

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

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

MOULD BASE MANUFACTURING AND MARKETING

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

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

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

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

TRADING OF MOULD STEEL

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

GEARING RATIO

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

EMPLOYEES AND REMUNERATION POLICIES

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