

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are primary listed on The Stock Exchange of Hong Kong Limited and secondary listed on the Singapore Exchange Securities Trading Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the section “Corporate Information” in the annual report.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company acts as an investment holding company and provides corporate management services. Its subsidiaries are principally engaged in the manufacture and marketing of mould bases, metal and parts.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”)

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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For the year ended 31st December, 2006

3. NEW STANDARDS, AMENDMENTS OR INTERPRETATIONS ISSUED BUT NOT EFFECTIVE

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ⁷
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC)-Int 8	Scope of HKFRS 2 ³
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives ⁴
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment ⁵
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions ⁶
HK(IFRIC)-Int 12	Service Concession Arrangement ⁸

¹ Effective for annual periods beginning on or after 1st January, 2007

² Effective for annual periods beginning on or after 1st March, 2006

³ Effective for annual periods beginning on or after 1st May, 2006

⁴ Effective for annual periods beginning on or after 1st June, 2006

⁵ Effective for annual periods beginning on or after 1st November, 2006

⁶ Effective for annual periods beginning on or after 1st March, 2007.

⁷ Effective for annual periods beginning on or after 1st January, 2009.

⁸ Effective for annual periods beginning on or after 1st January, 2008.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represent amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

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

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income, including rental invoiced in advance, from properties let under operating leases, is recognised on a straight-line basis over the period of relevant leases.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment, other than freehold land and construction in progress, are stated at cost less depreciation, amortisation and accumulated impairment losses.

Depreciation and amortisation are provided to write off the cost of items of property, plant and equipment other than freehold land and construction in progress over their estimated useful lives, and after taking into account their estimated residual value, using the straight-line method.

Freehold land is stated at cost less accumulated impairment losses, if any.

Construction in progress are stated at cost which includes all development expenditure and other direct costs attributable to such projects. Construction in progress are not depreciated until completion of construction when the properties are ready for their intended use. Costs on completed construction work are transferred to the appropriate category of assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Impairment

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Inventories

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefits scheme contributions

Payments to defined contribution retirement benefit plans and state-managed retirement benefit schemes are charged as an expense as they fall due.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets

(a) Loans and receivables

Loans and receivables (including trade and other receivables, deferred consideration receivable, bills receivable and bank balances) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(a) Financial liabilities

Other financial liabilities including bank borrowings, bank overdraft, dividend payable, trade, bills and other payables and floating rate notes are subsequently measured at amortised cost, using the effective interest rate method.

(b) Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1st January, 2005. In relation to share options granted before 1st January, 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted on or before 7th November, 2002 and vested before 1st January, 2005. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7th November, 2002 and had not yet vested on 1st January, 2005.

Equity-settled share-based payment transactions

(a) *Share options granted to directors and employees*

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment loss on trade receivables

The impairment loss on trade receivables of the Group is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. As at 31st December, 2006, the carrying value of trade receivables (net of impairment loss of approximately HK\$47 million) is approximately HK\$466 million. When the actual cash receipts are less than expected, a material impairment loss may arise.

6. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Company's major financial instruments include trade and other receivables, trade and other payables and bank loans. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group's cash flow interest rate risks mainly relates to variable-rate borrowings. The Group currently does not have any interest rate hedging policy. The directors monitor the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arises.

Foreign currency risk

The Company's principal subsidiaries operate in the People's Republic of China (the "PRC") and most of the transactions between the Company and its PRC subsidiaries are denominated and settled in Renminbi ("RMB"). RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. The Group uses forward contracts to hedge its foreign currency exposure if it considers the risk to be significant.

Credit risk

As at 31st December, 2006, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties or debtors.

In order to minimise the credit risk, management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Company's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

The Group's concentration of credit risk by geographical locations is mainly in the PRC. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their respective fair values.

