風險，主要與若干貿易應收款項及若干以功能貨幣人民幣以外之現金吸現金等價物。

40.4 流動資金風險

本集團維持足夠水平之現金及通過已承諾信貸提供之融資，執行審慎之流動資金風險管理政策。

40.5 公平值

現金及現金等價物、按金、其他應收款項及貿易應收款項及應收一間關聯公司款項、貿易應付款項、已收按金、應計負債及其他應付款項之公平值與其賬面值並無重大分別，因該等金融資產及負債乃即時或於短期內到期。

Notice of Annual General Meeting

股東週年大會通告

NOTICE IS HEREBY GIVEN that an Annual General Meeting of Launch Tech Company Limited (the "Company") will be held at the conference room, 3rd Floor, Southern Garden Hotel, 22 Bagua Number Four Road, Futian District, Shenzhen, the PRC at 10:00 a.m. on 24 May 2006 Wednesday for the following purposes:

- I. To pass the following matters as ordinary resolutions:
1. To consider and pass the report of the Directors for the year 2005;
 2. To consider and pass the report of the supervisory committee for the year 2005;
 3. To consider and pass the audited consolidated financial statements of the Company and its subsidiaries for the year 2005;
 4. To consider and pass the resolution of final dividend distribution for the year 2005;
 5. To consider and pass the resolution for making allotments of statutory surplus reserve and statutory public welfare fund for the year 2005;
 6. To consider and pass plans to re-appoint Grant Thornton as auditors of the Company for the year 2006 and to authorise the board of Directors to fix their remunerations;
 7. To handle any other matters.

- II. To pass the following matters as special resolutions:
1. To consider and resolve that, subject to the approval of China Securities Regulatory Commission and/or other relevant statutory authorities in the People's Republic of China and/or the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited for the proposed allotment and issue of new H shares and/or domestic shares, the board of Directors be authorised:
 - (a) to issue and/or place H Shares and/or domestic Shares within a period of 12 months from the date of this resolution, provided that the total number of H shares and/or domestic shares to be placed and/or issued shall not exceed 20% (the "20% Limit") of the number of H shares and/or domestic shares of the Company in issue respectively;

茲通告，深圳市元征科技股份有限公司（「本公司」）謹定於二零零六年五月二十四日（星期三）上午十時正假座中國深圳市福田區八卦四路二十二號南方苑酒店三樓會議室召開股東週年大會，藉以商討下列事項：

- I. 以普通決議案通過的以下事項：
1. 審議並通過本公司二零零五年度董事會報告書；
 2. 審議並通過本公司二零零五年度監事會報告書；
 3. 審議並通過本公司及其附屬公司二零零五年度之經審核綜合財務報表；
 4. 審議並通過二零零五年度末期股息分配議案；
 5. 審議並通過二零零五年度提取法定公積金及法定公益金議案；
 6. 審議並通過續聘均富會計師行出任本公司二零零六年度核數師並授權董事會決定其酬金的方案；
 7. 處理任何其他事項。

- II. 以特別決議案通過的以下事項：
1. 審議並通過，在受限於中國證券監督管理委員會（「中國證監會」）及／或中華人民共和國其他有關的法定機關及／或香港聯合交易所有限公司創業板批准本公司擬增發H股及／或內資股上市及買賣的前提下，授予董事會一項授權：
 - (a) 由決議案日期起計十二個月期間內發行及／或配售H股及／或內資股，惟將予配售及／或發行之H股及／或內資股之總數不得分別超過本公司已發行之H股及／或內資股之股份數目的20%（「20%限額」）；

- (b) subject to the 20% Limit, to decide the number of H shares and/or domestic shares to be placed and/or issued and to deal with any matter arising from or related to the placing or issue of the new shares mentioned above;
- (c) to amend, in accordance with the increase in registered capital of the Company, the relevant articles contained in the Articles of Association in relation to the registered capital of the Company and any other articles that require corresponding amendments; and
- (d) if any chronological variation of the wordings or numbering of the articles contained in the Articles of Association of the Company is necessary upon application to the companies examination and approval authority authorised by the State Council and China Securities Regulatory Commission for examination and approval, to make corresponding amendments to the Articles of Association as required by such authority and China Securities Regulatory Commission.

