



Lung Kee (Bermuda) Holdings Limited

Stock Code: 255



2008

Annual Report

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Corporate Information

EXECUTIVE DIRECTORS

Mr. Siu Tit Lung (*Chairman*)
Mr. Siu Yuk Lung (*Managing Director*)
Mr. Mak Koon Chi
Mr. Wai Lung Shing
Mr. Fung Wai Hing
Mr. Ting Chung Ho (appointed on 1st April, 2008)

NON-EXECUTIVE DIRECTOR

Mr. Chan Chun Sing, Colin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Wing Ting, Stephen, JP
Dr. Lee Tat Yee
Mr. Lee Joo Hai

COMPANY SECRETARY

Mr. Wai Lung Shing

SOLICITORS

Woo Kwan Lee & Lo
26th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor
One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
(Formerly "Butterfield Fund Services (Bermuda) Limited")
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

SINGAPORE SHARE TRANSFER AGENT

M & C Services Private Limited
138 Robinson Road #17-00
The Corporate Office
Singapore 068906

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

1st Floor
Cheung Kong Electronic Building
4 Hing Yip Street
Kwun Tong
Kowloon
Hong Kong

WEBSITE

<http://www.irasia.com/listco/hk/lkm>

Chairman's Statement

It is my pleasure to present the results of Lung Kee (Bermuda) Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31st December, 2008.

BUSINESS REVIEW

The Group's revenue in the year ended 31st December, 2008 was approximately HK\$3,074 million (2007: approximately HK\$2,702 million). Profit attributable to equity holders of the Company in the year ended 31st December, 2008 was approximately HK\$288 million (2007: approximately HK\$306 million). Basic earnings per share in the year ended 31st December, 2008 was HK46.50 cents (2007: HK49.33 cents).

During the year under review, global economic situation underwent unexpected change. In the first half year of 2008, with suitable business operation strategy, the Group strived to gain a continuous growth in revenue. However, when entering into the fourth quarter of the year, being dragged by the global economic turmoil, the Group's performance as a whole was weakened.

PROSPECTS

As struck by the global financial tsunami, the worldwide economy tumbles; while operating cost cannot be lessened substantially within a short period, the business-operating environment is expected to be very tough. Yet, the Group still maintains a prudent view, and adopts flexible and steady business development plan in order to overcome the adverse business environment and grasp new opportunities in the market.

The financial tsunami has set back the export business of China that resulting a slow down in domestic economic growth. However, the launch of proactive stimulus measures by the China government will have direct effect in stimulating its economic growth in the long run. Domestic demand taking over export as the major economic driver for growth is expected to help offset the negative effect of the weakening export demand and will revive the market gradually. Since it takes time for the stimulus plan to become effective with remarkable results, the market is still clouded with uncertainties. The Group expects its business performance this year will be a bit inferior compared with that of the year 2008. However, following the gradual recovery of the China economy, the Group, with its foundation planted in China for many years and equipped with abundant domestic sales promotion experience as well as in-depth knowledge of the market operation, will keep pace with the China development and finally tide over the present difficult time. The Group will further fortify its sales channel and alert persistently to the market changes and customer needs in order to formulate suitable market strategies to maintain a steady development of its business.

The Group keeps on enhancing its value added machining ability and product precision of its plants in the Southern and Northern China, with an aim to uplift its product quality to secure more confidence and support from its customers. With a vision to strive for excellence, the Group persistently meliorates its internal management system, production techniques and manpower training. The Group will also look for on-going improvement in its core value and ability on product quality and customer-centric services to achieve excellence. The Group further reinforces its credit risk management to ensure a healthy and stable financial position that cannot be shaken in the fluctuating economic environment.

Chairman's Statement

Following the recent strengthening of U.S. dollars, prices of both import and China mould steels have dropped though fluctuate continuously. The Group will revise its inventory strategy such that the inventory level can be flexibly varied in accordance with the market situation, aiming to strike a balance between maintaining sufficient material stock level for production and avoiding excess stock. It is expected that labor cost, taxation and other operational costs will still be kept at a high level. In light of this, the Group will put great effort on cost analysis, monitoring and control in order to enhance its operating effectiveness.

Though the business environment is full of uncertainties, the Group will still adopt a cautious yet optimistic attitude to face every challenge positively. The Group will concentrate on its core business continuously and seek for on-going development. The Group is well prepared itself by closely alerting the market change and flexibly deploying its manpower in order to capitalize new business opportunities and put forward further development projects at appropriate time. Directed by a cautious mind and positive attitude, and armed with ample management and sales experience, the Group can overcome the adversity and achieve satisfactory results in maintaining its leading position in its industry.

Taking this opportunity, the Board of Directors would like to express our thanks to all staffs for their faithful dedication and contribution to the Group and also extend our sincere gratitude to our shareholders and business partners for their great support.

Siu Tit Lung
Chairman

Hong Kong, 20th March, 2009

Management Discussion and Analysis

During the year ended 31st December, 2008, the Group continued to focus on the manufacturing and marketing of mould bases, metal and parts.

The Group recorded revenue of approximately HK\$3,074 million and earnings of approximately HK\$288 million for the year ended 31st December, 2008.

OPERATIONAL REVIEW

The financial tsunami, as triggered off by the Subprime Mortgage Crises of the United States, has posed a negative influence on global economy. Looking back, the past economic crisis encountered was restricted to particular regions such as the Asian Financial Crisis and SARS that did not bring too much impact to the Group. Nevertheless, the wave of this financial tsunami spread all over the world; like a domino effect, the global financial and economic system came into crisis in succession. The shrinkage demand of consumption markets hit unprecedentedly all trades and industries. Order volume of the Group's customers dropped sharply, inevitably the sales performance of the Group was hampered. Fortunately, the Group did not invest in any metal derivatives, keeping off the adverse impact created by the global financial tsunami.

Being referred to as a global manufacturing base, China's export performance faced a significant downward pressure as a result of the rapid deterioration of external market situations. On the other hand, measures of stimulating domestic demand introduced by China government would take time to become effective. Economic and market growth in China slowed down and increasingly fierce competition prevailed in manufacturing industry. The newly developed direct sales outlets and distributors in the Southern, Eastern and Northern regions of China not only fortified the Group's sales network but also provided valuable market information to reinforce the competitive edge of the Group even in the fluctuating market environment, contributing acceptable and sensible result to the Group. Comparatively speaking, the Group's overseas business was of moderate size and its markets were diversified into different regions located in Asia, Europe and America. Therefore, the impact of the external economics on its performance was relatively insignificant and a rather stable development of the overseas business was reported.

During the year under review, the Group was under the pressure of the surge of costs. At the beginning of the year of 2008, the launch of new labor law and regulations, and the Unification of Income Tax Rate for foreign and domestic enterprises in China significantly boosted up labor cost and tax burden laid onto enterprises, thus reducing the profit growth of the Group. With the strengthening of US dollars and the decreasing demand of mould steel, its price fell sharply in the fourth quarter in the year of 2008. Unfortunately, as the Group had kept a base inventory level of mould steel that its material cost could not be alleviated promptly in response to the market requirements.

Management Discussion and Analysis

The Group continued to improve and restructure its management system and production process for plants situated in both Southern and Eastern regions of China, in order to uplift production efficiency and reduce operating cost. The Group also re-evaluated its human resources policy by selecting and appointing talent staffs and flexibly re-allocated jobs with an aim to build up a streamlined and efficient workforce. In addition, the Group has adopted stringent credit evaluation and control system to scrutinize its customers. As a result, bad debt loss was kept at relatively low level, attributing to a healthy and stable financial position.

To conclude, there was a continuous growth in sales revenue during the reviewed year. However, being affected by the surge of operation cost especially the increase of tax burden and the adverse global economic situation, the Group's profit for the year registered a slight decrease.

LIQUIDITY AND CAPITAL RESOURCES

As at 31st December, 2008, the Group had bank balances of approximately HK\$309 million. The bank balances were placed in short term deposits with major banks in Hong Kong and the PRC.

The Group adopted conservative measures to hedge any exchange fluctuation if the exposure is considered significant by the management.

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\$203 million, equal to approximately 11% of equity attributable to equity holders of the Company of approximately HK\$1,823 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2008, the Group employed a total of approximately 8,000 employees, including approximately 7,600 employees in its PRC production sites and approximately 400 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.

Corporate Governance Report

The Company is committed to adopting the standards of corporate governance. The board of directors (the “Board”) of the Company believes that good governance is essential to achieving the Group’s objectives of maximizing shareholders’ value and safeguarding the interests of the shareholders.

During the financial year ended 31st December, 2008, the Company complied with all requirements set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”).

A. DIRECTORS

A.1 The Board

The Board has the collective responsibility for leadership and control of, and for promoting the success of, the Group by directing and supervising the Group’s affairs. The Board sets strategies for the Group and monitors the performance of the management.

During the financial year ended 31st December, 2008, the Board held four regular meetings at approximately quarterly intervals according to the Code. The attendance of each director is set out as follows:

Name of Director	Number of attendance
Mr. Siu Tit Lung	4/4
Mr. Siu Yuk Lung	4/4
Mr. Mak Koon Chi	4/4
Mr. Wai Lung Shing	4/4
Mr. Fung Wai Hing	4/4
Mr. Ting Chung Ho (appointed on 1st April, 2008)	3/3
Mr. Chan Chun Sing, Colin	3/4
Mr. Liu Wing Ting, Stephen	4/4
Dr. Lee Tat Yee	4/4
Mr. Lee Joo Hai	4/4

A.2 Chairman and Managing Director

The Company segregates the role of Chairman from the Managing Director. Mr. Siu Tit Lung is the Chairman of the Company and Mr. Siu Yuk Lung is the Managing Director of the Company. They are brothers. The Chairman provides leadership to the Board and is responsible for the overall strategic planning and corporate development, whereas the Managing Director is responsible for policy making and corporate management in order to implement the strategies approved by the Board.

Corporate Governance Report

A.3 Board composition

The Board consists of six executive directors, one non-executive director and three independent non-executive directors:

Executive directors

Mr. Siu Tit Lung (*Chairman*)
Mr. Siu Yuk Lung (*Managing Director*)
Mr. Mak Koon Chi
Mr. Wai Lung Shing
Mr. Fung Wai Hing
Mr. Ting Chung Ho (appointed on 1st April, 2008)

Non-executive director

Mr. Chan Chun Sing, Colin

Independent non-executive directors

Mr. Liu Wing Ting, Stephen
Dr. Lee Tat Yee
Mr. Lee Joo Hai

Two independent non-executive directors possess recognised professional qualifications in accounting. The independent non-executive directors bring independent judgement, knowledge and experience to the Board.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee and the Company consider all of the independent non-executive directors are independent within the definition of the Listing Rules.

