FINANCIAL REVIEW

The Group's recorded turnover and profit attributable to shareholders for the year ended 31 December 2005 amounted to approximately US$109,084,000 and US$22,589,000 (2004: US$88,759,000 and US$17,849,000), representing a moderate increase as compared to the year 2004. Turnover growth was led by the solid growth in the automotive and mechanical sectors while the slowdown in the air compressor sector set back the overall growth. Compared to 2004, revenues from automotive parts and components grew 124.1% year on year; revenues from mechanical parts were up by approximately 19.3%; and revenues from compressor parts were down by approximately 15.0%.

Gross profit for the year ended 31 December 2005 amounted to approximately US$33,340,000 (2004: US$27,959,000), representing a gross profit margin of approximately 30.6% (2004: 31.5%). Operating profit for the year ended 31 December 2005 was approximately US$24,133,000 (2004: US$19,605,000) or 22.1% (2004: 22.1%) of recorded turnover.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2005, the Group had outstanding borrowing and banking facilities amounted to US$24,431,000 (2004: US$33,737,000) with approximately US$24,431,000 (2004: US$30,237,000) repayable within one year and approximately nil balance (2004: US$3,500,000) repayable after 1 year but within 2 years. The Group's other unsecured loan amounted to US$1,105,000 (2004: US$Nil) from the local authority in Suzhou, the PRC, to a subsidiary is interest-free and is expected to be settled within one year. The Group's cash and bank balances totaling US$40,062,000 (excluding pledged bank deposits) (2004: US$6,947,000). The Group's current ratio is 2.2 (2004: 1.9) and the gearing ratio (a ratio of total loans to total assets) was 12.6% (2004: 19.2%).

CAPITAL STRUCTURE

As a result of the exercise of the over-allotment option by GC Capital (Asia) Limited in connection with the share offer, the Company has issued 37,500,000 shares of HK$0.01 each in the capital of the Company on 17 January 2005. The Company's issued share capital as at 31 December 2005 is HK$10,375,000 divided into 1,037,500,000 shares of HK$0.01 each.

SIGNIFICANT INVESTMENT

As at 31 December 2005, the Group held investment in listed securities outside Hong Kong of US$79,000 balance (2004: US$161,000) and unlisted investment funds outside Hong Kong of nil balance (2004: US$390,000). The Group made net divestment of US$472,000 (2004: net divestment US$302,000) and resulted in net gain from investment of US$22,000 in 2005 (2004: net loss of US$43,000). As at 31 December 2005, the Group held investment securities in unlisted equity securities outside Hong Kong at cost of approximately US$500,000 (2004: US$500,000). The position in investment securities remains unchanged for long term investment purpose in these equity securities.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The Group has not made any material acquisition or disposal of subsidiaries during the year under review.

SEGMENTAL INFORMATION

As at 31 December 2005, detail of segmental information of the Company is set out in note 13 to the financial statements.

EMPLOYEE BENEFITS

For the year ended 31 December 2005, average number of employees was 3,007 (2004: 2,246) and the Group's staff costs (excluding Directors' fees and emoluments) amounted to US$7,558,000 (2004: US$5,671,000). The remuneration policy of the Company is reviewed annually by the Remuneration Committee and is in line with the prevailing market practice. During the year under review, the Company has not granted any share options to its employees or Directors under the share option scheme of the Company adopted on 8 December 2004.

The employees of the Company's subsidiaries in the PRC are members of a state-managed social welfare scheme operated by the local government of the PRC. Under the scheme, the Group provides retirement, medical, employment injury, unemployment and maternity benefits to its employees in the PRC in accordance with the relevant PRC rules and regulations. The Group is required to contribute a specified percentage of their payroll costs to the social welfare scheme to fund the benefits. The only obligation of the Group with respect to the social welfare scheme is to make the specified contributions. During the year under review, the Group contributed US$812,000 (2004: US$439,000) to the scheme.

The executive Directors and all members of the senior management of the Group, being non-PRC citizens, are not entitled to the state-managed social welfare scheme operated by the local government in the PRC. However, the senior management of the Group, being non-PRC citizens, has been provided a defined-benefit retirement scheme which is administrated by China Metal Products Company Limited ("CMP") in Taiwan during the year. During the year under review, the Group reimbursed US$44,000 to CMP as the Group's share of contribution to such retirement scheme (2004: US$13,000). The Group is not obliged to incur any liability beyond the contribution.

CHARGES ON GROUP ASSETS

As at 31 December 2005, the Group pledged its bank deposit amounting to US$1,660,000 (2004: US$2,725,000) and trade receivables amounting to US$3,957,000 (2004: US$Nil) to secure banking facilities granted to the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group will continue to develop new business opportunities in the three industries it operates with primary focus on the automotive and mechanical sectors. In continuation of capital expenditures on CMWT facilities, the management is expected to complete capital investment for the facility in the first half of 2006. In addition, the Group will continue to seek new business opportunities for further investment in machining facilities.

FOREIGN CURRENCY EXPOSURE

Most of the sales made to overseas customers are denominated in United States dollars. As the Group focuses on developing an international customer base and its export sales are expected to grow, the Group may be exposed to higher currency risk in relation to sales denominated in United States dollars, Euros and other currencies and the profitability of the Group may be affected by significant currency rates fluctuation. As the impact to the Group's performance is minimal, there is no hedging policy in place against currency rates fluctuation.

The Renminbi currently is not a freely convertible currency. A portion of the Group's Renminbi revenue or profit must be converted into other currencies to meet foreign currency obligations of the Group such as the payment of dividends, if declared.

COMMITMENTS AND CONTINGENCIES

As at 31 December 2005, the Group had contingent liabilities of nil balance (2004: US$1,921,000). As at 31 December 2005, the Group had commitments to contribute capital of US$30,372,000 (2004: US$Nil) to subsidiaries.