7. TURNOVER

Turnover represents the fair value of the net amounts received and receivable for goods sold, less returns and allowances, to outside customers during the year, and is analysed as follows:

	2006 HK\$'000	2005 HK\$'000
Manufacture and marketing of mould bases	1,962,712	1,718,977
Manufacture and marketing of metal and parts	172,648	180,505
	2,135,360	1,899,482

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purposes, the Group is currently organised into two operating divisions – mould bases and metal and parts. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Mould bases	–	Manufacture and marketing of mould bases
Metal and parts	–	Manufacture and marketing of metal and parts

Segmental information about these businesses is presented below.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

For the year ended 31st December, 2006

	Mould bases HK\$'000	Metal and parts HK\$'000	Total HK\$'000
TURNOVER – External sales	1,962,712	172,648	2,135,360
RESULTS			
Segment results	218,347	18,661	237,008
Increase in fair value of investment properties			6,900
Unallocated corporate income			20,954
Unallocated corporate expenses			(51,537)
Finance costs			(30,791)
Loss on disposal of subsidiaries			(445)
PROFIT BEFORE TAXATION			182,089
Taxation			(31,021)
PROFIT FOR THE YEAR			151,068
OTHER INFORMATION			
Capital expenditure	267,470	13,019	280,489
Depreciation and amortisation of property, plant and equipment	142,637	1,858	144,495
Assets			
Segment assets	2,008,384	183,312	2,191,696
Unallocated corporate assets			118,988
Consolidated total assets			2,310,684
Liabilities			
Segment liabilities	286,403	24,484	310,887
Unallocated corporate liabilities			758,049
Consolidated total liabilities			1,068,936

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

For the year ended 31st December, 2005

	Mould bases HK\$'000	Metal and parts HK\$'000	Total HK\$'000
TURNOVER – External sales	1,718,977	180,505	1,899,482
RESULTS			
Segment results	292,421	34,865	327,286
Increase in fair value of investment properties			7,700
Unallocated corporate income			25,330
Unallocated corporate expenses			(54,969)
Finance costs			(19,245)
PROFIT BEFORE TAXATION			286,102
Taxation			(40,185)
PROFIT FOR THE YEAR			245,917
OTHER INFORMATION			
Capital expenditure	274,043	30,052	304,095
Depreciation and amortisation of property, plant and equipment	118,256	1,660	119,916
Impairment loss recognised in respect of trade receivables	3,869	758	4,627
Impairment loss recognised in respect of goodwill	9,060	–	9,060
Impairment loss recognised in respect of patents and trademarks	–	1,056	1,056

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(a) Business segments *(Continued)*

	Mould bases HK\$'000	Metal and parts HK\$'000	Total HK\$'000
Assets			
Segment assets	1,732,235	172,863	1,905,098
Unallocated corporate assets			100,904
Consolidated total assets			2,006,002
Liabilities			
Segment liabilities	305,876	27,035	332,911
Unallocated corporate liabilities			512,137
Consolidated total liabilities			845,048

(b) Geographical segments

The Group operates in the following geographical market segments – the PRC (including Hong Kong) and other countries.

The following table shows an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Turnover	
	2006 HK\$'000	2005 HK\$'000
The PRC	1,789,638	1,560,828
Other countries	345,722	338,654
	2,135,360	1,899,482

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

8. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(b) Geographical segments *(Continued)*

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
The PRC	2,032,227	1,743,875	276,505	297,111
Other countries	159,469	161,223	3,984	6,984
	2,191,696	1,905,098	280,489	304,095

9. OTHER INCOME

	2006 HK\$'000	2005 HK\$'000
Gain on disposal of an investment property	2,200	–
Gain on disposal of property, plant and equipment	59	637
Interest income	2,741	4,524
Rental income, net of direct operating expenses from investment properties that generated rental income of approximately HK\$253,000 (2005: HK\$257,000)	2,580	2,013
PRC tax refund on capital reinvestment in subsidiaries	8,441	15,245
Sundry income	4,933	2,911
	20,954	25,330

10. FINANCE COSTS

	2006 HK\$'000	2005 HK\$'000
Arrangement fee for bank loans	300	87
Interest on		
– bank borrowings wholly repayable within five years	29,564	13,964
– floating rate notes	927	5,194
	30,791	19,245

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

11. DIRECTORS' REMUNERATION

The emoluments paid or payable to each of the nine (2005: nine) directors were as follows:

2006

	Siu Tit Lung HK\$'000	Siu Yuk Lung HK\$'000	Mak Koon Chi HK\$'000	Wai Lung Shing HK\$'000	Fung Wai Hing HK\$'000	Chan Chun Sing, Colin HK\$'000	Liu Wing Ting, Stephen HK\$'000	Lee Tat Yee HK\$'000	Lee Joo Hai HK\$'000	Total HK\$'000
Fees	-	-	-	-	-	585	430	469	391	1,875
Other emoluments										
Salaries and other benefits	6,480	6,480	1,944	1,944	1,560	-	-	-	-	18,408
Contributions to retirement benefits schemes	713	713	214	214	171	-	-	-	-	2,025
Bonus (Note)	3,000	3,000	3,300	3,300	2,300	-	-	-	-	14,900
Share-based payments	23	23	77	77	77	23	23	23	15	361
Total emoluments	10,216	10,216	5,535	5,535	4,108	608	453	492	406	37,569

Note: The bonus is determined based on performance of the Group.