A.4 Appointment, re-election and removal

All non-executive directors of the Company are appointed for a specific term, subject to re-election.

A Nomination Committee was established by the Company in 2004. The Nomination Committee comprises the three independent non-executive directors and the non-executive director of the Company. Mr. Lee Joo Hai is the chairman of the Nomination Committee.

The primary function of the Nomination Committee is to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes. The full terms of reference are available on the Company's website: www.irasia.com/listco/hk/lkm.

Corporate Governance Report

Four Nomination Committee meetings were held in 2008. The attendance of each member is set out as follows:

Name of Member	Number of attendance
Mr. Lee Joo Hai (<i>Chairman</i>)	4/4
Mr. Chan Chun Sing, Colin	3/4
Mr. Liu Wing Ting, Stephen	4/4
Dr. Lee Tat Yee	4/4

The chairman of the Nomination Committee will report the findings and recommendations of the Nomination Committee to the Board after each meeting. The minutes of all meetings of Nomination Committee are circulated to the Board for information.

For the financial year ended 31st December, 2008, the Nomination Committee has reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board. The Nomination Committee concluded that the Board possesses of a diversity of skills, expertise, experience and qualifications and believed that the Board performs its duties competently. The Nomination Committee has also assessed the independence of all the independent non-executive directors.

A.5 Responsibilities of directors

The directors are continually updated with the regulatory requirements, business activities and development of the Group to facilitate the discharge of their responsibilities.

The independent non-executive directors participate actively in the board meetings. They bring an independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. They are also members of Audit Committee, Nomination Committee and Remuneration Committee.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, all directors declared that they have complied with the Model Code throughout the year.

A.6 Supply of and access to information

In respect of regular board meetings, an agenda and accompanying board papers of the meeting are sent in full to all directors at least 3 days before the intended date of a meeting.

Corporate Governance Report

The management has the obligation to supply the Board and the various Committees with adequate information in a timely manner to enable the members to make informed decisions. Each director has separate and independent access to the Group's senior management to acquire more information than is volunteered by management and to make further enquiries if necessary.

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

B.1 The level and make-up of remuneration and disclosure

A Remuneration Committee was established by the Company in 2004. The Remuneration Committee comprises the three independent non-executive directors and the non-executive director of the Company. Dr. Lee Tat Yee is the chairman of the Remuneration Committee.

The primary function of the Remuneration Committee is to make recommendations to the Board on the Group's policy and structure for all remuneration of directors and senior management. The full terms of reference are available on the Company's website: www.irasia.com/listco/hk/lkm.

During the financial year ended 31st December, 2008, the Remuneration Committee held four meetings. The attendance of each member is set out as follows:

Name of Member	Number of attendance
Dr. Lee Tat Yee (<i>Chairman</i>)	4/4
Mr. Chan Chun Sing, Colin	3/4
Mr. Liu Wing Ting, Stephen	4/4
Mr. Lee Joo Hai	4/4

The chairman of the Remuneration Committee will report the findings and recommendations of the Remuneration Committee to the Board after each meeting. The minutes of all meetings of Remuneration Committee are circulated to the Board for information.

For the financial year ended 31st December, 2008, the Remuneration Committee has considered and approved the Group's policy for the remuneration of directors and senior management. The Remuneration Committee has assessed the performance of the executive directors and considered the remuneration package of executive directors by reference to the prevailing packages with companies listed on the main board of the Stock Exchange. Details of the remuneration of directors are disclosed on an individual basis and are set out in note 10 to the consolidated financial statements.

The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis.

Corporate Governance Report

In order to attract, retain and motivate talented executives/employees 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 executives/employees, a share option scheme was adopted by the Company in 2002. Details of the 2002 share option scheme are set out in note 27 to the consolidated financial statements.

C. ACCOUNTABILITY AND AUDIT

C.1 Financial reporting

The management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibility to prepare the consolidated financial statements that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, the Board has prepared the consolidated financial statements on a going concern basis.

The responsibility of the external auditor, Messrs. Deloitte Touche Tohmatsu, is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion solely to the shareholders of Company, as a body, in accordance with Section 90 of The Companies Act of Bermuda, and for no other purpose.

The Company has announced its annual and interim results in a timely manner within approximately three months and two months, respectively, after the end of the relevant period in order to enhance high level of corporate transparency.

C.2 Internal controls

The Board is responsible for the Group's internal control system and for reviewing its effectiveness. Through the Internal Control Review Task Force, which was established by the Audit Committee, the Board has reviewed the effectiveness of the system. No material deficiencies have been identified so far. The Board considered the Group's internal control system effective and that there were no significant areas of concern.

The Group has an Internal Audit Department. The Internal Audit Department plans its internal audit schedules annually. The internal audit includes comprehensive audits of procedures, practices and internal controls of both operational and financial units of the Group. The internal audit plan is then submitted to the Audit Committee for review and comment. The Internal Audit Department conducts independent reviews of the Group's system of internal control, including operational and financial controls. Reports and findings prepared by the Internal Audit Department are submitted to the Board and the Audit Committee.

Corporate Governance Report

C.3 Audit Committee

An Audit Committee was established by the Company in 1998. The Audit Committee comprises the three independent non-executive directors, two of whom possess recognised professional qualifications in accounting and have wide experience in auditing and accounting, and the non-executive director of the Company. Mr. Liu Wing Ting, Stephen is the chairman of the Audit Committee.

The primary function of the Audit Committee is to review and supervise the Group's financial reporting process and internal controls. The full terms of reference are available on the Company's website: www.irasia.com/listco/hk/lkm.

Four Audit Committee meetings were held in 2008. The attendance of each member is set out as follows:

Name of Member	Number of attendance
Mr. Liu Wing Ting, Stephen (<i>Chairman</i>)	4/4
Mr. Chan Chun Sing, Colin	3/4
Dr. Lee Tat Yee	4/4
Mr. Lee Joo Hai	4/4

The chairman of the Audit Committee will report the findings and recommendations of the Audit Committee to the Board after each meeting. The minutes of all meetings of Audit Committee are circulated to the Board for information.

A summary of the work performed by the Audit Committee for the financial year ended 31st December, 2008 is set out in "Audit Committee Report" of the Annual Report for the year ended 31st December, 2008 (the "Annual Report").

C.4 Fee paid/payable to Group's auditor

For the financial year ended 31st December, 2008, the fee paid/payable to the Group's auditor, Messrs. Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	Fee paid/payable HK\$'000
Audit services	2,778
Non-audit services	
– Taxation services	162
– Interim review	420
– Audit of provident fund	5
– Review of results announcement	42

D. DELEGATION BY THE BOARD

D.1 Management functions

The Board is responsible for determining the overall strategy and corporate development and ensuring the business operations are properly monitored. The Board reserves the right to decide all policy matters of the Group and material transactions.

The Board delegates the day-to-day operations to general managers and department heads who are responsible for different aspects of the operations of the Group.

D.2 Board committees

The Company has maintained the Audit Committee, the Nomination Committee and the Remuneration Committee throughout the year to oversee particular aspects of the Group's affairs. Each of these committees has specific written terms of reference, which deal clearly with their authorities and duties. The chairmen of the committees will report the findings and recommendations of the committees to the Board after each meeting. The minutes of all meetings of the committees are circulated to the Board for information.

E. COMMUNICATION WITH SHAREHOLDERS

E.1 Effective communication

The annual general meeting enables the shareholders of the Company to exchange views with the Board. The chairman of the Board and the chairmen of Audit Committee, Nomination Committee and Remuneration Committee have attended at the annual general meeting to be available to answer the questions of the shareholders of the Company.

Separate resolutions are proposed at the annual general meeting on each substantially separate issue, including the election of individual director.

E.2 Voting by poll

The right to demand a poll was set out in the circular to shareholders of the Company dispatched together with the Annual Report.

Audit Committee Report

The Audit Committee comprises the three independent non-executive directors and the non-executive director of the Company. The chairman of the Audit Committee is Mr. Liu Wing Ting, Stephen, an independent non-executive director. The Audit Committee possesses extensive experience in accounting and financial matters. Mr. Liu Wing Ting, Stephen and Mr. Lee Joo Hai are practising certified public accountants.

The Audit Committee is mainly responsible for providing an independent review and supervision of financial reporting process and the Group's internal control system. The full terms of reference are available on the Company's website: www.irasia.com/listco/hk/lkm.

During the financial year ended 31st December, 2008, the Audit Committee held four meetings at approximately quarterly intervals to review the quarterly results presented by the management and to discuss the internal audit findings prepared by the Internal Audit Department. The external auditor, Messrs. Deloitte Touche Tohmatsu, attended three meetings, which included the meetings in conjunction with the release of the half year and full year results announcements. The chairman of the Audit Committee reported the findings and recommendations of the Audit Committee to the Board after each meeting. The minutes of all meetings of Audit Committee were circulated to the Board for information.

The following was a summary of the work performed by the Audit Committee in 2008:

1. review of the Group's consolidated financial statements for the year ended 31st December, 2007 and the annual results announcement with a recommendation to the Board for approval;
2. review of the Group's consolidated financial statements for the period from 1st January, 2008 to 30th April, 2008 with a recommendation to the Board for approval;
3. through the Internal Control Review Task Force to assess broadly any significant risks faced by the Group and to review the effectiveness of the internal control system of the Group;
4. review of the Group's consolidated financial statements for the six months period ended 30th June, 2008 and the interim results announcement with a recommendation to the Board for approval;
5. review of the Group's consolidated financial statements for the period from 1st January, 2008 to 31st October, 2008 with a recommendation to the Board for approval;
6. presentation of a final report, which summarizes the assessments done by the Internal Control Review Task Force and its findings, to the Board;
7. review of the compliance by the Group with the Code on Corporate Governance Practices;
8. review of the annual internal audit plan submitted by the Group's Internal Audit Department;

Audit Committee Report

9. review of the findings and recommendations submitted by the Group's Internal Audit Department;
10. review of the report and management letter submitted by external auditor;
11. review of the audit plan for the year ended 31st December, 2008 submitted by external auditor; and
12. consideration of the 2008 audit fees with a recommendation to the Board for approval.

At the Audit Committee meeting on 20th March, 2009, the Audit Committee reviewed the Group's consolidated financial statements for the year ended 31st December, 2008 and the annual results announcement with a recommendation to the Board for approval.

