During the year ended 31st December, 2004, the Group continued to focus on the manufacture and sale of mould bases and trading of special mould steel and related products.

The Group recorded turnover of approximately HK$1,600 million and earnings of approximately HK$220 million for the year ended 31st December, 2004.

MOULD BASE MANUFACTURING AND MARKETING

All plants in China had achieved favorable returns.

New workshops of the Heyuan plant in China had been consecutively completed. Through continuous efforts in consolidating of internal resources as well as reengineering of production processes, part of the production previously conducted in Dongguan, China had been successfully merged into the Heyuan plant, China. As a result, the manufacturing processes are better coordinated, and the scale of production increased; thus, further reinforcing productivity of the Group.

The Guangzhou plant in China, in response to an upward demand in high precision mould bases, had enlarged its production capacity to grasp the business opportunity in both overseas and local markets.

Turning to the Dongguan plant in China, it continues to develop its mould components business and related high value-added services including vacuum heat treatment, mould repair-welding services and Physical Vapor Deposition (PVD) coating services etc., not only enhancing its comprehensiveness in business scope, but also providing a reliable source of income to the Group.

The second phase expansion of the Shanghai plant in Eastern China was in full operation, rendering significant growth in business. The new plant located in Taizhou, Zhejiang Province in China had started preliminary production with satisfactory results, obtaining favorable response and general support from local customers.

Overseas operations maintained a stable development. With the recovery of domestic market in Japan, the Group's business in Japan achieved satisfactory growth. Following the upturn of economic development of the South East Asian countries, the Malaysia and the Singapore operations showed a modest growth in business. The sales performance of the Taiwan plant has been gradually improved, offering a healthy return to the Group.

The unstable electricity supply throughout the China region has insignificant impact on the Group's operation. Electricity supply to plants in Southern China remained quite stable, and their operations had not been affected. Though electricity supply in the Eastern region of China was quite unstable, our plants are equipped with in-house power generators, securing the stability of its operations. Further, the shortage in water supply and manpower supply did not pose any threat to the Group's operation in China.

To fuel the long-term market development, the Group has actively extended its distribution network. Currently fifteen direct sales outlets and offices had been set up in the Guangdong Province and the Eastern Region of China, providing high quality direct services to the privately owned enterprises within the regions. With such channel strategy, the Group has succeeded in acquiring a substantial number of new customers, thus widening the customer base of the Group.

TRADING OF MOULD STEEL

As influenced by the depreciation of US dollars and the fluctuation in the cost of alloy materials, the price of imported quality mould steel had surged upward. However, in views of the adoption of state-of-the-art production facilities and technology by mould steel production plants in China, the Group had already increased its procurement on quality mould steels from China. Meanwhile, effort has been made in developing and marketing a competitive series of quality mould steel from China. As a result, the mould steel business also achieved steady growth.

LIQUIDITY AND CAPITAL RESOURCES

As at 31st December, 2004, the Group had a net cash deficit of approximately HK$201 million. The Group had cash balance of approximately HK$442 million. Most of the cash balance was placed in USD short term deposits with major banks in Hong Kong.

The Group adopted conservative measures to hedge any exchange fluctuation and incurred approximately HK$5 million losses on foreign exchange during the year ended 31st December, 2004.

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

GEARING RATIO

Total debts were approximately HK$643 million, equal to approximately 65% of shareholders' funds of approximately HK$992 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2004, the Group employed a total of approximately 7,600 employees, including approximately 7,300 employees in its PRC production sites and approximately 300 employees in Hong Kong and other countries. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis. Share options may also be granted to staff with reference to the individual's performance.

CONTINGENT LIABILITIES

The Company gave guarantees of approximately HK$1,195 million to financial institutions in respect of banking facilities granted to its subsidiaries.