2005

	Siu Tit Lung HK\$'000	Siu Yuk Lung HK\$'000	Mak Koon Chi HK\$'000	Wai Lung Shing HK\$'000	Fung Wai Hing HK\$'000	Chan Chun Sing, Colin HK\$'000	Liu Wing Ting, Stephen HK\$'000	Lee Tat Yee HK\$'000	Lee Joo Hai HK\$'000	Total HK\$'000
Fees	-	-	-	-	-	540	252	540	216	1,548
Other emoluments										
Salaries and other benefits	6,480	6,480	1,944	1,944	1,560	-	-	-	-	18,408
Contributions to retirement benefits schemes	713	713	214	214	171	-	-	-	-	2,025
Bonus	4,850	4,850	4,950	4,950	3,400	-	-	-	-	23,000
Total emoluments	12,043	12,043	7,108	7,108	5,131	540	252	540	216	44,981

No directors waived any emoluments during the year ended 31st December, 2006.

The five highest paid individuals in the Group during both years were all directors of the Company and details of their emoluments are included in above.

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12. TAXATION

	2006 HK\$'000	2005 HK\$'000
The charge (credit) comprises:		
Hong Kong Profits Tax		
Current year	128	112
Underprovision in prior year	4,223	11
	4,351	123
Taxation in jurisdictions outside Hong Kong		
Current year	29,872	40,415
Overprovision in prior year	(3,202)	(353)
	26,670	40,062
	31,021	40,185

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both years.

Taxation in jurisdictions outside Hong Kong is calculated based on the applicable rates in those jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, certain of the Company's PRC subsidiaries are entitled to an exemption from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years (the "Tax Holiday"). Certain PRC subsidiaries continued to enjoy their Tax Holiday during the year.

Pursuant to an approval by PRC tax authority, one of the Company's PRC subsidiary, is granted advanced-technology exemption from 50% PRC income tax reduction for three years commenced 1st January, 2005.

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12. TAXATION *(Continued)*

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2006 HK\$'000	2005 HK\$'000
Profit before taxation	182,089	286,102
Tax at PRC income tax rate of 24% (Note)	43,701	68,664
Tax effect of non-deductible expenses	2,866	6,179
Tax effect of non-taxable income	(3,535)	(6,056)
Tax effect of utilisation of tax losses not previously recognised	(618)	(2,540)
Tax effect of unused tax losses not recognised	7,476	6,970
Under(over)provision in prior year	1,021	(342)
Tax effect of tax reduction granted to PRC subsidiaries	(22,311)	(34,331)
Effect of different tax rates of subsidiaries operating in other jurisdictions	2,421	1,641
Tax expense for the year	31,021	40,185

Note: The domestic tax rate of 24% in the jurisdiction where the operation of the Group is substantially based is used.

Details of deferred taxation are set out in note 26.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

13. PROFIT FOR THE YEAR

	2006 HK\$'000	2005 HK\$'000
Profit for the year has been arrived at after charging (crediting):		
Auditors' remuneration		
– Current year	2,660	2,590
– Over provision in prior year	(192)	(250)
(Reversal of) impairment loss recognised in respect of trade receivables (included in other expenses)	(200)	4,627
Loss on disposal of subsidiaries	445	–
Net exchange loss	5,665	6,548
Operating lease rentals in respect of:		
– rented premises	9,179	6,714
– plant and machinery	76	44
Release of prepaid lease payment	983	904
Retirement benefits scheme contributions, net of forfeited contributions of approximately HK\$1,282,000 (2005: HK\$644,000)	19,539	13,715

14. DIVIDENDS

	2006 HK\$'000	2005 HK\$'000
Dividends declared to equity holders of the Company:		
2006 interim dividend of HK4.5 cents per share	27,900	–
2005 final dividend of HK11 cents per share	68,180	–
2005 interim dividend of HK9 cents per share	–	55,767
2004 final dividend of HK10 cents per share	–	61,952
Total dividends declared during the year	96,080	117,719

The directors have determined that a final dividend of HK6.5 cents (2005: HK11 cents) per share amounting to approximately HK\$40,300,000 (2005: HK\$68,180,000) should be paid to the shareholders of the Company whose names appear in the register of members on 7th May, 2007.