The Audit Committee recommended the re-appointment of Messrs. Deloitte Touche Tohmatsu as the external auditor of the Group for 2009 and that the relevant resolution shall be put forth for the consideration of the shareholders of the Company and their approval at the 2009 annual general meeting of the Company.

Audit Committee Members:

Mr. Liu Wing Ting, Stephen (*Chairman*)

Mr. Chan Chun Sing, Colin

Dr. Lee Tat Yee

Mr. Lee Joo Hai

Hong Kong, 20th March, 2009

Directors' Report

The directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December, 2008.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2008 are set out in the consolidated income statement on page 28.

An interim dividend of HK11 cents per share amounted to approximately HK\$68,201,000 was paid to shareholders during the year.

The directors now recommend the payment of a final dividend of HK11 cents per share to shareholders registered on the register of members on 11th May, 2009, amounting to approximately HK\$68,201,000, and the retention of the remaining profit.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 78.

INVESTMENT PROPERTIES

The Group's investment properties at 31st December, 2008 were revalued by an independent firm of qualified professional property valuers. The revaluation decrease of HK\$9,900,000 has been recognised in the consolidated income statement. Details of the movements in the investment properties of the Group during the year are set out in note 15 to the consolidated financial statements. Details of the investment properties held by the Group at 31st December, 2008 are set out on page 79.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred capital expenditure in respect of factory premises and staff quarters at a cost of approximately HK\$19 million. The Group continued its plant expansion policy and expended approximately HK\$189 million on new plant and machinery and approximately HK\$21 million on other furniture and equipment during the year. Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The amount of the Company's reserves available for distribution to shareholders as at 31st December, 2008 represented the retained profits of approximately HK\$530,372,000.

MAJOR CUSTOMERS AND SUPPLIERS

Since the Group has a very wide customer base, the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total revenue for the year.

The Group's largest supplier contributed 17% to the total purchases for the year while the Group's five largest suppliers accounted for 49% of the total purchases for the year.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers or suppliers.

DIRECTORS

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

Executive directors

Mr. Siu Tit Lung (*Chairman*)
Mr. Siu Yuk Lung (*Managing Director*)
Mr. Mak Koon Chi
Mr. Wai Lung Shing
Mr. Fung Wai Hing
Mr. Ting Chung Ho (appointed on 1st April, 2008)

Non-executive director

Mr. Chan Chun Sing, Colin

Independent non-executive directors

Mr. Liu Wing Ting, Stephen, JP
Dr. Lee Tat Yee
Mr. Lee Joo Hai

In accordance with Bye-laws 87(1) and 169(2) of the Company's Bye-Laws, Mr. Siu Tit Lung, Mr. Fung Wai Hing, Mr. Chan Chun Sing, Colin and Mr. Liu Wing Ting, Stephen retire from office by rotation and, being eligible, offer themselves for re-election.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Report

BRIEF DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive directors

Mr. Siu Tit Lung, aged 58, elder brother of Mr. Siu Yuk Lung and brother-in-law of Mr. Chan Chun Sing, Colin, has been an executive director and the chairman of the Company since December 1992 and is a co-founder of the Group. He is a director of certain subsidiaries of the Company. He is also a director of Pan Island Investments Limited, Rickdee Investments Limited and Robin Hill Investments Limited, the substantial shareholders of the Company. Mr. Siu is responsible for overall strategic planning and corporate development of the Group. He has many years of experience in metal trading and mould base manufacturing. He was awarded the Young Industrialist Award of Hong Kong in 1993. He is also an honorary citizen of Dongguan City and Heyuan City, Guangdong Province in the People's Republic of China (the "PRC").

Mr. Siu Yuk Lung, aged 55, younger brother of Mr. Siu Tit Lung and brother-in-law of Mr. Chan Chun Sing, Colin, has been an executive director and the managing director of the Company since December 1992 and is a co-founder of the Group. He is a director of certain subsidiaries of the Company. He is also a director of Pan Island Investments Limited, Rickdee Investments Limited and Robin Hill Investments Limited, the substantial shareholders of the Company. Mr. Siu is responsible for policy making and corporate management of the Group. He has many years of experience in metal trading and mould base manufacturing. He has, since 1995, been serving as a member of the Executive Committee of the Hong Kong Mould Association. He is also an honorary citizen of Heyuan City, Guangdong Province in the PRC.

Mr. Mak Koon Chi, aged 50, has been an executive director of the Company since December 1992 and is a director of certain subsidiaries of the Company. He is a past chairman of the Society of Manufacturing Engineers (Hong Kong Chapter) and a fellow of The Hong Kong Institute of Directors. Mr. Mak is responsible for policy making, marketing and technological development of the Group and has many years of experience in mould base manufacturing. Mr. Mak graduated from the Hong Kong Polytechnic University and Murdoch University with a Master of Business Administration Degree.

Mr. Wai Lung Shing, aged 47, has been an executive director of the Company since December 1992. He is the company secretary of the Company. He is also a director and a company secretary of certain subsidiaries of the Company. Mr. Wai is responsible for policy making, finance and administration functions of the Group. Mr. Wai graduated from the Hong Kong Polytechnic University with a Bachelor of Arts (Hons.) Degree in Accountancy and from the University of Warwick, United Kingdom with a Master of Business Administration Degree. He is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, United Kingdom and The Hong Kong Institute of Directors. He is also a member of the Institute of Chartered Accountants in England and Wales. He has extensive experience in accounting, finance and management with both international accounting firms and commercial organisations.

BRIEF DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Executive directors *(continued)*

Mr. Fung Wai Hing, aged 56, has been an executive director of the Company since August 1997 and is a director of certain subsidiaries of the Company. Mr. Fung is responsible for policy making and trading business of the Group. Mr. Fung graduated from the University of Birmingham with a Master of Science Degree in Industrial Management, and from The University of Hong Kong with a Master of Business Administration Degree. He is a past president of the Institute of Industrial Engineers (Hong Kong Chapter). He is the Honorary Deputy Secretary and Honorary President of the Hong Kong Diecasting and Foundry Association, a member of the Steering Committee of the Industrial Centre of the Hong Kong Polytechnic University, and a member of The Hong Kong Institute of Directors. He has extensive experience in the trading business.

Mr. Ting Chung Ho, aged 55, joined the Group in March 2000 as a general manager of a subsidiary of the Company in the PRC and has been appointed as an executive director of the Company since April 2008 and is also a director of certain subsidiaries of the Company. Mr. Ting is responsible for policy making and operation management of the subsidiaries of the Company in the PRC. He has many years of experience in enterprise operation and management. Mr. Ting graduated from the Open University of Hong Kong with a Master of Business Administration Degree. He is an associate of The Hong Kong Institute of Directors.

Non-executive director

Mr. Chan Chun Sing, Colin, aged 54, brother-in-law of Messrs. Siu Tit Lung and Siu Yuk Lung, has been appointed to the Board of the Company since December 1992. He is a non-executive director of the Company. Mr. Chan graduated from the University of Toronto with a Bachelor of Science (Hons.) Degree in Engineering and from the Chinese University of Hong Kong with a Master of Business Administration Degree. He is a fellow of The Hong Kong Institute of Directors. Mr. Chan has over 20 years of management experience leading the Asia Pacific organisations of multinational companies in the technology and manufacturing industry. He is a professional management consultant helping clients in building brand loyalty, making step-wise improvements in business operations, and in facilitating the development and execution of corporate strategies.

Independent non-executive directors

Mr. Liu Wing Ting, Stephen, Justice of Peace, aged 56, has been an independent non-executive director of the Company since December 1992. He is a member of Anhui Provincial Committee of Chinese People's Political Consultative Conference. Mr. Liu has been practising as a certified public accountant for many years and is a founder director of Hong Kong Aids Foundation Limited and a member of the Prince of Wales Hospital Governing Committee of the Hospital Authority. He is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, United Kingdom and The Hong Kong Institute of Directors. He has wide experience in auditing, taxation and financial management in various fields and industries. He is the chairman of the Audit Committee of the Company. Mr. Liu was an independent non-executive director of Haywood Investments Limited (name subsequently changed to Apex Capital Limited) (stock code: 905) from 7th July, 2005 to 9th March, 2007, which was listed on the main board of The Stock Exchange of Hong Kong Limited. Save as disclosed above, Mr. Liu did not hold other directorships in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Directors' Report

BRIEF DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Independent non-executive directors *(continued)*

Dr. Lee Tat Yee, aged 61, has been an independent non-executive director of the Company since December 1992. Dr. Lee obtained his doctorate degree from the University of Queensland and is a Chartered Engineer of the Engineering Council in the United Kingdom. He is a fellow of The Hong Kong Institute of Directors. Dr. Lee was a director of the Technology Support Centre of The University of Hong Kong specialising in quality assurance management systems and retired in July 2008. He is the chairman of the Remuneration Committee of the Company.

Mr. Lee Joo Hai, aged 53, has been appointed as an independent non-executive director of the Company in September 2004. Mr. Lee is a member of the Institute of Chartered Accountants in England and Wales, the Malaysian Institute of Accountants, the Institute of Certified Public Accountants of Singapore, the Singapore Institute of Directors and The Hong Kong Institute of Directors. He has extensive experience in accounting and auditing. He is presently a partner of a public accounting firm in Singapore. He is the chairman of the Nomination Committee of the Company. Mr. Lee is currently an independent director of AGVA Corporation Limited, Adampak Limited (previously listed on the Sesdaq of The Singapore Exchange Securities Trading Limited ("SGX-ST")), FDS Networks Group Ltd, Food Junction Holdings Limited (previously listed on the Sesdaq of the SGX-ST), Hyflux Ltd, IPC Corporation Limited, Kian Ho Bearings Limited and Westcomb Financial Group Limited (previously listed on the Sesdaq of the SGX-ST), which are all listed on the main board of the SGX-ST. He is also an independent director of Armarda Group Limited, which is listed on the Catalist of the SGX-ST (previously the Sesdaq of the SGX-ST) and is also an independent director of Agria Corporation, which is listed on the Nasdaq. Mr. Lee was also an independent director of NTI International Limited from June, 2002 to January, 2007 and Unisteel Technology Limited from August, 2000 to December, 2008, which were all listed on the SGX-ST. Save as disclosed above, Mr. Lee did not hold other directorships in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

DIRECTORS' INTERESTS IN SHARES

At 31st December, 2008, the directors and their associates had the following interests or short positions in shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”):