2. That the Articles of Association of the Company be and hereby amended as follows:

Article 95 be deleted in its entirety and substituted with the following paragraph:

The Company has its Board of Directors, which is comprised of seven members, with a chairman and six directors. Of which, there are three executive directors (of which one of them is the chairman), one non-executive director and three independent non-executive directors.

By order of the Board
Launch Tech Company Limited
Liu Xin
Chairman

Shenzhen, the PRC
31 March 2006

- (b) 以20%限額為限，確定將予配售及／或發行H股及／或內資股之數目，以及處置因配售及／或發行該等新股份所產生或與之有關之事宜；
- (c) 根據增加註冊資本的具體情況，修改章程中關於本公司註冊資本的細則及需相應修改的其他細則；及
- (d) 如公司章程呈報國務院授權的公司審批部門和中國證監會審批時需要進行文字或條文順序的變動，依據上述審批部門和中國證監會的要求作出相應的修改。

2. 動議將本公司之章程修改如下：

完全刪除第九十五條，代之以以下段落：

公司設董事會，董事會由七名董事組成，設董事長一人，董事六人，其中，執行董事三人(其中一人擔任董事長)，非執行董事一人及獨立非執行董事三人。

承董事會命
深圳市元征科技股份有限公司
董事長
劉新

中國，深圳
二零零六年三月三十一日

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more than one proxy to attend and vote on his behalf. A proxy need not be a member of the Company.
2. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such authority, must be deposited at (i) the registered office of the Company, at 2nd-3rd, 5th-8th floors, Xin Yang Building, Bagua Number Four Road, Shenzhen, PRC (for holders of domestic shares of the Company); or (ii) the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Room 1712 - 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong (for holders of H shares of the Company), not less than 24 hours before the time for holding the meeting or appointed time of voting.
3. Shareholders or their proxies shall present proofs of identities when attending the AGM.
4. The Registrar of members will be closed from 25 April 2006 to 24 May 2006, both days inclusive. All transfers accompanied by relevant share certificates must be lodged with Company's H share registrar not later than 4:00 p.m. on 24 April 2006.
5. Shareholders entitled to attend the AGM are requested to deliver the reply slip for attendance to (i) the registered office of the Company (for holders of domestic shares of the Company); or (ii) the Company's H share registrar (for holders of H shares of the Company) before 3 May 2006.

附註：

1. 有資格出席上述會議及於會上投票的本公司股東，均可委派一名或多名代理人出席會議及代其投票；代理人毋須為本公司股東。
2. H股股東代理人委任表格及如果該代理人委任表格由他人根據授權書或其他授權文件代表委託人簽署，經由公證律師證明之該等授權書或其他授權文件的副本，必須最遲於此會議召開或指定表決時間二十四小時前送達(i) (就本公司內資股持有人而言)本公司之註冊辦事處，地址為中國深圳福田區八卦四路新陽大廈2至3樓及5至8樓；或(ii) (就本公司H股持有人而言)本公司H股股份過戶登記處地址為香港皇后大道東一八三號合和中心十七樓一七一二至一七一六室香港中央證券登記有限公司，方為有效。
3. 股東或其代理人出席會議時應出示本人身份證明文件。
4. 本公司將於二零零六年四月二十五日至二零零六年五月二十四日(首尾兩天包括在內)暫停辦理股東名冊變更登記。為釐定有權出席大會並可於大會上投票之股東之身份，所有過戶文件連同有關股票須於二零零六年四月二十四日下午四時正前送抵本公司H股股份過戶登記處。
5. 有權出席股東週年大會之股東需於二零零六年五月三日前以書面回覆(i) (就本公司內資股持有人而言)本公司之註冊辦事處；或(ii) (就本公司H股持有人而言)本公司H股股份過戶登記處。