Notes to the Consolidated Financial Statements

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15. EARNINGS PER SHARE

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

	2006	2005
Profit attributable to equity holders of the Company (HK\$'000)	150,463	240,861
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	619,917,084	619,464,202
Effect of dilutive potential ordinary shares on exercise of share options of the Company	71,399	256,976
Weighted average number of ordinary shares for the purpose of diluted earnings per share	619,988,483	619,721,178

16. INVESTMENT PROPERTIES

	HK\$'000
FAIR VALUE	
At 1st January, 2005	28,000
Increase in fair value recognised in the income statement	7,700
At 1st January, 2006	35,700
Increase in fair value recognised in the income statement	6,900
Disposals	(3,800)
At 31st December, 2006	38,800

The Group's investment properties are held under medium-term leases in Hong Kong and are held for rental income under operating leases.

The fair value of the Group's investment properties at 31st December, 2006 have been arrived at on the basis of a valuation carried out on that date by C S Surveyors Limited, independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

The Group's property interests held under medium-term operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. As at 31st December, 2006, the carrying amount of such property interests amounted to HK\$38,800,000 (2005: HK\$35,700,000).

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK\$'000	Buildings HK\$'000	Furniture, fixtures and fittings HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
AT COST							
At 1st January, 2005	22,694	231,508	128,145	731,360	40,297	13,835	1,167,839
Currency realignment	-	4,331	1,093	12,502	230	265	18,421
Transfer	-	25,872	449	3,339	682	(30,342)	-
Additions	-	201	17,022	209,195	11,694	65,983	304,095
Disposals	(1,377)	-	(739)	(778)	(2,910)	-	(5,804)
At 1st January, 2006	21,317	261,912	145,970	955,618	49,993	49,741	1,484,551
Currency realignment	-	10,490	4,825	39,295	1,314	2,042	57,966
Transfer	-	119,103	185	216	-	(119,504)	-
Additions	-	14,919	36,801	152,407	8,626	67,736	280,489
Disposal of subsidiaries	-	(4,031)	(5,210)	(53,920)	(724)	-	(63,885)
Disposals	-	(2,373)	(3,354)	(3,630)	(5,054)	-	(14,411)
At 31st December, 2006	21,317	400,020	179,217	1,089,986	54,155	15	1,744,710
DEPRECIATION AND AMORTISATION							
At 1st January, 2005	-	23,874	77,102	521,234	26,987	-	649,197
Currency realignment	-	348	697	9,916	173	-	11,134
Provided for the year	-	5,163	13,524	93,660	7,569	-	119,916
Eliminated on disposals	-	-	(568)	(498)	(2,910)	-	(3,976)
At 1st January, 2006	-	29,385	90,755	624,312	31,819	-	776,271
Currency realignment	-	1,201	3,112	29,096	1,005	-	34,414
Provided for the year	-	5,794	15,976	113,367	9,358	-	144,495
Disposal of subsidiaries	-	(900)	(4,364)	(41,431)	(643)	-	(47,338)
Eliminated on disposals	-	(648)	(3,093)	(1,301)	(4,450)	-	(9,492)
At 31st December, 2006	-	34,832	102,386	724,043	37,089	-	898,350
CARRYING VALUES							
At 31st December, 2006	21,317	365,188	76,831	365,943	17,066	15	846,360
At 31st December, 2005	21,317	232,527	55,215	331,306	18,174	49,741	708,280

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	2%
Furniture, fixtures and fittings	15%
Plant and machinery	20%
Motor vehicles	30%

Freehold land is not depreciated.

Construction in progress are not depreciated until completion of construction and the properties are ready for their intended use.

The carrying value of land and buildings of the Group comprises:

	2006 HK\$'000	2005 HK\$'000
Freehold land outside Hong Kong	21,317	21,317
Building held under medium-term leases outside Hong Kong	365,188	232,527
	386,505	253,844

The construction in progress are situated outside Hong Kong and are held under medium-term leases.

18. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold land in the PRC under medium-term lease.