Interests in the Company

Name of director	Capacity	Number of shares held		Number of share options and corresponding number of underlying shares held pursuant to share options	Total interests	Percentage of the Company's issued share capital
		Personal interests	Other interests			
Siu Tit Lung (Notes 1, 2 and 4)	Beneficial owner and founder of discretionary trust	37,291,444	307,617,187	650,000	345,558,631	55.73%
Siu Yuk Lung (Notes 1, 3 and 4)	Beneficial owner and founder of discretionary trust	37,291,444	307,617,187	650,000	345,558,631	55.73%
Mak Koon Chi	Beneficial owner	2,843,750	—	1,000,000	3,843,750	0.62%
Wai Lung Shing	Beneficial owner	2,843,750	—	1,000,000	3,843,750	0.62%
Fung Wai Hing	Beneficial owner	1,457,031	—	1,000,000	2,457,031	0.40%
Ting Chung Ho	Beneficial owner	20,000	—	480,000	500,000	0.08%
Chan Chun Sing, Colin	Beneficial owner	150,000	—	300,000	450,000	0.07%
Liu Wing Ting, Stephen	Beneficial owner	150,000	—	300,000	450,000	0.07%
Lee Tat Yee	Beneficial owner	150,000	—	300,000	450,000	0.07%
Lee Joo Hai	Beneficial owner	—	—	250,000	250,000	0.04%

Directors' Report

DIRECTORS' INTERESTS IN SHARES *(continued)*

Notes:

1. Messrs. Siu Tit Lung and Siu Yuk Lung jointly held 32,631,288 shares in the Company and each owned a further 4,660,156 shares in the Company registered in their own names.
2. Rickdee Investments Limited, which is wholly-owned by a discretionary trust of which the family members of Mr. Siu Tit Lung other than Mr. Siu Tit Lung himself are beneficiaries, held 58,593,750 shares in the Company.
3. Robin Hill Investments Limited, which is wholly-owned by a discretionary trust of which the family members of Mr. Siu Yuk Lung other than Mr. Siu Yuk Lung himself are beneficiaries, held 58,593,750 shares in the Company.
4. Pan Island Investments Limited, which is wholly-owned by a discretionary trust of which the family members of Messrs. Siu Tit Lung and Siu Yuk Lung other than Messrs. Siu Tit Lung and Siu Yuk Lung themselves are beneficiaries, held 249,023,437 shares in the Company.

Interests in associated corporations of the Company

Name of director	Nature of interests	Name of associated corporation	Number of shares held	Percentage of issued share capital of the class
Siu Tit Lung	Personal	Lung Kee International Limited	1,000,000 non-voting deferred shares	49.99%
	Personal	Lung Kee Metal Limited	5,000,000 non-voting deferred shares	49.99%
Siu Yuk Lung	Personal	Lung Kee International Limited	1,000,000 non-voting deferred shares	49.99%
	Personal	Lung Kee Metal Limited	5,000,000 non-voting deferred shares	49.99%

All the interests disclosed above represent long positions in the shares and underlying shares of the Company or its associated corporations.

The details of the directors' interests in the share options granted by the Company are stated in the following section "Share Options".

Save as disclosed herein and in the section "Share Options" and other than certain shares in subsidiaries held as nominees by certain directors of the Company, none of the directors and their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31st December, 2008.

SHARE OPTIONS

Particulars of the Company's share option scheme and other details are set out in note 27 to the consolidated financial statements.

The following table discloses movements in the Company's share options during the year:

	Number of share options				Date of grant	Exercisable period	Exercise price per share HK\$
	At 1st January, 2008	Lapsed during the year	Cancelled during the year	At 31st December, 2008			
Category 1: Directors							
Siu Tit Lung	150,000	—	—	150,000	3rd November, 2006	4th November, 2007 to 3rd November, 2010	3.82
	500,000	—	—	500,000	14th November, 2007	14th November, 2008 to 13th November, 2011	3.60
Siu Yuk Lung	150,000	—	—	150,000	3rd November, 2006	4th November, 2007 to 3rd November, 2010	3.82
	500,000	—	—	500,000	14th November, 2007	14th November, 2008 to 13th November, 2011	3.60
Mak Koon Chi	500,000	—	—	500,000	3rd November, 2006	4th November, 2007 to 3rd November, 2010	3.82
	500,000	—	—	500,000	14th November, 2007	14th November, 2008 to 13th November, 2011	3.60
Wai Lung Shing	500,000	—	—	500,000	3rd November, 2006	4th November, 2007 to 3rd November, 2010	3.82
	500,000	—	—	500,000	14th November, 2007	14th November, 2008 to 13th November, 2011	3.60
Fung Wai Hing	500,000	—	—	500,000	3rd November, 2006	4th November, 2007 to 3rd November, 2010	3.82
	500,000	—	—	500,000	14th November, 2007	14th November, 2008 to 13th November, 2011	3.60
Ting Chung Ho	180,000 ^(note)	—	—	180,000	3rd November, 2006	4th November, 2007 to 3rd November 2010	3.82
	300,000 ^(note)	—	—	300,000	14th November, 2007	14th November, 2008 to 13th November, 2011	3.60
Chan Chun Sing, Colin	150,000	—	—	150,000	3rd November, 2006	4th November, 2007 to 3rd November, 2010	3.82
	150,000	—	—	150,000	14th November, 2007	14th November, 2008 to 13th November, 2011	3.60
Liu Wing Ting, Stephen	150,000	—	—	150,000	3rd November, 2006	4th November, 2007 to 3rd November, 2010	3.82
	150,000	—	—	150,000	14th November, 2007	14th November, 2008 to 13th November, 2011	3.60
Lee Tat Yee	150,000	—	—	150,000	3rd November, 2006	4th November, 2007 to 3rd November, 2010	3.82
	150,000	—	—	150,000	14th November, 2007	14th November, 2008 to 13th November, 2011	3.60
Lee Joo Hai	100,000	—	—	100,000	3rd November, 2006	4th November, 2007 to 3rd November, 2010	3.82
	150,000	—	—	150,000	14th November, 2007	14th November, 2008 to 13th November, 2011	3.60
Total	5,930,000	—	—	5,930,000			
Category 2: Employees							
	3,630,000	(418,000)	—	3,212,000	3rd November, 2006	4th November, 2007 to 3rd November, 2010	3.82
	3,942,000	(26,000)	(350,000)	3,566,000	14th November, 2007	14th November, 2008 to 13th November, 2011	3.60
Total	7,572,000	(444,000)	(350,000)	6,778,000			
Total all categories	13,502,000	(444,000)	(350,000)	12,708,000			

Note: The amount was reclassified from category 2 to account for those options granted to Mr. Ting Chung Ho, an executive director of the Company appointed during the year.

Save as disclosed above, none of the directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2008, the following persons (other than directors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares/ underlying shares held	Percentage of Company's issued share capital
Pan Island Investments Limited	Beneficial owner	249,023,437	40.16%
Rickdee Investments Limited	Beneficial owner	58,593,750	9.45%
Robin Hill Investments Limited	Beneficial owner	58,593,750	9.45%
Commonwealth Bank of Australia	Interest of controlled corporation	49,492,108	7.98%

All the interests disclosed above represent long positions in the shares and underlying shares of the Company.

Save as disclosed herein, the Company has not been notified of any other person (other than a director or a chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31st December, 2008.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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.

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

At no time during the year, did the Company nor any of its subsidiaries purchase, sell or redeem any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Throughout the year ended 31st December, 2008 until the date of this report, based on the information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital is held by the public.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws, or Laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

EMOLUMENT POLICY

The Remuneration Committee reviews the Group's emolument policy and structure for remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme in 2002. Details of the scheme are set out in note 27 to the consolidated financial statements.

CORPORATE GOVERNANCE

The Company complied with all requirements set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

Further information on the Company's corporate governance practices is set out in the "Corporate Governance Report" from pages 7 to 13 and "Audit Committee Report" from pages 14 to 15.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the independent non-executive directors, Mr. Liu Wing Ting, Stephen, Dr. Lee Tat Yee and Mr. Lee Joo Hai, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee has assessed the independence of the independent non-executive directors. The Nomination Committee and the Company consider all of the independent non-executive directors are independent.

CHARITABLE DONATIONS

The Group made charitable and other donations amounting to approximately HK\$1,616,000 during the year.

AUDITOR

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
Siu Yuk Lung
Managing Director

Hong Kong, 20th March, 2009

Independent Auditor's Report



TO THE MEMBERS OF LUNG KEE (BERMUDA) HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Lung Kee (Bermuda) Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 77, which comprise the consolidated balance sheet as at 31st December, 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

20th March, 2009



Consolidated Income Statement

For the year ended 31st December, 2008

	Notes	2008 HK\$'000	2007 HK\$'000
Revenue	7	3,073,547	2,702,099
Other income	9	13,337	45,636
(Decrease) increase in fair value of investment properties		(9,900)	4,700
Changes in inventories of finished goods and work in progress		(23,136)	(26,197)
Raw materials and consumables used		(1,461,505)	(1,289,623)
Employee benefits expenses		(477,419)	(439,070)
Depreciation and amortisation of property, plant and equipment		(189,773)	(173,621)
Other expenses		(475,956)	(423,489)
Interest on bank borrowings wholly repayable within five years		(15,965)	(37,554)
Profit before taxation		433,230	362,881
Income tax expense	11	(140,942)	(55,381)
Profit for the year	12	292,288	307,500
Attributable to:			
Equity holders of the Company		288,333	305,851
Minority interests		3,955	1,649
		292,288	307,500
Dividends recognised as distribution during the year	13	161,203	89,902
Proposed final dividend of HK11 cents (2007: HK15 cents) per share	13	68,201	93,002
		HK cents	HK cents
Earnings per share	14		
— Basic		46.50	49.33
— Diluted		46.50	49.32

Consolidated Balance Sheet

At 31st December, 2008

	Notes	2008 HK\$'000	2007 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	15	33,600	43,500
Property, plant and equipment	16	851,556	813,969
Prepaid lease payments — non-current portion	17	43,319	44,946
Deposits paid for acquisition of property, plant and equipment		7,382	8,951
		935,857	911,366
Current assets			
Inventories	18	639,726	800,843
Trade and other receivables	19	526,652	687,983
Bills receivable	19	58,674	40,349
Prepaid lease payments — current portion	17	1,047	1,077
Deferred consideration receivable	20	2,483	7,622
Taxation recoverable		5,061	3,032
Bank balances and cash	21	309,259	261,115
		1,542,902	1,802,021
Current liabilities			
Trade and other payables	22	353,892	412,038
Bills payable	22	53,434	36,334
Taxation payable		26,030	40,183
Dividend payable		52	39
Derivative financial instruments	23	—	1,468
Unsecured bank borrowings — due within one year	24	203,324	416,664
		636,732	906,726
Net current assets		906,170	895,295
Total assets less current liabilities		1,842,027	1,806,661
Non-current liabilities			
Unsecured bank borrowings — due after one year	24	—	220,000
Deferred tax liabilities	25	14,048	1,634
		14,048	221,634
Net assets		1,827,979	1,585,027