Corporate Information 公司資料

DIRECTORS OF THE COMPANY

Executive Directors

Mr. Liu Xin (*Chairman*)

Mr. Liu Jun (*Chief executive officer*)

Professor Wang Xue Zhi

Non-executive Directors

Ms. Liu Yong

Independent Non-executive Directors

Mr. Zhang Xiao Yu

Professor Hu Zi Zheng

Mr. Yim Hing Wah

SUPERVISORS

Ms. Hou Wen Tao

Mr. Guo Jian Yuan

Mr. Wang Xi Lin

QUALIFIED ACCOUNTANT

Mr. Liu Chun Ming, ACCA

COMPANY SECRETARY

Mr. Liu Chun Ming, ACCA

AUDIT COMMITTEE

Mr. Zhang Xiao Yu

Professor Hu Zi Zheng

Mr. Yim Hing Wah

COMPLIANCE OFFICER

Mr. Liu Jun

AUTHORISED REPRESENTATIVES

Mr. Liu Jun

Mr. Liu Chun Ming, ACCA

董事會

執行董事

劉 新先生 董事長

劉 均先生 行政總裁

王學志教授

非執行董事

劉 庸女士

獨立非執行董事

張小虞先生

胡子正教授

嚴慶華先生

監事

侯文濤女士

郭健源先生

王希琳先生

合資格會計師

廖俊明先生ACCA

公司秘書

廖俊明先生ACCA

審核委員會

張小虞先生

胡子正教授

嚴慶華先生

監察主任

劉 均先生

法定代表

劉 均先生

廖俊明先生ACCA

AUDITORS

Grant Thornton
13th Floor, Gloucester Tower
The Landmark
11 Peddar Street, Central
Hong Kong

LEGAL ADVISERS

As to Hong Kong law:
Woo, Kwan, Lee & Lo
27th Floor, Jardine House
1 Connaught Place
Hong Kong

As to PRC law:
SD & Partners
19th – 20th Floors
Office Tower Block B
Saint Pavilion Hotel
No. 4002, Hua Qiang Road North
Shenzhen, the PRC

PRINCIPAL BANKERS

China Everbright Bank
Shenzhen Branch, Honglilu Sub-branch
Block 501,
Honglilu Shangbu Industrial Zone,
Shenzhen, the PRC

China Everbright Bank
Hongling Sub-branch
No.15, Bagua No. 4 Road, Futian District
Shenzhen, the PRC

Shenzhen Development Bank
Huafulu Sub-branch
General Building, Huali Co.,
No. 118, Zhenhua Road
Shenzhen, the PRC

Hua Xia Bank Shenzhen Branch
Yitian Sub-branch
1st–2nd Floor, Mingyue Garden Buildings
Shenzhen, the PRC

核數師

均富會計師行
執業會計師
香港中環畢打街11號
置地廣場告羅士打大廈13樓

法律顧問

香港法律：
胡關李羅律師行
香港中環
康樂廣場一號
怡和大廈27樓

中國法律：
晟典律師事務所
中國深圳華強北路
4002號聖廷苑酒店
B座19-20樓

主要往來銀行

中國光大銀行
深圳分行紅荔路支行
中國深圳
紅荔路上步工業區
501幢

中國光大銀行
深圳分行紅嶺支行
中國深圳福田區
八卦四路15號

深圳發展銀行
華富路支行
中國深圳
振華路118號
華麗公司綜合樓

華夏銀行
深圳分行益田支行
中國深圳市福田區
福民路明月花園群樓1-2樓

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Xin Yang Building
Bagua Number Four Road
Futian District
Shenzhen, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1801, 18th Floor
Wing On Central Building
26 Des Voeux Road Central
Hong Kong

STOCK CODE

8196

香港股份過戶登記處

香港中央證券登記有限公司
香港皇后大道東183號
合和中心17樓
1712-1716室

註冊辦事處

中國深圳福田區
八卦四路新陽大廈

香港主要營業地點

香港
德輔道中26號
永安中區大廈
18樓1801室

股票編號

8196

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