	2006 HK\$'000	2005 HK\$'000
Analysed for reporting purposes as:		
Non-current asset	42,760	39,313
Current asset	1,000	914
	43,760	40,227

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

19. INVENTORIES

	2006 HK\$'000	2005 HK\$'000
Raw materials	484,919	445,361
Work in progress	122,726	73,303
Finished goods	16,035	12,372
	623,680	531,036

The cost of inventories recognised as an expense during the year of the Group amounted to approximately HK\$1,620 million (2005: HK\$1,326 million).

20. TRADE, BILLS AND OTHER RECEIVABLES

	2006 HK\$'000	2005 HK\$'000
Trade receivables	512,889	479,854
Less: accumulated impairment	(46,874)	(48,051)
	466,015	431,803
Other receivables	77,336	37,948
Total trade and other receivables	543,351	469,751
Bills receivable	42,242	48,564

The Group allows a credit period ranged from 30 days to 90 days to its trade customers.

An aged analysis of trade and bills receivables are as follows:

	2006 HK\$'000	2005 HK\$'000
0 to 60 days	342,926	305,277
61 to 90 days	94,885	92,754
Over 90 days	70,446	82,336
	508,257	480,367

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

21. DEFERRED CONSIDERATION RECEIVABLE

The consideration receivable is in connection with the disposal of certain subsidiaries during the year, details of which are set out in note 29. The amount is unsecured, interest free and repayable by different instalments with final instalment due in December 2008. Fair value of the consideration receivable is determined using an effective interest rate of 5%. The carrying amount is analysed for reporting purposes as follows:

	2006 HK\$'000	2005 HK\$'000
Analysed as:		
Non-current	7,622	–
Current	5,391	–
	13,013	–

22. BANK BALANCES/BANK OVERDRAFTS

Bank balances

Bank balances and cash of the Group comprise bank balances and short-term bank deposits that are interest-bearing at market interest rate and are with maturity of three months or less. The bank deposits carry interest rates ranged from 1.75% to 7.9%.

Bank overdrafts

Bank overdrafts in the prior year carry interest at market rates which range from 7.75% to 8%.

23. TRADE, BILLS AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$133,771,000 (2005: HK\$151,856,000).

An aged analysis of trade and bills payables are as follows:

	2006 HK\$'000	2005 HK\$'000
0 to 60 days	120,409	137,007
61 to 90 days	29,194	25,483
Over 90 days	19,991	30,213
	169,594	192,703

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

24. UNSECURED BANK BORROWINGS

	2006 HK\$'000	2005 HK\$'000
Bank loans	720,720	310,206
Less: Amounts due within one year shown under current liabilities	(480,720)	(310,206)
Amounts due after one year	240,000	–

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group companies are set out below:

	Denominated in HK\$	Denominated in Singapore \$
As at 31st December, 2005	30,000,000	42,920,000
As at 31st December, 2006	80,000,000	42,920,000

The borrowings granted by the banks to the respective group companies are guaranteed by their respective shareholders or holding companies. The interest rates for the loans are Hong Kong Inter-bank Offered Rate ("HIBOR") plus a spread, thus exposing the Group to cash flow interest rate risk.

The effective borrowing rate of the Group ranged from 2.63% to 5.83% (2005: 1.77% to 5.45%).

During the year, the Group obtained new loans with an aggregate amounts of approximately HK\$440 million. The proceeds were used to finance the repayment of floating rate notes, the acquisition of property, plant and equipment and for working capital purpose.

25. FLOATING RATE NOTES

During the year ended 31st December, 2003, a subsidiary of the Company issued Floating Rate Notes ("FRNs") in the amount of HK\$150 million which are due in 2006. The FRNs carried interest at HIBOR plus 1% and were guaranteed by the Company. The FRNs had been fully repaid during the year.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

26. DEFERRED TAXATION

The major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years are summarised below:

	Accelerated tax depreciation HK\$'000	Revaluation of investment property HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1st January, 2005	1,252	–	(1,252)	–
Charge (credit) for the year	106	–	(106)	–
At 31st December, 2005	1,358	–	(1,358)	–
(Credit) charge for the year	(481)	598	(117)	–
At 31st December, 2006	877	598	(1,475)	–

At the balance sheet date, the Group had unused tax losses of approximately HK\$107,000,000 (2005: HK\$67,000,000) available for offset against future profits that are subject to Hong Kong Profits Tax. A deferred tax asset amounting to approximately HK\$1,475,000 (2005: HK\$1,358,000) in respect of tax loss amounted to approximately HK\$8,428,000 (2005: HK\$7,760,000) has been recognised. No deferred tax asset has been recognised in respect of the remaining unused tax losses due to the unpredictability of future profit streams. Such losses may be carried forward indefinitely.