Consolidated Balance Sheet

At 31st December, 2008

	Notes	2008 HK\$'000	2007 HK\$'000
CAPITAL AND RESERVES			
Share capital	26	62,002	62,002
Reserves		1,761,121	1,522,095
Equity attributable to equity holders of the Company		1,823,123	1,584,097
Minority interests		4,856	930
Total equity		1,827,979	1,585,027

The consolidated financial statements on pages 28 to 77 were approved and authorised for issue by the Board of Directors on 20th March, 2009 and are signed on its behalf by:

Siu Tit Lung
Director

Siu Yuk Lung
Director

Consolidated Statement of Changes In Equity

For the year ended 31st December, 2008

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Statutory reserve	Translation reserve	Share options reserve	Retained profits	Sub-total	Minority interests	Total equity
	HK\$'000	HK\$'000	(note) HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2007	62,001	116,042	75,492	71,792	1,035	917,989	1,244,351	(2,603)	1,241,748
Exchange differences arising on translation of foreign operations recognised directly in equity	—	—	—	118,118	—	—	118,118	84	118,202
Profit for the year	—	—	—	—	—	305,851	305,851	1,649	307,500
Total recognised income and expense for the year	—	—	—	118,118	—	305,851	423,969	1,733	425,702
Recognition of equity-settled share-based payments	—	—	—	—	5,653	—	5,653	—	5,653
Transfer on forfeiture of share options	—	—	—	—	(81)	81	—	—	—
Shares issued on exercise of share options	1	25	—	—	—	—	26	—	26
Final dividend for the year ended 31st December, 2006	—	—	—	—	—	(40,300)	(40,300)	—	(40,300)
Interim dividend for the year ended 31st December, 2007	—	—	—	—	—	(49,602)	(49,602)	—	(49,602)
Transfer	—	—	19,088	—	—	(19,088)	—	—	—
Capital contribution by a minority shareholder of a subsidiary	—	—	—	—	—	—	—	1,800	1,800
At 31st December, 2007	62,002	116,067	94,580	189,910	6,607	1,114,931	1,584,097	930	1,585,027
Exchange differences arising on translation of foreign operations recognised directly in equity	—	—	—	107,594	—	—	107,594	(29)	107,565
Profit for the year	—	—	—	—	—	288,333	288,333	3,955	292,288
Total recognised income and expense for the year	—	—	—	107,594	—	288,333	395,927	3,926	399,853
Recognition of equity-settled share-based payments	—	—	—	—	4,302	—	4,302	—	4,302
Transfer on forfeiture of share options	—	—	—	—	(428)	428	—	—	—
Final dividend for the year ended 31st December, 2007	—	—	—	—	—	(93,002)	(93,002)	—	(93,002)
Interim dividend for the year ended 31st December, 2008	—	—	—	—	—	(68,201)	(68,201)	—	(68,201)
Transfer	—	—	38,557	—	—	(38,557)	—	—	—
At 31st December, 2008	62,002	116,067	133,137	297,504	10,481	1,203,932	1,823,123	4,856	1,827,979

Note: The statutory reserve represents the appropriation of certain percentages of profit after taxation of subsidiaries in the People's Republic of China as recommended by the directors of those subsidiaries.

Consolidated Cash Flow Statement

For the year ended 31st December, 2008

	2008 HK\$'000	2007 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	433,230	362,881
Adjustments for:		
Allowance for inventories	23,405	49,423
Depreciation and amortisation of property, plant and equipment	189,773	173,621
Loss on fair value change in derivative financial instruments	1,601	1,468
Interest on bank borrowings wholly repayable within five years	15,965	37,554
Decrease (increase) in fair value of investment properties	9,900	(4,700)
Interest income	(3,226)	(5,180)
(Gain) loss on disposal of property, plant and equipment	(513)	956
Gain on disposal of a land lease	(149)	—
PRC tax refund on capital investment	—	(34,301)
Release of prepaid lease payments	1,041	1,029
Impairment loss on trade receivables	3,011	478
Share-based payment expenses	4,302	5,653
Operating cash flows before movements in working capital	678,340	588,882
Decrease (increase) in inventories	185,392	(179,390)
Decrease (increase) in trade and other receivables	185,171	(105,680)
(Increase) decrease in bills receivable	(14,158)	3,532
(Decrease) increase in trade and other payables	(77,845)	88,712
Increase in bills payable	16,533	160
Cash generated from operations	973,433	396,216
Income taxes paid	(146,235)	(47,745)
Income taxes refunded	2,035	—
NET CASH FROM OPERATING ACTIVITIES	829,233	348,471
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(227,007)	(92,522)
Proceeds on disposal of property, plant and equipment	43,862	1,515
Deferred consideration received	5,520	5,520
Proceed on disposal of a land lease	3,413	—
Interest received	2,845	5,051
PRC tax refund received	—	34,301
NET CASH USED IN INVESTING ACTIVITIES	(171,367)	(46,135)

Consolidated Cash Flow Statement

For the year ended 31st December, 2008

	2008	2007
	HK\$'000	HK\$'000
FINANCING ACTIVITIES		
Repayment of bank borrowings	(476,232)	(350,952)
Dividends paid	(161,190)	(89,888)
Interest paid	(15,965)	(37,554)
New bank borrowings raised	37,163	283,310
Capital contribution by a minority shareholder of a subsidiary	—	1,800
Proceeds from new shares issued	—	26
NET CASH USED IN FINANCING ACTIVITIES	(616,224)	(193,258)
NET INCREASE IN CASH AND CASH EQUIVALENTS	41,642	109,078
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	261,115	149,938
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	6,502	2,099
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	309,259	261,115

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

1. GENERAL

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

The consolidated financial statements are presented in Hong Kong dollar, 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 manufacturing and marketing of mould bases, metal and parts.

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

In the current year, the Group has applied the following amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) - Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) - Int 12	Service Concession Arrangements
HK(IFRIC) - Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

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

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible hedged items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments ²
HKFRS 8	Operating Segments ²
HK(IFRIC) - Int 9 & HKAS 39 (Amendments)	Embedded Derivatives ⁴
HK(IFRIC) - Int 13	Customer Loyalty Programmes ⁵
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation ⁶
HK(IFRIC) - Int 17	Distribution of Non-cash Assets to Owners ³
HK(IFRIC) - Int 18	Transfer of Assets from Customers ⁷

¹ Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009

² Effective for annual periods beginning on or after 1st January, 2009

³ Effective for annual periods beginning on or after 1st July, 2009

⁴ Effective for annual periods ending on or after 30th June, 2009

⁵ Effective for annual periods beginning on or after 1st July, 2008

⁶ Effective for annual periods beginning on or after 1st October, 2008

⁷ Effective for transfers on or after 1st July, 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after the beginning of the Group's annual reporting period beginning on or after 1st January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, 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 Hong Kong Financial Reporting Standards 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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and 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.

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 represents amounts receivable for goods sold in the normal course of business, net of returns, allowances, discounts and sales related taxes.

Revenue from sale of goods is recognised when the 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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values 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 consolidated income statement in the year in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods or for administrative purposes (other than freehold land and construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is 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 includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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 consolidated income statement in the year in which the item is derecognised.

Prepaid lease payments

Prepaid lease payments which represent up-front payments to acquire leasehold land interests are stated at cost and amortised over the period of the relevant lease on a straight-line basis.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

3. 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 consolidated 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 the respective 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 retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation 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 Group (i.e. Hong Kong dollar) 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, 2008

3. 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 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 consolidated 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 profits 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 assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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 profits 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 to profit or loss, 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 costs

Payments to defined contribution retirement benefit plans/state-managed retirement benefit schemes/the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

All borrowing costs are recognised as an expense in the consolidated income statement in the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables (including trade and other receivables, bills receivable, deferred consideration 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 (see accounting policy on impairment loss on financial assets below).

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at each balance sheet date. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of loans and receivables (continued)

For certain categories, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

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.

The carrying amount is reduced by the impairment loss directly for all loans and receivables with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Interest expense is recognised on an effective interest basis.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Financial liabilities

Financial liabilities (including trade and other payables, bills payable, dividend payable and unsecured bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

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 is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. 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, 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors and employees

Share options granted to directors and employees after 7th November, 2002 and vested on or after 1st January, 2005

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 estimates during the vesting period, if any, is recognised in profit or loss, 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 retained profits.

Share options granted to directors and employees on or before 7th November, 2002, or granted after 7th November, 2002 and vested before 1st January, 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Impairment losses

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.

Where 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The 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.

Estimated impairment on trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2008, the carrying amount of trade receivables is approximately HK\$478,295,000 (net of allowance for doubtful debts of approximately is HK\$49,559,000).

Allowance for inventories

Management of the Group reviews its inventories at each balance sheet date and make allowance for obsolete and slow-moving inventory items identified that no longer suitable for use in production. Management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review by making use of the aging analysis at each balance sheet date and make allowance for obsolete items. As at 31st December, 2008, the carrying amount of inventories is approximately HK\$639,726,000 (net of allowance for inventories of approximately HK\$94,873,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt, which includes the borrowings as disclosed in note 24 net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, share premium, retained profits and other reserves.

The directors of the Company review the capital structure on a regular basis by considering the cost of capital and the risks associates with each class of capital. Based on recommendation of directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt and the redemption of existing debt.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2008 HK\$'000	2007 HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	870,578	913,506
Financial liabilities		
Amortised cost	388,400	887,113
Derivative financial instruments	—	1,468

6b. Financial risk management objectives and policies

The Company's major financial instruments include trade and other receivables, bills receivable, deferred consideration receivable, bank balances, trade and other payables, bills payable and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. 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

(a) Interest rate risk

The Group's bank balances carry floating-rate of interests and have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rates. The directors of the Company consider the Group's exposure is not significant as those interest-bearing bank balances are within a short maturity period.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 24 for details of these borrowings). It is the Group's policy to keep its borrowings at floating-rate of interests so as to minimise the fair value interest rate risk.

The Group currently does not have any interest rate hedging policy in relation to interest rate risks. The directors of the Company monitor the Group's exposure on an ongoing basis and will consider hedging interest rate risks should the needs arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly sensitive to the fluctuation of rate of the People's Bank of China, Hong Kong Interbank Offered Rate, London Interbank Offered Rate, Cost of Funds Index and Singapore Interbank Offered Rate arising from the Group's borrowings.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

Market risk (continued)

(a) Interest rate risk (continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank borrowings. The analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the year ended 31st December, 2008 would decrease/increase by approximately HK\$1,017,000 (2007: decrease/increase by approximately HK\$3,183,000).

(b) Currency risk

The Group's principal subsidiaries are operating in the People's Republic of China (the "PRC") and most of the transactions are denominated and settled in 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 foreign exchange forward contracts to hedge its foreign currency exposure if it considers the risk to be significant.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities, which are considered as significant by the management, at the reporting date are as follows:

	Liabilities		Assets	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
HKD	—	218,000	—	—
SGD	129	43,253	861	51
RMB	137	310	2,174	3,518
USD	33,571	27,035	115,127	56,366
EUR	2,680	4,967	12,818	25,354
JPY	53	43	7,405	19,354

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(b) Currency risk *(continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in HKD or RMB against the relevant foreign currencies monetary assets and liabilities (excluding derivatives). No analysis is presented for derivatives as the impact to the Group is not considered significant. No sensitivity analysis is also presented for HKD against USD since the exchange rates for the two currencies are pegged. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit for the year where HKD or RMB strengthen 5% against the relevant currency. For a 5% weakening of HKD or RMB against the relevant currency, there would be an equal and opposite impact on pre-tax profit for the year, and the balances below would be negative.

	RMB against		HKD against							
	HKD Impact (i)		SGD Impact (i)		RMB Impact (ii)		EUR Impact (ii)		JPY Impact (ii)	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Pre-tax profit for the year	–	10,381	(35)	2,057	(97)	(153)	(483)	(971)	(350)	(920)

- (i) This was mainly attributable to the exposure outstanding on HKD and SGD bank borrowings as at 31st December, 2007.
- (ii) This is mainly attributable to the exposure outstanding on receivables, payables and bank balances in the respective foreign currency at year end.

Credit risk

As at 31st December, 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group is the failure to recover the carrying amounts of the respective financial assets as stated in the consolidated balance sheet.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Credit risk *(continued)*

In order to minimise the credit risk, the management of the Group 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 trade debts on a collective basis 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 Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivatives financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

For derivative financial instruments which require gross settlement, the undiscounted gross inflow and outflow on the derivatives are also shown in the table.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

Liquidity and interest risk tables

	Weighted average effective interest rate %	Less than 1 month or on demand HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2008 HK\$'000
2008							
Non-derivative financial liabilities:							
Trade and other payables	N/A	60,830	47,815	22,997	—	131,642	131,642
Bills payable	N/A	27,337	26,097	—	—	53,434	53,434
Bank borrowings	2.97	31,537	130,523	42,438	—	204,498	203,324
		119,704	204,435	65,435	—	389,574	388,400
2007							
Non-derivative financial liabilities:							
Trade and other payables	N/A	134,441	55,320	24,354	—	214,115	214,115
Bills payable	N/A	15,543	17,942	2,849	—	36,334	36,334
Bank borrowings	4.72	271,538	59,104	87,321	228,915	646,878	636,664
		421,522	132,366	114,524	228,915	897,327	887,113
Derivative settled gross:							
Foreign exchange forward contracts							
— inflow		15,604	15,604	7,802	—	39,010	39,010
— outflow		(16,192)	(16,192)	(8,094)	—	(40,478)	(40,478)
		(588)	(588)	(292)	—	(1,468)	(1,468)

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

6. FINANCIAL INSTRUMENTS *(continued)*

6c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of derivative financial instruments is determined with reference to quoted prices from the relevant bank; and
- the fair value of other 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 and dealer quotes for similar instruments.

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

7. REVENUE

	2008 HK\$'000	2007 HK\$'000
Manufacturing and marketing of		
– mould bases	2,901,248	2,520,152
– metal and parts	172,299	181,947
	3,073,547	2,702,099

8. SEGMENT INFORMATION

(a) Business segments

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

Principal activities are as follows:

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

8. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

Segmental information about the two divisions is presented below.

For the year ended 31st December, 2008	Mould bases HK\$'000	Metal and parts HK\$'000	Total HK\$'000
CONSOLIDATED INCOME STATEMENT			
REVENUE — External sales	2,901,248	172,299	3,073,547
RESULTS			
Segment results	501,181	21,887	523,068
Unallocated income			13,337
Unallocated expenses			(77,310)
Decrease in fair value of investment properties			(9,900)
Interest on bank borrowings wholly repayable within five years			(15,965)
Profit before taxation			433,230
Income tax expense			(140,942)
Profit for the year			292,288
OTHER INFORMATION			
Allowance for inventories	21,617	1,788	23,405
Capital expenditure	226,162	2,414	228,576
Depreciation and amortisation of property, plant and equipment	186,982	2,791	189,773
Impairment loss (reversal of impairment loss) on trade receivables	2,866	(113)	2,753

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

8. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

For the year ended 31st December, 2007	Mould bases HK\$'000	Metal and parts HK\$'000	Total HK\$'000
CONSOLIDATED INCOME STATEMENT			
REVENUE — External sales	2,520,152	181,947	2,702,099
RESULTS			
Segment results	400,364	14,157	414,521
Unallocated income			45,636
Unallocated expenses			(64,422)
Increase in fair value of investment properties			4,700
Interest on bank borrowings wholly repayable within five years			(37,554)
Profit before taxation			362,881
Income tax expense			(55,381)
Profit for the year			307,500
OTHER INFORMATION			
Allowance for inventories	45,120	4,303	49,423
Capital expenditure	86,443	3,554	89,997
Depreciation and amortisation of property, plant and equipment	170,379	3,242	173,621
Reversal of impairment loss on trade receivables	(141)	(62)	(203)

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

8. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

As at 31st December, 2008	Mould bases HK\$'000	Metal and parts HK\$'000	Total HK\$'000
CONSOLIDATED BALANCE SHEET			
ASSETS			
Segment assets	1,978,068	126,993	2,105,061
Unallocated corporate assets			373,698
Consolidated total assets			2,478,759
LIABILITIES			
Segment liabilities	385,722	19,891	405,613
Unallocated corporate liabilities			245,167
Consolidated total liabilities			650,780

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

8. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

As at 31st December, 2007	Mould bases HK\$'000	Metal and parts HK\$'000	Total HK\$'000
CONSOLIDATED BALANCE SHEET			
ASSETS			
Segment assets	2,195,764	179,110	2,374,874
Unallocated corporate assets			338,513
Consolidated total assets			2,713,387
LIABILITIES			
Segment liabilities	443,000	4,553	447,553
Unallocated corporate liabilities			680,807
Consolidated total liabilities			1,128,360

(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:

	Revenue	
	2008 HK\$'000	2007 HK\$'000
The PRC (including Hong Kong)	2,628,434	2,317,309
Other countries	445,113	384,790
	3,073,547	2,702,099

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

8. SEGMENT INFORMATION *(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	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
The PRC (including Hong Kong)	1,922,897	2,195,764	220,066	88,410
Other countries	182,164	179,110	8,510	1,587
	2,105,061	2,374,874	228,576	89,997

9. OTHER INCOME

	2008 HK\$'000	2007 HK\$'000
Interest income	3,226	5,180
Rental income, net of direct outgoings of approximately HK\$229,000 (2007: HK\$244,000)	2,910	2,455
Gain on disposal of property, plant and equipment	513	—
Gain on disposal of a land lease	149	—
PRC tax refund on capital reinvestment	—	34,301
Sundry income	6,539	3,700
	13,337	45,636

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

11. INCOME TAX EXPENSE

	2008 HK\$'000	2007 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
– current year	84	45
– underprovision in prior years	972	–
	1,056	45
Taxation in jurisdictions outside Hong Kong		
– current year	127,077	53,003
– underprovision in prior years	395	699
	127,472	53,702
Deferred taxation (<i>note 25</i>)		
– current year	12,517	1,634
– attributable to a change in tax rate	(103)	–
	12,414	1,634
	140,942	55,381

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

Taxation in jurisdictions outside Hong Kong is calculated based on the applicable rates in those jurisdictions. The domestic tax rate applicable to the jurisdictions where the operations of the Group is substantially based is 25% (2007: 24%).

On 16th March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the “New Law”) by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group’s subsidiaries in the PRC was increased from 24% to 25% from 1st January, 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, one of the Company’s PRC subsidiaries is entitled to an exemption from PRC income tax for next two years starting from their first profit-making year, followed by a 50% relief in tax rate for the next three years. 2007 is the first year of tax exemption granted to that subsidiary. Under the New Law, the relief shall continue and be accounted for based on the new tax rate of 25%.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

11. INCOME TAX EXPENSE (continued)

Pursuant to an approval by the relevant PRC tax authority, one (2007: two) of the Company's PRC subsidiaries is granted advanced-technology relief from 50% PRC income tax for three years commenced from the year of grant. Under the New Law, the subsidiary continues to enjoy the tax relief, which will be ended in 2009, by enjoying the concessionary tax rate of 14%.