27. SHARE CAPITAL

	Authorised Number of shares	HK\$'000	Issued and fully paid Number of shares	HK\$'000
Ordinary shares of HK\$0.1 each				
At 1st January, 2005	1,000,000,000	100,000	618,807,303	61,881
Shares issued on exercise of share options	–	–	870,000	87
At 31st December, 2005	1,000,000,000	100,000	619,677,303	61,968
Shares issued on exercise of share options	–	–	328,000	33
At 31st December, 2006	1,000,000,000	100,000	620,005,303	62,001

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

28. SHARE OPTION SCHEME

A share option scheme was adopted by the Company pursuant to a resolution passed on 9th September, 2002 (the "2002 Scheme"). Under the 2002 Scheme, the board of directors of the Company or a duly authorised committee (the "Board") may grant options to (i) any executive or non-executive directors of the Group (or any persons proposed to be appointed as such) or any employees of the Group; (ii) any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of the Group; (iii) any consultants and professional advisers to the Group (or persons, firms or companies proposed to be appointed for providing such services); (iv) any chief executives or substantial shareholders of the Company; (v) any associates of director, chief executive or substantial shareholder of the Company; and (vi) any employees of substantial shareholder of the Company, as absolutely determined by the Board (the "Participants"), to subscribe for shares in the Company. The 2002 Scheme was set up for the primary purpose to attract, retain and motivate talented Participants to strive for future developments and expansion of the Group and to provide the Company with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the Participants, and will expire on 8th September, 2012.

The total number of shares in respect of which options may be granted under the 2002 Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date of approval of the 2002 Scheme, unless prior approval from the Company's shareholders is obtained. Without prior approval from the Company's shareholders, the number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within a period of 28 days from the date of grant, upon payment of HK\$1 per grant. An option period is a period to be determined by the Board at its absolute discretion and notified by the Board to each Participant who accepts the option offer as being the period during which an option may be exercised, such period to expire not later than 10 years after the date of the grant of the share option ("Option Period"). Options may be exercised in accordance with the terms of the 2002 Scheme at any time during the Option Period after the option has been granted. The exercise price is determined by the Board, and shall be at least the highest of the nominal value of the Company's share, the closing price of the Company's shares on the date of grant and the average closing price of the Company's shares for the five business days immediately preceding the date of grant.

28. SHARE OPTION SCHEME *(Continued)*

During the year, 6,680,000 share options with an exercise price of HK\$3.82 per share were granted on 3rd November, 2006. The estimated fair value of the options granted on 3rd November, 2006 is approximately HK\$6,553,000. This fair value was calculated using the Binomial Lattice Model. The inputs into the model are as follows:

Closing price of the Company's share at the date of grant	HK\$3.82
Exercise price	HK\$3.82
Expected volatility	40% per annum
Expected life	3.49 years
Risk-free rate of interest	3.74% per annum
Expected dividend yield	5% per annum

Expected volatility was determined by using the historical volatility of the Company's share price over the previous three to five years. The expected life used in the model has been taken into account the expected employee turnover and probability of early exercise behaviour.

The Binomial Lattice Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate with the reference to a valuation report prepared by an independent valuer. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised the total expenses of approximately HK\$1,035,000 (2005: Nil) for the year in relation to the share options granted by the Company.

At 31st December, 2006, the number of shares in respect of which options had been granted and which remained outstanding under the 2002 Scheme was 6,798,000 (2005: 446,000), representing 1.1% of the shares of the Company in issue at that date.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

28. SHARE OPTION SCHEME (Continued)

The following table discloses details of the Company's share options held by the Participants and movements in such holdings during the year ended 31st December, 2005 and 2006:

Exercise price HK\$	Date of grant	Vesting period	Exercisable period	Outstanding at 1.1.2005	Exercised during the year ended 31.12.2005	Outstanding	Granted during the year ended 31.12.2006	Exercised during the year ended 31.12.2006	Outstanding at 31.12.2006
						at 31.12.2005 and 1.1.2006			
3.30	25.5.2004	6 months	25.11.2004 - 24.5.2007	1,316,000	(870,000)	446,000	-	(328,000)	118,000
3.82	3.11.2006	1 year	4.11.2007 - 3.11.2010	-	-	-	6,680,000	-	6,680,000