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

	2008 HK\$'000	2007 HK\$'000
Profit before taxation	433,230	362,881
Tax at PRC income tax rate of 25% (2007: 24%)	108,308	87,091
Tax effect of non-deductible expenses	28,571	20,261
Tax effect of non-taxable income	(4,443)	(6,042)
Utilisation of tax losses previously not recognised	(10,278)	(4,283)
Tax effect of unused tax losses not recognised	3,038	3,814
Underprovision in prior years	1,367	699
Tax effect of tax exemption and relief granted to PRC subsidiaries	(2,079)	(46,788)
Effect of different tax rates of subsidiaries operating in other jurisdictions	2,817	629
Decrease in opening deferred tax liabilities resulting from a change in tax rate	(103)	—
Deferred tax liabilities arising on undistributed profits of PRC subsidiaries from 1st January, 2008 onwards	13,744	—
Tax charge for the year	140,942	55,381

Details of deferred taxation are set out in note 25.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

12. PROFIT FOR THE YEAR

	2008	2007
	HK\$'000	HK\$'000
Profit for the year has been arrived at after charging (crediting):		
Allowance for inventories	23,405	49,423
Auditors' remuneration		
— current year	3,329	3,543
— (over) underprovision in prior year	(256)	417
(Gain) loss on disposal of property, plant and equipment	(513)	956
Gain on disposal of a land lease	(149)	—
Gross foreign exchange loss	1,833	11,147
Gross foreign exchange gain	(6,026)	(20,665)
Loss on fair value change in derivative financial instruments	1,601	1,468
Operating lease rentals in respect of		
— rented premises	11,898	11,085
— plant and machinery	127	109
Release of prepaid lease payments	1,041	1,029
Retirement benefits scheme contributions, net of forfeited contributions of approximately HK\$731,000 (2007: HK\$1,141,000)	29,428	22,335
Impairment loss (reversal of impairment loss) on trade receivables, net	2,753	(203)

13. DIVIDENDS

	2008	2007
	HK\$'000	HK\$'000
Dividends recognised as distribution during the year:		
2008 interim dividend of HK11 cents per share	68,201	—
2007 final dividend of HK15 cents per share	93,002	—
2007 interim dividend of HK8 cents per share	—	49,602
2006 final dividend of HK6.5 cents per share	—	40,300
	161,203	89,902

The board of directors have determined that a final dividend of HK11 cents (2007: HK15 cents) per share amounting to approximately HK\$68,201,000 (2007: HK\$93,002,000) should be paid to the shareholders of the Company whose names appear in the register of members on 11th May, 2009.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

14. EARNINGS PER SHARE

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

	2008 HK\$'000	2007 HK\$'000
Profit attributable to equity holders of the Company	288,333	305,851
	2008	2007
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	620,013,303	620,010,761
Effect of dilutive potential ordinary shares on exercise of share options	—	79,267
Weighted average number of ordinary shares for the purpose of diluted earnings per share	620,013,303	620,090,028

The computation of diluted earnings per share for the year ended 31st December, 2008 does not assume the exercise of the Company's outstanding share options as the exercise prices of those options are higher than the average market price per share for the year.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

15. INVESTMENT PROPERTIES

	HK\$'000
FAIR VALUE	
At 1st January, 2007	38,800
Increase in fair value recognised in the consolidated income statement	4,700
At 31st December, 2007	43,500
Decrease in fair value recognised in the consolidated income statement	(9,900)
At 31st December, 2008	33,600

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, 2008 have been arrived at on the basis of valuations carried out on that date by C S Surveyors Limited, an independent firm of qualified professional property valuers not connected with the Group. C S Surveyors Limited is a member of The Hong Kong Institute of Surveyors and has experiences in the valuation of similar properties in relevant locations. The valuations were arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

16. 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
COST							
At 1st January, 2007	21,317	400,020	179,217	1,089,986	54,155	15	1,744,710
Currency realignment	—	30,122	11,765	82,344	2,901	1	127,133
Transfer	—	5,967	2,200	—	—	(8,167)	—
Additions	—	2,327	16,349	42,172	7,703	21,446	89,997
Disposals	—	(757)	(27,642)	(7,729)	(1,833)	—	(37,961)
At 31st December, 2007	21,317	437,679	181,889	1,206,773	62,926	13,295	1,923,879
Currency realignment	—	25,041	9,526	65,318	2,587	770	103,242
Transfer	—	19,624	—	—	—	(19,624)	—
Additions	—	8,057	14,474	188,583	6,486	10,976	228,576
Disposals	—	(41,223)	(46,781)	(5,881)	(8,473)	—	(102,358)
At 31st December, 2008	21,317	449,178	159,108	1,454,793	63,526	5,417	2,153,339
DEPRECIATION AND AMORTISATION							
At 1st January, 2007	—	34,832	102,386	724,043	37,089	—	898,350
Currency realignment	—	3,481	6,956	60,651	2,341	—	73,429
Provided for the year	—	23,828	19,751	120,319	9,723	—	173,621
Eliminated on disposals	—	(131)	(27,149)	(6,628)	(1,582)	—	(35,490)
At 31st December, 2007	—	62,010	101,944	898,385	47,571	—	1,109,910
Currency realignment	—	3,776	5,164	49,989	2,180	—	61,109
Provided for the year	—	24,811	20,334	135,340	9,288	—	189,773
Eliminated on disposals	—	(16,663)	(29,671)	(5,047)	(7,628)	—	(59,009)
At 31st December, 2008	—	73,934	97,771	1,078,667	51,411	—	1,301,783
CARRYING VALUES							
At 31st December, 2008	21,317	375,244	61,337	376,126	12,115	5,417	851,556
At 31st December, 2007	21,317	375,669	79,945	308,388	15,355	13,295	813,969

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

16. 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	Over the shorter of 20 years or the term of the relevant land use right
Furniture, fixtures and fittings	15%
Plant and machinery	20%
Motor vehicles	30%

Freehold land is not depreciated and construction in progress is also not depreciated until completion of construction and the properties are ready for their intended use.

The carrying value of land and buildings above comprises:

	2008 HK\$'000	2007 HK\$'000
Freehold land outside Hong Kong	21,317	21,317
Building held under medium-term leases or land use rights outside Hong Kong	375,244	375,669
	396,561	396,986

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

17. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold lands located in the PRC held under medium-term land use rights.

	2008 HK\$'000	2007 HK\$'000
Analysed for reporting purposes as:		
Non-current asset	43,319	44,946
Current asset	1,047	1,077
	44,366	46,023

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

18. INVENTORIES

	2008 HK\$'000	2007 HK\$'000
Raw materials	550,298	688,279
Work in progress	74,352	91,935
Finished goods	15,076	20,629
	639,726	800,843

The cost of inventories recognised as an expense during the year by the Group amounted to approximately HK\$2,210,581,000 (2007: HK\$1,966,749,000).

19. TRADE, BILLS AND OTHER RECEIVABLES

	2008 HK\$'000	2007 HK\$'000
Trade receivables	527,854	627,408
Less: allowance for doubtful debts	(49,559)	(47,262)
	478,295	580,146
Other receivables	48,357	107,837
Total trade and other receivables	526,652	687,983
Bills receivable	58,674	40,349

The Group allows a credit period ranging from 30 days to 90 days to its trade customers. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts at the reporting date:

	2008 HK\$'000	2007 HK\$'000
0 to 60 days	358,757	413,665
61 to 90 days	130,405	128,450
Over 90 days	47,807	78,380
	536,969	620,495

Before accepting any new customer, the Group assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

19. TRADE, BILLS AND OTHER RECEIVABLES *(continued)*

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of approximately HK\$36,927,000 (2007: HK\$61,738,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

An aged analysis of trade receivables which are past due but not impaired is presented below:

	2008 HK\$'000	2007 HK\$'000
91 to 180 days	35,670	58,879
over 180 days	1,257	2,859
Total	36,927	61,738

Other than the above trade receivables which are past due but not impaired, the Group has provided fully for all trade receivables over 90 days.

Movements in the allowance for doubtful debts

	2008 HK\$'000	2007 HK\$'000
Balance at beginning of the year	47,262	46,874
Currency realignment	2,762	3,405
Impairment losses reversed	(3,641)	(2,673)
Amounts recovered during the year	(258)	(681)
Amounts written off as uncollectible	(3,042)	(1,945)
Impairment losses recognised on receivables	6,476	2,282
Balance at end of the year	49,559	47,262

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK\$8,897,000 (2007: HK\$2,676,000), which are considered irrecoverable by the management after consideration on the credit quality of those individual customers, the ongoing relationship with the Group and the aging of these receivables. The Group does not hold any collateral over these balances.

During the year, the Group has directly written off certain irrecoverable trade receivables to the consolidated income statement of approximately HK\$176,000 (2007: HK\$869,000) as a result of the liquidation of the relevant debtors.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

20. DEFERRED CONSIDERATION RECEIVABLE

The consideration receivable is in connection with the disposal of certain subsidiaries during the year ended 31st December, 2006. The amount is unsecured, interest-free and has been fully repaid in January 2009. Fair value of the consideration receivable was determined using an effective interest rate of 5%.

21. BANK BALANCES AND CASH

Bank balances and cash of the Group comprise bank balances and short-term bank deposits that are interest-bearing at market interest rates and are with maturity of three months or less. The bank deposits carry interest at rates ranged from 0.5% to 4.7% (2007: 1.0% to 5.5%).

22. TRADE, BILLS AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$107,691,000 (2007: HK\$196,118,000).

The following is an aged analysis of trade and bills payables at the balance sheet date:

	2008 HK\$'000	2007 HK\$'000
0 to 60 days	124,333	200,772
61 to 90 days	24,641	22,160
Over 90 days	12,151	9,520
	161,125	232,452

23. DERIVATIVE FINANCIAL INSTRUMENTS

The amount represented foreign currency forward contracts entered into by the Group as at 31st December, 2007, the major terms of which are as follows:

Notional amount	Maturity
Sell JPY577,500,000/Buy USD5,000,000	Various dates up to 28th April, 2008

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24. UNSECURED BANK BORROWINGS

	2008 HK\$'000	2007 HK\$'000
Floating-rate bank loans	203,324	636,664
Less: Amounts due within one year shown under current liabilities	(203,324)	(416,664)
Amounts due after one year	—	220,000

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

	Denominated in	
	HKD	SGD
	HK\$'000	HK\$'000
As at 31st December, 2008	—	—
As at 31st December, 2007	218,000	43,213

The effective borrowing rates of the Group ranged from 2.52% to 6.82% (2007: 3.07% to 6.26%) per annum. During the year, the Group obtained a new loan of approximately HK\$37 million for general working capital purpose.

25. DEFERRED TAXATION

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

	Accelerated tax depreciation	Revaluation of investment properties	Withholding tax	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2007	877	598	—	(1,475)	—
(Credit) charge for the year	(23)	1,651	—	6	1,634
At 31st December, 2007	854	2,249	—	(1,469)	1,634
(Credit) charge for the year	(43)	(1,561)	13,744	377	12,517
Effect of change in tax rate	(48)	(133)	—	78	(103)
At 31st December, 2008	763	555	13,744	(1,014)	14,048

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

25. DEFERRED TAXATION *(continued)*

At the balance sheet date, the Group had unused tax losses of approximately HK\$99,199,000 (2007: HK\$145,781,000) available for offset against future profits. A deferred tax asset has been recognised in respect of such tax losses of approximately HK\$6,150,000 (2007: HK\$8,392,000). No deferred tax asset has been recognised in respect of the remaining unused tax losses of approximately HK\$93,049,000 (2007: HK\$137,389,000) due to the unpredictability of future profit streams. Most of the unused tax losses may be carried forward indefinitely.