Details of the share options held by the directors included in the above table are as follows:

Exercise price HK\$	Outstanding	Exercised	Outstanding	Granted	Exercised	Outstanding
	at 1.1.2005	during the year ended 31.12.2005	at 31.12.2005 and 1.1.2006	during the year ended 31.12.2006	during the year ended 31.12.2006	at 31.12.2006
3.30	300,000	(150,000)	150,000	-	(150,000)	-
3.82	-	-	-	2,350,000	-	2,350,000

During the year ended 31st December, 2006, the total amount of consideration received from the Participants for taking up the options granted was HK\$193.

In respect of the share options exercised during the year, the weighted average closing price of the Company's shares immediately before the dates of which the options were exercised was approximately HK\$5.003 (2005: HK\$5.138).

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

29. DISPOSAL OF SUBSIDIARIES

Pursuant to a sale and purchase agreement dated 8th September, 2006 entered into between the minority shareholder of the Group and the Group, the Group agreed to dispose of its entire interests in certain subsidiaries at a consideration of HK\$25,800,000.

	HK\$'000
<hr/>	
The net assets of disposed subsidiaries at the date of disposal were as follows:	
Property, plant and equipment	16,547
Prepaid lease payments	1,532
Inventories	13,481
Trade and other receivables	23,596
Bills receivable	589
Bank balances and cash	13,799
Trade and other payables	(19,248)
Tax payable	(7,876)
<hr/>	
Net assets	42,420
Minority interests	(16,962)
Loss on disposal of subsidiaries	(445)
<hr/>	
Total consideration	25,013
<hr/>	
Satisfied by:	
Cash consideration	12,000
Deferred consideration	13,013
<hr/>	
	25,013
<hr/>	
Net cash outflow arising on disposal:	
Cash consideration	12,000
Bank balances and cash disposed of	(13,799)
<hr/>	
	(1,799)
<hr/>	

The deferred consideration will be fully settled in cash by the minority shareholder on or before 31st December, 2008.

The subsidiaries disposed of during the year did not have significant contribution to the Group's operating results and cash flows.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

30. CAPITAL COMMITMENTS

	2006 HK\$'000	2005 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	13,893	147,140

31. OPERATING LEASE COMMITMENTS/ARRANGEMENTS

The Group as lessee

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

	THE GROUP	
	2006 HK\$'000	2005 HK\$'000
Within one year	7,425	5,602
In the second to fifth year inclusive	12,911	6,003
Over five years	–	880
	20,336	12,485

Operating lease payments represent rental payable by the Group for certain of its office premises and staff quarters. Leases are negotiated for an average term of two years.

The Group as lessor

Property rental income earned during the year was approximately HK\$2,837,000 (2005: HK\$2,270,000).

At the balance sheet date, the Group had minimum lease receipts, which represent rentals receivable by the Group for its investment properties, under non-cancellable operating leases which fall due as follows:

	2006 HK\$'000	2005 HK\$'000
Within one year	965	1,356
In the second to third year inclusive	–	635
	965	1,991

The investment properties held have committed tenants for an average term of one year.

32. RETIREMENT BENEFITS SCHEME

The Group participates in a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme. New employees joining the Group on or after 1st January, 2002 are also offered a choice of joining the ORSO Scheme or the MPF Scheme.

For members of the MPF Scheme, the Group contributes at the lower of HK\$1,000 per month or 5% of relevant payroll costs each month to the MPF Scheme, which contribution is matched by the employee.

The ORSO Scheme is funded by monthly contributions from the Group only at rates ranging from 5% to 11% of the employee's basic salary, depending on the length of service with the Group.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The employees in the Group's PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The subsidiaries in the PRC are required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to the consolidated income statement of approximately HK\$19,539,000 (2005: HK\$13,715,000) represents contributions payable to these schemes by the Group in respect of the current accounting period. As at 31st December, 2006, contributions of approximately HK\$431,000 (2005: HK\$391,000) due in respect of the reporting period had not been paid over to the schemes.

33. RELATED PARTY TRANSACTIONS

Transactions between group companies have been eliminated on consolidation and are not disclosed in this note.