According to the New Law as mentioned in note 11, starting from 1st January, 2008, 10% withholding income tax will be imposed on dividends relating to profits earned by the companies established in the PRC in the calendar year 2008 onwards to their foreign shareholders. For investors incorporated in Hong Kong which hold at least 25% of equity interest of those PRC companies, a preferential rate of 5% will be applied. Deferred tax has been provided for in respect of the temporary differences attributable to such profits amounting to approximately HK\$274,880,000. The Group has applied the preferential rate of 5% as all the Group's subsidiaries in the PRC are directly held by an investment holding company incorporated in Hong Kong. No deferred tax has been provided for the remaining of such profits of approximately HK\$191,782,000 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

26. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Ordinary shares of HK\$0.1 each:				
At 1st January, 2007	1,000,000,000	100,000	620,005,303	62,001
Shares issued on exercise of share options	—	—	8,000	1
At 31st December, 2007 and 2008	1,000,000,000	100,000	620,013,303	62,002

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For the year ended 31st December, 2008

27. 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.

During the year ended 31st December, 2007, 7,342,000 share options with an exercise price of HK\$3.60 per share were granted on 14th November, 2007. The estimated fair value of the options granted was approximately HK\$5,204,000 (HK\$0.71 per option).

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

27. SHARE OPTION SCHEME (continued)

The above 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\$3.51
Exercise price	HK\$3.60
Expected volatility	35% per annum
Expected life	3.48 years
Risk-free rate of interest	2.69% 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 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\$4,302,000 (2007: HK\$5,653,000) for the year in relation to the share options granted by the Company.

At 31st December, 2008, the number of shares in respect of which options had been granted and which remained outstanding under the 2002 Scheme was 12,708,000 (2007: 13,502,000), representing 2.0% (2007: 2.2%) of the shares of the Company in issue at that date.

The following table discloses details of the Company's share options held by the Participants and movements in such holdings during the years ended 31st December, 2007 and 2008:

Exercise price	Date of grant	Vesting period	Exercisable period	Outstanding at 1.1.2007	Granted during the year ended 31.12.2007	Exercised during the year ended 31.12.2007	Lapsed during the year ended 31.12.2007	Cancelled during the year ended 31.12.2007	Outstanding at 31.12.2007 and 1.1.2008	Lapsed during the year ended 31.12.2008	Cancelled during the year ended 31.12.2008	Outstanding at 31.12.2008
HK\$												
3.30	25.5.2004	6 months	25.11.2004–24.5.2007	118,000	–	(8,000)	(110,000)	–	–	–	–	–
3.82	3.11.2006	1 year	4.11.2007–3.11.2010	6,680,000	–	–	–	(520,000)	6,160,000	(418,000)	–	5,742,000
3.60	14.11.2007	1 year	14.11.2008–13.11.2011	–	7,342,000	–	–	–	7,342,000	(26,000)	(350,000)	6,966,000
Exercisable at the end of the year									6,160,000			12,708,000

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

27. SHARE OPTION SCHEME (continued)

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

Exercise price	Outstanding at 1.1.2007	Granted during the year ended 31.12.2007	Outstanding at 31.12.2007 and 1.1.2008	Outstanding at 31.12.2008
HK\$	(Note)	(Note)	(Note)	
3.82	2,530,000	—	2,530,000	2,530,000
3.60	—	3,400,000	3,400,000	3,400,000
Exercisable at the end of the year			2,530,000	5,930,000

Note: The amount was restated to account for those options granted to Mr. Ting Chung Ho, an executive director of the Company appointed during the year.

During the year ended 31st December, 2007, the total amount of consideration received from the Participants for taking up the options granted was HK\$194.

In respect of the share options exercised during the year ended 31st December, 2007, the weighted average closing price of the Company's shares immediately before the date of which the options were exercised was approximately HK\$3.65.

No share option was granted during the year.

28. CAPITAL COMMITMENTS

	2008 HK\$'000	2007 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	27,660	104,681

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

29. OPERATING LEASES

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:

	2008 HK\$'000	2007 HK\$'000
Within one year	4,872	6,382
In the second to fifth year inclusive	4,952	7,721
	9,824	14,103

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

The Group as lessor

Property rental income earned during the year was approximately HK\$3,139,000 (2007: HK\$2,699,000).

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:

	2008 HK\$'000	2007 HK\$'000
Within one year	1,451	2,424
In the second to fifth year inclusive	—	1,453
	1,451	3,877

The investment properties held have committed tenants for an average term of two years.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

30. 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.

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

The total cost charged to the consolidated income statement of approximately HK\$29,428,000 (2007: HK\$22,335,000) represents contributions payable to these schemes by the Group in respect of the current accounting period. As at 31st December, 2008, contributions of approximately HK\$306,000 (2007: HK\$572,000) due in respect of the reporting period had not been paid over to the schemes.

31. 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:

	2008	2007
	HK\$’000	HK\$’000
Short-term benefits	48,730	48,408
Post-employment benefits	2,170	2,025
Share-based payment expenses	2,100	1,682
	53,000	52,115

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

32. BALANCE SHEET OF THE COMPANY

The balance sheet of the Company as at 31st December, 2008 is as follows:

	2008 HK\$'000	2007 HK\$'000
ASSETS		
Investment in a subsidiary	55,856	55,856
Loans to subsidiaries	—	17,000
Amounts due from subsidiaries	821,602	370,421
Prepayments	218	310
Bank balances	73	223
	877,749	443,810
LIABILITIES		
Accrued charges	509	939
Amount due to a subsidiary	158,266	673
Dividend payable	52	39
	158,827	1,651
NET ASSETS	718,922	442,159
CAPITAL AND RESERVES		
Share capital	62,002	62,002
Reserves (Note)	656,920	380,157
	718,922	442,159

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

32. BALANCE SHEET OF THE COMPANY *(continued)*

Note:

	Share premium HK\$'000	Share options reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January, 2007	116,042	1,035	148,287	265,364
Recognition of equity-settled share-based payments	—	5,653	—	5,653
Transfer on forfeiture of share options	—	(81)	81	—
Shares issued on exercise of share options	25	—	—	25
Final dividend for the year ended 31st December, 2006	—	—	(40,300)	(40,300)
Interim dividend for the year ended 31st December, 2007	—	—	(49,602)	(49,602)
Profit for the year	—	—	199,017	199,017
At 31st December, 2007	116,067	6,607	257,483	380,157
Recognition of equity-settled share-based payments	—	4,302	—	4,302
Transfer on forfeiture of share options	—	(428)	428	—
Final dividend for the year ended 31st December, 2007	—	—	(93,002)	(93,002)
Interim dividend for the year ended 31st December, 2008	—	—	(68,201)	(68,201)
Profit for the year	—	—	433,664	433,664
At 31st December, 2008	116,067	10,481	530,372	656,920

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

33. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Company as at 31st December, 2007 and 2008 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\$550,870,000 (Note a)	100	Manufacturing and marketing of mould bases
LKM Heatlock Company Limited	Hong Kong	HK\$7,000,000	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
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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

33. 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
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.

None of the subsidiaries had any debenture outstanding at the end of the year or at any time during the year.

Financial Summary

RESULTS

	Year ended 31st December,				
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000
REVENUE	1,599,505	1,899,482	2,135,360	2,702,099	3,073,547
PROFIT BEFORE TAXATION	268,692	286,102	182,089	362,881	433,230
INCOME TAX EXPENSE	(43,702)	(40,185)	(31,021)	(55,381)	(140,942)
PROFIT FOR THE YEAR	224,990	245,917	151,068	307,500	292,288
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE COMPANY	220,113	240,861	150,463	305,851	288,333
MINORITY INTERESTS	4,877	5,056	605	1,649	3,955
	224,990	245,917	151,068	307,500	292,288

ASSETS AND LIABILITIES

	At 31st December,				
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000
TOTAL ASSETS	1,997,743	2,006,002	2,310,684	2,713,387	2,478,759
TOTAL LIABILITIES	(985,340)	(845,048)	(1,068,936)	(1,128,360)	(650,780)
NET ASSETS	1,012,403	1,160,954	1,241,748	1,585,027	1,827,979
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	991,541	1,136,497	1,244,351	1,584,097	1,823,123
MINORITY INTERESTS	20,862	24,457	(2,603)	930	4,856
TOTAL EQUITY	1,012,403	1,160,954	1,241,748	1,585,027	1,827,979

Properties held for Investment

Investment properties

Location	Type of properties	Attributable interest	Lease term
Workshop 6 on ground floor Kwong Sang Hong Centre Nos.151-153 Hoi Bun Road Kowloon	Office premises	100%	Medium-term lease
Workshop No.2 on ground floor and the yard adjoining thereto Hung Tat Industrial Building No.43 Hung To Road Kowloon	Factory	100%	Medium-term lease
Factory A, C on G/F Mai Hing Industrial Building Nos.16-18 Hing Yip Street Kowloon	Factory	100%	Medium-term lease
Car parking space No. L2 and L5 on G/F Mai Hing Industrial Building Nos.16-18 Hing Yip Street Kowloon	Carpark	100%	Medium-term lease

Newly acquired large size high-speed machining centers provide precision & rapid profile-machining services, meeting the growing demand of high speed cutting in mould making processes

近期購入的大型高速加工中心能提供更快捷精確的形框加工服務，高速切削加工漸成為模具製造業的趨勢



Inspecting the quality of steel by viewing the micro-structure of the material under optical microscope

使用光學顯微鏡將鋼材樣本內部組織放大以檢測鋼材的品質



龍記

LKIM



Conducting detailed inspection after subsequent machining processes, to ensure meeting the requirements of customers

大型模架的每一個加工工序後也需要詳細檢測以確保符合客戶的要求



Guide pins and bushes are key components of mould bases. The Group pays serious attention at all production steps, to ensure quality on the ultimate products

導柱及導套是模架的主要配件。集團在每一個生產環節也是一絲不苟以嚴格控制品質

To inspect the dimension of mould plates with precision Coordinate Measuring Machine (CMM), to provide sufficient accuracy for inter-changeability

使用精密座標測量儀(CMM)檢測模板之尺寸以保證其精度及可互換性

Mould steels to be used in high quality moulds should be properly heat-treated in order to refine grain structure and to release internal stress

高品質模具所用的材料必須經過熱處理調質以優化內部組織及釋放內應力以達到最理想的狀態



集團



The newly installed 5-axis deep hole-drilling machine is able to produce deep holes on different planes and angles, providing more options in the design of the cooling channels and parts ejecting system

新增設的五軸深孔鉗能一次性加工不同角度的運水及頂針孔，有助提供更多的模具冷卻系統的設計選擇



Production line for extra large size mould bases, with over 20 tonnes table loading capacity, to provide services to customers engaged in the manufacturing of auto-parts, and household electrical appliances

超大型模架生產線能加工單件重達20公噸的鋼材以滿足從事汽車、家庭電器用品等客戶的需要