The remuneration of key management during the year was as follows:

	2006 HK\$'000	2005 HK\$'000
Short-term benefits	35,183	42,956
Post-employment benefits	2,025	2,025
Share-based payments	361	–
	37,569	44,981

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For the year ended 31st December, 2006

34. BALANCE SHEET OF THE COMPANY

The balance sheet of the Company as at 31st December, 2006 is as follows:

	Note	2006 HK\$'000	2005 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment in a subsidiary		55,856	55,856
Loans to subsidiaries		17,000	17,000
		72,856	72,856
Current assets			
Amounts due from subsidiaries		255,194	246,851
Prepayments		310	328
Bank balances		103	123
		255,607	247,302
Current liabilities			
Accrued charges		846	516
Amount due to a subsidiary		227	115,635
Dividend payable		25	14
		1,098	116,165
Net current assets		254,509	131,137
		327,365	203,993
CAPITAL AND RESERVES			
Share capital		62,001	61,968
Share premium	(a)	116,042	114,992
Share options reserve	(a)	1,035	–
Accumulated profits	(a)	148,287	27,033
		327,365	203,993

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

34. BALANCE SHEET OF THE COMPANY (Continued)

Note:

(a) Reserves

	Share premium HK\$'000	Share options reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1st January, 2005	112,208	–	761	112,969
Final dividend declared for the year ended 31st December, 2004	–	–	(61,952)	(61,952)
Shares issued on exercise of share options	2,784	–	–	2,784
Profit for the year	–	–	143,991	143,991
Interim dividend declared	–	–	(55,767)	(55,767)
At 31st December, 2005	114,992	–	27,033	142,025
Recognition of equity-settled share based payments	–	1,035	–	1,035
Final dividend declared for the year ended 31st December, 2005	–	–	(68,180)	(68,180)
Shares issued on exercise of share options	1,050	–	–	1,050
Profit for the year	–	–	217,334	217,334
Interim dividend declared	–	–	(27,900)	(27,900)
At 31st December, 2006	116,042	1,035	148,287	265,364

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

35. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Company as at 31st December, 2006 which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name of subsidiary	Place of incorporation/ establishment and operations	Issued and fully paid share capital/ paid up capital	Proportion of nominal value of issued capital/ paid up capital indirectly held by the Company	Principal activities
河源龍記金屬製品有限公司 Heyuan Lung Kee Metal Products Co., Ltd.	The PRC	HK\$450,870,000 (note a)	100	Manufacturing and marketing of mould bases
LKM Heatlock Company Limited	Hong Kong	HK\$1,000,000	70	Trading of hot runner system
Lung Kee International Limited	Hong Kong	HK\$2 ordinary shares HK\$2,000,002 non-voting deferred shares (note b)	100	Investment holding
Lung Kee Metal Japan Company Limited	Japan	JPY300,000,000	100	Manufacturing and marketing of mould bases
Lung Kee Metal (Malaysia) Sdn. Bhd.	Malaysia	RM750,000	100	Manufacturing and marketing of mould bases

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

35. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment and operations	Issued and fully paid share capital/ paid up capital	Proportion of nominal value of issued capital/ paid up capital indirectly held by the Company	Principal activities
Lung Kee Metal Limited	Hong Kong	HK\$2 ordinary shares HK\$10,000,002 non-voting deferred shares (note b)	100	Manufacturing and marketing of mould bases
龍記鋼材製品 (廣州保稅區)有限公司 Lung Kee Steel Products (Guangzhou Free Trade Zone) Co. Ltd.	The PRC	HK\$111,000,000 (note a)	100	Manufacturing and marketing of mould bases
上海龍記金屬製品有限公司 Shanghai Lung Kee Metal Products Co., Ltd.	The PRC	US\$11,600,000 (note a)	100	Manufacturing and marketing of mould bases
仕霸工業股份有限公司 Taiwan Supertech Industrial Company Limited	Republic of China	NT\$36,000,000	70	Manufacturing and marketing of mould bases
台州龍記金屬製品有限公司 Taizhou Lung Kee Metal Products Co. Ltd.	The PRC	US\$6,000,000 (note a)	100	Manufacturing and marketing of mould bases

Notes:

- a. These companies are wholly-owned foreign enterprises established in the PRC.
- b. The deferred shares carry practically no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution on winding up.